PA5.1 Attachment 1

ATTACHMENT 1

PWC 2018 YEAR-END REPORT TO THE BOARD OF DIRECTORS

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Toronto Parking Authority

2018 year-end report to the Board of Directors

Prepared as of May 2, 2019

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pwc

May 2, 2019

Members of the Board of Directors
Toronto Parking Authority
33 Queen Street East
Toronto ON M5C 1R5

Dear Members of the Board of Directors:

We have substantially completed our audit of the financial statements of Toronto Parking Authority (the organization or TPA) prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2018. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 2. Our draft auditor's report is included in Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of TPA who have assisted us in carrying out our work, and we look forward to your meeting on May 10, 2019. If you have any questions or concerns prior to the Board of Directors meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Risk Assurance Services

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Communications to the Board of Directors

Key matters for discussion	*Comments*
Status of the audit	We have substantially completed our audit of the 2018 financial statements (the financial statements). We have included our draft auditor's report, which reflects the enhanced auditor reporting standards effective for years ending on or after December 15, 2018, in Appendix A. Significant outstanding items at time of mailing include the following: • Receipt of signed management representation letter; • Review and approval of final financial statements; and • Subsequent events procedures.
Client service team	Terri McKinnon is your engagement leader and Matt Crisafulli is your engagement manager.
Service deliverables	The services we are providing: • Financial statement audit in accordance with IFRS for Toronto Parking Authority (TPA) • Audit of Statement of Operations for Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage The engagement letter was signed by the City of Toronto and sets out the terms and conditions for the audits, and outlines the responsibilities of the auditors, management and those charged with governance.
Audit timeline	We worked with management to develop this project timeline: • Interim visit: November 26th – 2 weeks; • Year-end visit: April 1st – 2 weeks; • Closing meeting with management: April 30, 2019; • Board of Directors meeting: May 10, 2019; • Delivery of financial statements: June 2019.
Audit approach	Our audit approach is a mixture of tests of internal controls and substantive testing and has not changed significantly from the prior year. In the current year, our work included testing of key controls in the following areas: • Revenue; • Purchases, payables and disbursements; and • Property, plant and equipment acquisitions.

Key matters for discussion	*Comments*
Audit approach - cont'd	All other areas were subject to tests of detail and substantive analytical testing.
Materiality	Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. We set a materiality level of $6,000,000 based on 10% of the net income. Reporting threshold for unadjusted and adjusted items was $600,000.
Significant audit, accounting, and financial reporting matters discussed with management	
Revenue recognition (significant risk) Auditing standards assume a rebuttable presumption, that there is a significant risk of fraud in revenue recognition in all organizations.	In particular, there is a risk of fraud in respect of off-street parking revenues due to cash that is collected from these operations. To address this risk, we tested internal controls surrounding the cash collections and reconciliations which are performed on a daily basis for parking revenues. We tested the reconciliations to ensure they were appropriately prepared and transactions accurately recorded in the general ledger. In respect of on-street parking revenues, we tested internal controls over the reconciliation of the cash collected by the security company (Inkas) and the amounts deposited by TPA. For the remaining revenue streams, we selected a sample of transactions and agreed them to supporting documentation. Our audit procedures also addressed the identification and elimination of the transactions for the parking lots managed for Toronto Transit Commission. There were no matters to bring to your attention as a result of our testing.
Management override (significant risk) Accounting regulatory authorities require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement.	To address the risk of management override of controls, and as part of our fraud procedures, we performed the following: • Obtained an understanding of the entity's financial reporting processes and the controls over major business processes; • Identified risk criteria specific to the entity to scope in journal entries for testing and utilized our new tool, Halo, to identify entries for testing. For the journal entries identified, we agreed them to supporting documentation to ensure they were authorized and appropriate; • Inquired of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; and • Incorporated an element of unpredictability into the current year audit procedures. For the unpredictable procedure, we reviewed the existence of employees at TPA. We selected 10 employees from the payroll records and contacted each employee.

Significant audit, accounting, and financial reporting matters discussed with management	
Management override - cont'd	As a result of this testing, we did not note any matters that require your attention.
Other matters	
Summary of unadjusted and adjusted items	We identified no unadjusted or adjusted items. In our opinion, the financial statements, taken as a whole, are free of material misstatement.
Management's representations	We need to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B. We requested our standard representations.
Internal controls recommendations	No significant internal control findings to report.
Key matters for discussion	*Comments*
Fraud and illegal acts	We discuss fraud risk annually with the Board of Directors. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes including: • Discussion at the Board meetings; • Presentations by management, including business performance reviews; and • Consideration of tone at the top. Are there any new processes or changes to the items above that we should be aware of? No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to confirm that the Board of Directors is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
Subsequent events	No subsequent events which would impact the financial statements other than those disclosed have come to our attention. We would like to confirm that the Board of Directors is not aware of any other subsequent events that might affect the financial statements.

Other required communications	*Summary*
Significant difficulties or disagreements that occurred during the audit	No difficulties or disagreements occurred while performing our audit that require the attention of the Board.

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

Appendix A: Draft auditor's report

Independent auditor's report

To the Board of Directors of Toronto Parking Authority

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto Parking Authority (the Authority) as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Authority's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of income and comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the

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preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(to be signed - PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.)

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May xx, 2019

Appendix B: Management representation letter

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Client Letterhead

@@, 2019

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto ON M5J 0B2

We are providing this letter in connection with your audit of the financial statements of Toronto Parking Authority (TPA) as at December 31, 2018 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of TPA and its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) (the financial statements).

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 18, 2015 and in particular with respect to the following responsibilities:

- the preparation and fair presentation of the financial statements in accordance with IFRS including disclosures;
- designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error;
- designing, implementing and maintaining an effective system of internal control to prevent and detect fraud;
- providing you with all relevant information and access, as agreed in the terms of the audit engagement; and
- ensuring all transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements
The financial statements are fairly presented in accordance with IFRS, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which TPA is subject. We have prepared TPA's financial statements on the basis that TPA is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. subledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Other information
We confirm to you that we are not required by law, regulation or custom and do not intend to issue a document (which would include or accompany the financial statements and our auditor's report thereon) with information on TPA's operations and TPA's financial results and financial position as set out in the financial statements.

Accounting policies
We confirm that we have reviewed TPA's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in TPA's particular circumstances.

Internal control over financial reporting
We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Minutes
All matters requiring disclosure to or approval of the Board of Directors have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions
All contractual arrangements entered into by TPA with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. TPA has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud
We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- All information in relation to fraud or suspected fraud of which we are aware affecting TPA involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and

- All information in relation to any allegations of fraud, or suspected fraud, affecting TPA's financial statements, communicated by employees, former employees, analysts, regulators, investors or others.

Disclosure of information
We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:

    - Contracts and related data;

    - Information regarding significant transactions and arrangements that are outside the normal course of business;

    - Minutes of the meetings of management, directors and committees of directors. The most recent meetings have been provided to us;

- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within TPA from whom you determined it necessary to obtain audit evidence.

Compliance with laws and regulations
We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

Accounting estimates and judgments
We are responsible for all significant estimates and judgments affecting the financial statements. These include fair value measurements and disclosures. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable requirements of IFRS, and are appropriately disclosed in the financial statements. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented.

We have applied the requirements of International Accounting Standard (IAS) 1, *Presentation of Financial Statements* when providing disclosure of estimates and judgments which are significant and/or material to the financial statements.

Fair value measurements
We have no plans or intentions that have not been disclosed to you, which may impact the determination of whether a fair value measurement is required in the financial statements.

In instances, where fair value measurements are required in the financial statements, we believe the fair value measurements used are consistent with the principle of establishing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, consistent with the requirements of IFRS 13, *Fair Value Measurement* (IFRS 13), in particular:

- the fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability;
- the measurement methods are appropriate and consistently applied and make maximum use of relevant and available publicly observable market inputs;
- the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied; and
- no subsequent event requires adjustment to the fair value estimates and disclosures included in the financial statements.

We have appropriately disclosed information on fair value measurements used in the financial statements in accordance with the requirements of IFRS 13 and IFRS 7 *Financial Instruments: Disclosures* (IFRS 7). We have distinguished between recurring and non-recurring fair value measurements and have appropriately classified fair value measurements in Level 1, Level 2 or Level 3 of the fair value hierarchy.

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Related parties
We confirm that we have disclosed to you the identity of TPA's related parties as defined by International Accounting Standard (IAS) 24 *Related Party Disclosures*.

We have not identified any related party transactions, as defined by IAS 24.

The list of related parties attached to this letter as Appendix A accurately and completely describes TPA's related parties and the relationships with such parties.

We confirm that we have identified all members of key management, as defined by IAS 24, and included their remuneration in the disclosures of key management compensation in the financial statements.

Going concern
There are no events or conditions that, individually or collectively, may cast significant doubt on TPA's ability to continue as a going concern.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities
We have satisfactory title or control over all assets. All liens or encumbrances on TPA's assets and assets pledged as collateral, to the extent material, have been disclosed in the notes to the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with IFRS. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which TPA is contingently liable in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims
All known actual or possible litigation and claims, which existed as at December 31, 2018 or exist now, have been disclosed to you and accounted for and disclosed in accordance with IFRS, whether or not they have been discussed with legal counsel.

Misstatements
Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

We confirm there are no uncorrected misstatements in the financial statements.

Events after balance sheet date
We have identified all events that occurred between December 31, 2018 and the date of this letter that may require adjustment of, or disclosure in the financial statements, and have effected such adjustment or disclosure.

For the following specific representations, the terms "year-end" and "year" are defined as each year-end and each year respectively, covered by the audit of the financial statements as stated above.

New IFRS pronouncements
We completed the process of evaluating the impact that will result from the adoption of IFRS 9, IFRS 15 and IFRS 16. Such impact is disclosed in Notes 3 and 4.

Cash and banks
The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of TPA.

All cash balances are under the control of TPA, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of TPA.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of TPA are included in the financial statements.

Property, plant and equipment
Each significant individual component of acquired property, plant and equipment has been accounted for separately in accordance with IAS 16, *Property, Plant and Equipment*.

We estimate that the current carrying values of property, plant and equipment, measured using the fair value model, are not materially different from the amounts that would be determined by a fair value exercise as at year-end.

No significant additions of property, plant and equipment have been charged to repairs and maintenance or other expense accounts.

Carrying values of property, plant and equipment sold, destroyed, abandoned or otherwise disposed of have been eliminated from the books and records.

Property, plant and equipment owned by TPA have been depreciated on a systematic basis over their estimated useful lives and the provision for depreciation was calculated on a basis consistent with that of the prior year.

During the year, we have reviewed the residual values of property, plant and equipment taking into account all pertinent factors. Any significant change in our assessment from the prior year has been adequately disclosed and reflected in the financial statements.

In accordance with the requirements of IAS 36, *Impairment of Assets* (IAS 36), we considered whether there are any indicators of impairment at year-end. Our conclusions have been that there were no events or changes in circumstances that indicate that the carrying values of property, plant and equipment are not recoverable. Accordingly, management was not required to perform an impairment test in accordance with IAS 36 during the year.

Accounts payable
Accounts payable that are non-interest bearing and are expected to be paid more than a year after the initial recognition date have been classified as long-term in the financial statements, initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

Unearned revenue and deferred credits
All material amounts of unearned revenue and deferred credits, including deferred income taxes, were appropriately recorded in the books and records.

Revenue recognition (IFRS 15)
We adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) on January 1, 2018. As a result, we changed our accounting policies and applied IFRS 15 retrospectively. We have disclosed all accounting policies in accordance with IFRS 15 that we consider to be significant, including as described further below. We did not identify any impact to adopting the new standard. New or amended disclosures have been provided for the year, where applicable.

The following representations are for the year ended December 31, 2018:

Contracts with Customers

- We have reviewed the criteria for revenue recognition included in IFRS 15, and have concluded that our revenue recognition policy is consistent with IFRS requirements. We have disclosed to you all related information. We have made the results of this review available to you. In particular:
    - We did not identify any revenue arrangements (including those with multiple performance obligations) which were impacted by the adoption of IFRS 15.
    - In determining the transaction price, we did not identify any terms and conditions that resulted in variable consideration. For performance obligations satisfied over time, we have recognized revenue using an appropriate method of measuring progress that depicts the transfer of control of the good or service to the customer.
    - We have complied with the disclosure requirements of IFRS 15 including disclosure related to remaining performance obligations.
    - We did not identify any contract modifications in accordance with IFRS 15.

We have fully disclosed to you separate arrangements with the same entity or parties related to that entity that are entered into at or near the same time.

Investments
With respect to TPA's investments:

Investments included in TPA's financial statements have been valued in accordance with TPA's accounting policies which are in accordance with the requirements of IFRS 9.

During the year, TPA has not entered into security lending arrangements, except as disclosed in the financial statements.

TPA has not purchased any restricted securities during the year, and does not hold any securities as at year-end which are restricted or encumbered in any way as to their resale except as disclosed in the financial statements. TPA has not entered into any agreements, nor are they in the process of entering into any agreements, to acquire restricted securities.

TPA has no open derivative contracts as at year-end.

We have identified to you all unquoted securities and derivative instruments for which fair value measurement is based on models or techniques that incorporate inputs observed from markets and inputs generated by the manager. The valuation principles used for securities and derivatives instruments whose fair values have been estimated by the manager are appropriate in accordance with IFRS and have been consistently applied and documented.

Investment income
We have appropriately classified distributions received from portfolio companies as return of capital or income based upon our knowledge of the earnings and profits of such portfolio companies.

Investment in garages
The construction projects related to the investment in garages account have not been completed as of December 31, 2018 and classification on the financial statements is appropriate.

Yours truly,

Toronto Parking Authority

Robin Oliphant, Interim President and CFO

Phyllis Gallagher, Financial Controller