

Re: AU6.9e

Toronto Parking Authority
audit results
for the year ending
December 31, 2019

Prepared as of May 14, 2020



A message from Terri McKinnon

I am pleased to provide you with the results of our audit of the financial statements of Toronto Parking Authority (the organization or TPA) for the year ended December 31, 2019.

The accompanying report is prepared 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 audit, accounting and financial reporting matters from our audit that we believe would be of greatest interest to the Board of Directors.

We have substantially completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements, pending resolution of outstanding items noted in this report. Our draft auditor's report is included as Appendix 1.

We look forward to discussing our report with you on June 3, 2020. 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,

"signed PricewaterhouseCoopers LLP"

Terri McKinnon

Partner
Assurance



On behalf of our team, I would like to express our sincere gratitude to the management and staff of TPA for their cooperation and assistance throughout the course of our audit, especially during these challenging times.



Terri McKinnon
Partner

We are reimagining the possible, investing in our people and our technology to provide you with a digitally amplified and insightful audit.



Enhancing quality.
Building trust.
Embracing innovation.

01 Status of the audit →



We have substantially completed our audit of the 2019 consolidated financial statements.

Outstanding items at the time of mailing are referred to in this report.

02 Significant audit, accounting and financial reporting matters →

1. Revenue recognition
2. Management override of controls

03 Audit findings →

Misstatements

0 Unadjusted 0 Adjusted

Control deficiencies

0 Significant deficiencies 0 Material weaknesses

04 Other items for discussion →

05 PwC Canada's response to COVID-19 →

06 Appendices →



01

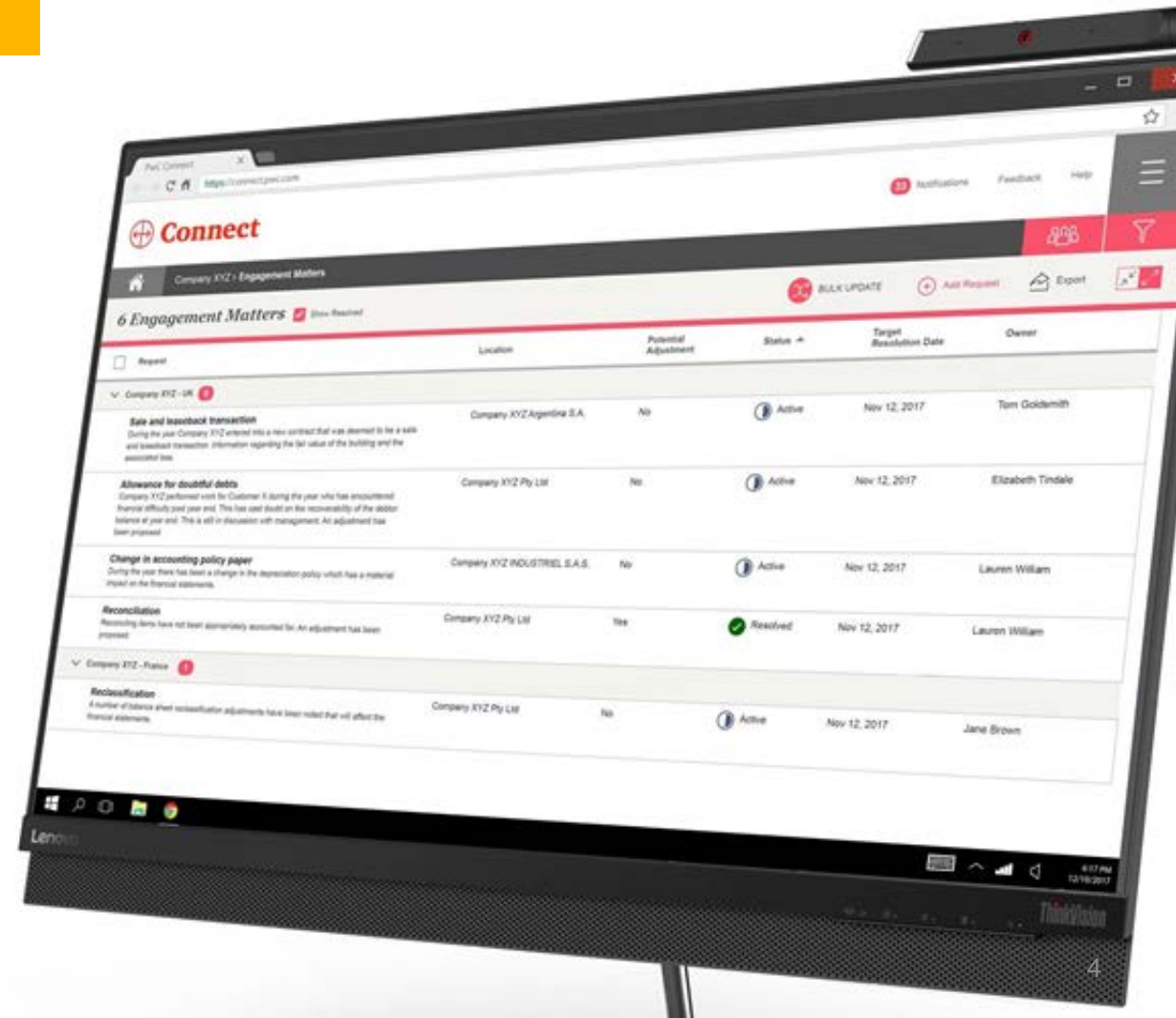
Status of the audit



We have substantially completed our audit of the 2019 financial statements.

The following items are outstanding at the time of mailing and need to be addressed before we can issue our auditor's report. We will provide an update on the status of these items at our upcoming meeting.

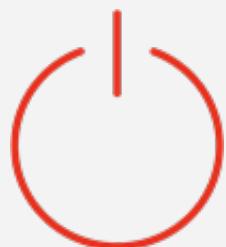
1. Receipt of signed management representation letter;
2. Subsequent event procedures; and
3. Board of Directors' approval of the financial statements.





02

Significant audit, accounting and financial reporting matters



We are responsible for discussing our views about the significant qualitative aspects of the organization's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.



Significant audit, accounting and financial reporting matters

Audit risks and results

Revenue recognition (significant risk)

Background information

Auditing standards assume a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all organizations. |

PwC's views

In particular, there is a risk of fraud in respect to off-street parking revenues due to cash that is collected from these operations. To address this risk, we tested internal controls surrounding cash collections and reconciliations which are performed on a daily basis for parking revenues. We tested the reconciliations to ensure they are appropriately prepared and transactions accurately recorded in 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 reconciled them to supporting documentation. Our audit procedures also addressed the identification and elimination of the transactions for the parking lots managed for the Toronto Transit Commission.

There were no matters to bring to your attention as a result of our testing. |



Significant audit, accounting and financial reporting matters

Audit risks and results

Management override of controls (Significant risk)

Background information

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.

PwC's views

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 data analytics tool, Halo, to identify entries for testing. For journal entries identified, we reconciled 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 procedures, we reviewed the existence of vendors of TPA. We selected 10 vendors from the vendors listing, performed research online and contacted each vendor.

As a result of this testing, we did not note any matters that require your attention.



Significant audit, accounting and financial reporting matters

Other areas of focus

Financial Reporting - IFRS 16

Background information

TPA adopted IFRS 16, Leases, effective January 1, 2019 using the modified retrospective approach. Management was required to assess whether a contract contained a lease under IFRS 16, which means TPA has the right to control the use of an asset during the contract. TPA assessed all agreements and identified the agreements that contain leases under IFRS 16. IFRS 16 requires a lessee to recognize assets and liabilities for all leases and amortize lease assets separately from interest on lease liabilities in the Statement of Income and Comprehensive Income.

PwC's views

We have reviewed management's assessment of the adoption of IFRS 16, including the following:

- Inquired of those involved in the adoption process and obtained management's analysis;
- Selected a sample of agreements and validated management's conclusions;
- Reviewed management's analysis for determining the discount rate, assessed reasonableness of the rate and performed sensitivity analysis;
- Tested the initial adoption of IFRS including the beginning balance for right-of-use assets and lease liabilities; and
- Tested the subsequent measurement of the lease liability.

As a result of this testing, we did not note any matters that require your attention.



Significant audit, accounting and financial reporting matters

Other areas of focus

Impairment - Investment in Garage

Background information

TPA sold the air rights to a developer for 50 Cumberland Street in 2011 and as part of the purchase and sale agreement \$32 million of the proceeds was held back from the purchase price by the purchaser to build a parking garage. The parking garage was recorded as an asset, Investment in Garage, on the balance sheet in 2011 until the property is developed. Early in 2020, the developer filed for insolvency and construction has been halted.

As a result, management was required to assess whether there is an impairment of the asset.

PwC's views

- In accordance with IAS 36 (Impairment of Assets), an analysis over whether there are any indicators of impairment related to the asset was required. The insolvency of the developer was identified as an indicator that the asset may be impaired.
- Management provided a memo regarding their views given the circumstances and concluded that the asset was not impaired as there are performance bonds in place to ensure the construction of the parking garage would be completed.
- PwC reviewed management's analysis and the supporting legal documents and determined that the performance bond is sufficient to support the recoverability of the asset. Therefore, the fair value of the investment of garage would be equal to that of the performance bond, which is valued higher than the carrying value of the asset.

As the fair value of the cash generating unit exceeds the carrying value, PwC agreed with management's conclusion that there is no impairment of the asset.



03

Audit findings



We are required to communicate any unadjusted and adjusted items, including disclosures and items that relate to prior periods or could impact future periods, and the effect that they may have on our opinion.

Audit findings

Summary of unadjusted and adjusted items

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

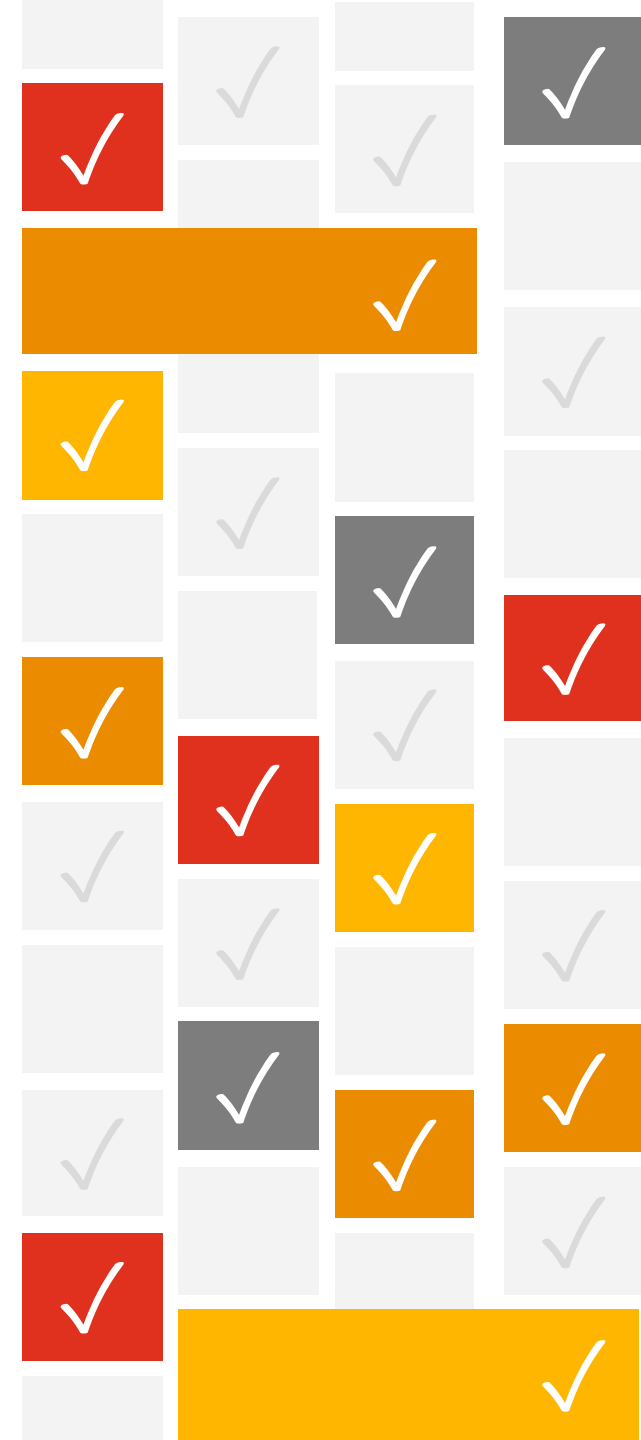
We set overall materiality of \$7,876,000 based on 10% of net income for the year. We reported unadjusted items over \$787,600 to the Board of Directors.

Unadjusted items

We did not identify any items that remain unadjusted in the financial statements.

Adjusted items

We did not identify any items that were communicated to management and subsequently corrected in the financial statements.





04

Other items for discussion



Working in harmony with you, we combine our judgment and experience to communicate matters that may assist you in overseeing both management's financial reporting process and our commitment to an effective audit.



Other items for discussion

Required communications

Draft auditor’s report	The draft auditor’s report is included in Appendix 1.
Management’s representations	<p>We are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix 2.</p> <p>We requested our standard representations. </p>
Internal controls recommendations	We have no significant internal control recommendations to report.
Fraud and illegal acts	<p>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:</p> <ul style="list-style-type: none"> • Discussion at the Board meetings; • Presentations by management, including business performance reviews; and • Consideration of tone at the top. <p>Are there any new processes or changes to the items above that we should be aware of?</p> <p>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.</p> <p>We would like to reconfirm that the Board of Directors is not aware of any such fraud or illegal acts not previously discussed with us.</p>





Other items for discussion

Required communications

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.

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.





05

PwC Canada's response to COVID-19



We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



PwC Canada's response to COVID-19

One of our core values is care. This means personally caring about each and every person who works for our organization, our clients, and is part of our communities. The health and safety of all these individuals, and their families, is our number one priority. Therefore, a component of our business continuity efforts is around pandemic planning. We believe pandemic planning and response efforts are a continuous cycle of information sharing and teaming with experts to help prevent, contain and recover from infectious diseases and viruses impacting our people and our clients.

While this coronavirus presents new challenges, PwC's approach to managing external risks remains the same — including our commitment to the safety of our people and having an open dialogue with internal and external stakeholders.

PwC has a well established Business Continuity and Disaster Recovery plan which includes pandemic planning to ensure that the firm can respond and operate within a range of scenarios. With regards to COVID-19, PwC has taken the necessary steps including implementing travel restrictions and equipping our staff with the tools they need to work remotely to continue to assist you in this challenging time.

Our technology enabled approach allows us to continue to deliver our services seamlessly:

- Our teams are working remotely and have the technology needed to do so. We also have the ability to conduct essential meetings with management and Audit Committees via voice/video conferencing and expect no disruption in this regard.
- We will stay connected with local management and be responsive to changes, particularly in terms of your policies and working practices.
- We have digital tools, like Connect, DocuSign and Google Visitor Sharing, to electronically administer the secure sharing of supporting documentation and deliverables between PwC and you.
- Our National office is evaluating the most effective way to address remote work options for procedures ordinarily conducted in person. We will work with management to complete these procedures safely and consistently with the policies instituted by both of our institutions.

We appreciate the potentially significant challenges this may have on your people, your operations and results. We are committed and prepared to support you and ensure continuity of our services during this difficult time.



Use PwC's COVID-19 Navigator tool to assess the potential impact to your business and gauge your readiness to respond.

<https://www.pwc.com/ca/en/covid-19/response-navigator.html>



Are you prepared for the potential impacts of COVID-19?

Financial reporting and finance

Potential impacts could arise in the areas of:

- Liquidity and going concern
- Impairment of non-financial assets
- Measurement of financial instruments
- Restructuring
- Insurance benefits
- Employee benefits
- Disclosures
- and more

Other key areas of focus

Other key areas that business leaders should focus on include:

- Workforce
- Crisis management and response
- Operations
- Financial planning and analysis

> Read PwC In depth: Accounting implications of the effects of coronavirus

This In depth considers the broad implications of COVID-19 on periods ending after December 31, 2019.

<https://inform.pwc.com/show?action=applyInformContentTerritory&id=2033163303178016&tid=37>

> Read COVID-19: What Canadian business leaders should know and listen to our weekly webcasts

This page includes content related to the key areas of focus and daily updates on the Government economic response

<https://www.pwc.com/ca/en/covid-19.html>



Click for more survey results
<https://www.pwc.com/us/en/library/covid-19/pwc-covid-19-cfo-pulse-survey.html>

Survey results displayed above are as of March 25, 2020.



Impact of COVID-19 on the audit

Financial reporting and audit impact

Area of focus	Description	PwC response
Impact on operations	Due to social distancing measures put in place as a result of the pandemic and closure of non-essential business, there has been a decline in parking revenues in fiscal 2020 due to the reduction of travel in the city. In addition, there have been employee emergency leaves and reduction of employee work weeks.	<ul style="list-style-type: none"> As the event has taken place subsequent to year-end, a subsequent note has been included in the financial statements to describe the impact on fiscal 2020 revenues and workforce.
Disclosures in financial statements	Additional disclosures may be required regarding the effect of COVID-19 on your operations within financial statements, based on PSAS disclosure standards.	<ul style="list-style-type: none"> The subsequent event note also includes a reference to fiscal 2020 revenues.



Appendices

06

- 1 Draft auditor's report
.....
- 2 Management representation letter
.....
- 3 Responding to COVID-19
.....



Appendix 1

Draft auditor's report





Appendix 2

Management representation letter





Appendix 3

Responding to COVID-19





Responding to

potential business impacts of the COVID-19 outbreak

The coronavirus, officially known as COVID-19, has been declared a public health emergency of international concern by the [World Health Organization](#), causing significant impact on people's lives, families and communities. Chinese health officials have reported tens of thousands of infections in China, with the virus reportedly spreading from person to person. Infections are being reported in a growing number of international locations, including Canada.

As the global response continues to evolve, companies across all industries are facing several potentially significant challenges to which they need to respond rapidly. Industry sectors such as retail, transportation, hospitality and industrial products are particularly impacted.

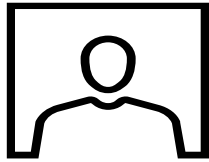
PwC specialists have significant experience helping a diverse range of companies build their crisis response capabilities, and have helped them respond and emerge stronger from some of the most highly publicized crises in recent history.



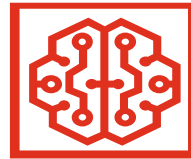
Responding to COVID-19: What Canadian business leaders should know



We know that as this situation unfolds, you are grappling with confusion, fear and a multitude of concerns. First and foremost, the safety and security of your people are your first priority. Our Global Crisis Centre team has been actively monitoring the situation and connecting with impacted companies and organizations since last month. We've worked with a diverse range of companies, helping them through some of the most publicized crises and disruptive events in recent history. We are prepared to help you manage the wide range of challenges affecting your organization.



Workforce: Protect your people + assets



Crisis management + response: Confidently navigate disruptive events



Financial Planning and Analysis: Rapid Scenario Planning and Business Intelligence

Our Global Crisis Centre is a team dedicated to enabling the PwC network to support our clients during their most stressful times. When a crisis hits, we can bring together people with the necessary skills within hours.

We bring the **right experts** to you **quickly**

We enable you to **continue to run your business**

We identify **priorities**, while not losing sight of the **bigger picture**

We share **insights** specific to your industry, region and crisis type

Workforce: Protect your people and assets



Common challenges + worries

- Tracking and having visibility into the safety, security and well-being of your workforce, including those on business travel and secondment. Travellers may be subject to quarantines, or may overstay visas due to travel restrictions
- Protecting employees and keeping the work environment safe, particularly for those in critical business operations roles
- Having timely and accurate information — and ability to fact-check it — in order to make important workforce decisions (e.g., regulation requirements, travel bans, evacuations)
- Ability for leaders to confidently guide their workforce, while inspiring them, managing fear, and reliably communicating news and contingency planning
- Having the infrastructure and management capabilities to support flexible and remote work arrangements
- Setting up hotlines so your workforce can ask questions and you can provide guidance and manage misinformation
- Managing and getting ahead of any negative publicity in cases where you don't respond in "just the right way"

Suggested next steps

- Align leaders on crisis communications readiness, and develop strategy and execution plans
- Get HR ready: review flexible and remote work, immigration, travel, first aid, and other relevant policies and regulations
- Ensure workforce safety: test emergency contact systems and ensure the accuracy of contact information for all employees
- Ramp up remote working and communication capabilities, prioritizing technology, IT infrastructure and security
- Review contingency plans for compromised infrastructure, power, water, fuel, transport
- Ensure the site management team's readiness on crisis response protocols (e.g., OSHA compliance) for those on-site

How we've helped others

In the wake of a prolific virus outbreak, a governmental client needed to rapidly reach out to their 270,000 health employees across the country. PwC worked directly with senior government officials to develop the internal communications strategy and plans for the Ministry of Health. We drafted content for internal communications on raising awareness of the virus in non-affected hospitals. This expanded to inform all health employees of the risks of a different outbreak on another continent. We also included a number of new communication channels to help drive employees online, including communication hotspots in sites across the country.

Our team has also helped multiple clients in the areas of communications, leadership alignment, and behavioral change as part of large scale risk and regulatory / crisis response.

You are not alone. We are here to help.

- Global employee mobility
- Immigration deployment + workforce planning
- Flexible work arrangements and remote working models
- Health + Welfare benefits planning
- Human Capital Management strategies
- Leadership + Communications
- Communications strategy + planning: direct to affected areas; duty of care; reactive communications
- Remote technology planning, IT infrastructure, security plans
- Organization purpose + strategy planning
- Inclusive work culture
- Corporate culture
- Employee well-being strategy



Dave Peters
Partner, People & Organization
+1 403-509-7481
dave.peters@pwc.com

Crisis Management + Response: Confidently navigate disruptive events



Common challenges + worries

- Not knowing who is in charge of managing the organization response
- Feeling that you are unprepared to handle the crisis or losing control of the situation
- Not understanding the crisis plan, or knowing where it is and who owns it
- Worrying that you don't have the right data to inform the decisions you need to make today
- Dealing with uncoordinated or competing internal priorities that can lead to internal or external miscommunications
- Succumbing to stakeholder pressures to take immediate action before the full picture is clear
- Neglecting critical stakeholders - including employees
- Losing authenticity and credibility because of mixed messaging or negative public sentiment
- Identifying longer-reaching risks and impacts
- Not knowing which experts to call

Suggested next steps

- Review crisis and business continuity plans
- Establish a core crisis team to coordinate response efforts and define objectives
- Identify functional workstreams and align activity with response objectives
- Determine strategies for engaging with key internal and external stakeholders
- Base the immediate response and communications on established facts
- Develop different scenarios and put them to the test in order to prepare for unknown variables surrounding the outbreak

How we've helped others

A major consumer financial data company publicly announced a significant data breach and sought support on various fronts related to crisis management, data security, business operations and strategy. The company needed to develop a response strategy for the immediate incident, while also engaging with regulators, customers and business partners about their plan to transform their security system to address longer-term business concerns.

PwC assisted the client with a host of response activities, including by helping them design and execute a stakeholder engagement strategy to align relevant business customers with the scope, impact and remediation plan that the company had developed.

You are not alone. We are here to help.

Prepare

- Planning and capabilities review
- Current state assessment and remediation roadmap
- Crisis scenario planning
- Exercises and simulations

Respond

- Response team mobilization
- Strategy and governance model
- Stakeholder engagement strategy
- Operational response and fact-finding support

Emerge stronger

- Recovery strategy and "looking around the corner"
- Crisis program build and enhancements
- Employee training and plan socialization



Domenic Marino
Partner, National Forensics & Crisis
Leader

+1 416- 941-8265
domenic.marino@pwc.com

Financial Planning and Analysis: Rapid Scenario Planning and Business Intelligence



Common challenges + worries

- Increased pressure to re-forecast cash flows and scenario analysis from internal and external stakeholders (e.g. City of Toronto, Board of Directors, creditors, etc.)
- Having sufficient forecast information to enable your sales and operational teams to make effective decisions.
- Ensuring your forecast tools can adequately capture “downside” scenarios, incorporating impacts of fixed, variable and step-variable costs as well as sales and operational planning issues
- Ensuring you have robust forecast assumptions/drivers to allow you to confidently communicate the expected impact of COVID-19 on your operations. For example:
 - What is the overall impact on demand for our sector and business compared to others?
 - How would a lockdown impact our operations (e.g. demand, revenue opportunities, workforce productivity, etc.)?

Suggested next steps

- Rapid assessment of your current state forecasting and scenario planning capabilities. In particular, forecast tools needed to enable rapid updates and their granularity must meet the needs of relevant stakeholders to support better decision making, particularly around sales and operational planning
- Leveraging data and analytics to provide better business intelligence supporting your forecast assumptions
- Leveraging external data sources and predictive analytics to enhance the forecast process, including consideration of impact of comparable incidents (e.g. SARS, swine flu, etc.)

How we've helped others

- Development of strategic cash flow models based on value drivers that are aligned to the needs of the business and key stakeholders
- Development of 13 week cash flow models (based on receipts and disbursements of the business) that incorporate demand, and supply chain realities to better manage day-to-day cash flow
- Leveraging data and analytics to develop better business intelligence for forecast assumptions, incorporating internal and external data sources
- Utilizing predictive analytics to help forecast demand based on key variables (e.g. demographic, macroeconomic trends, prior incidents, etc)

You are not alone. We are here to help.

- Driver based **strategic planning models** that forecast cash flows under various scenarios.
- Detailed **13 week cash flow models** to support day-to-day cash flow management.
- **Data and analytics** to provide better business intelligence for key forecast assumptions.
- **Predictive forecasting** to provide greater insights into demand forecasting and risk assessment.
- **Financial model review** to enhance confidence in your forecast tools.



Michael Shea

Partner, Value Creation Financial Modelling + Analytics

+1 416-687-8025
michael.shea@pwc.com



Michael McTaggart

Partner, Corporate Advisory and Restructuring

+1 416-687-8924
michael.mctaggart@pwc.com



[pwc.com/ca](https://www.pwc.com/ca)

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.

© 2020 PricewaterhouseCoopers LLP, an Ontario limited liability partnership. All rights reserved.

PwC refers to the Canadian firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.