Deloitte.

2016 Year-end audit communication

Calgary Parking Authority

For the year ended December 31, 2016
Presented to the Audit Committee
March 23, 2017

Deloitte LLP
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March 8, 2017

To the Chairman and members of the Audit Committee of Calgary Parking Authority

Dear Audit Committee Members:

Report on audited financial statements

As agreed in our engagement letter dated November 3, 2016, we have performed an audit of the financial statements of Calgary Parking Authority (the "Authority") as at and for the year ended December 31, 2016, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit report thereon dated March 30, 2017.

This report summarizes our findings during the audit to date. Our audit has been conducted in accordance with the Audit Plan that was presented to the Audit Committee members at the meeting held on November 3, 2016.

Use of our report

This report is intended solely for the information and use of the Audit Committee, management and others within the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the officers and employees of the Authority with whom we worked to discharge our responsibilities.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

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Audit scope matters

Canadian GAAS require that we communicate to the Audit Committee on the following matters:

Audit strategy and scope	The audit planning and the preliminary risk assessment activities we conducted enabled us to set the scope of our audit and to design procedures tailored to that scope. The December 31, 2016 audit was conducted in accordance with our audit plan presented on November 3, 2016.
Materiality	Materiality is the magnitude of misstatements, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement. Canadian GAAS require that we determine performance materiality for the purpose of assessing the risks of material misstatement of the financial statements and determining the nature, timing and extent of our audit procedures. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality is set at a lower level than materiality, so that if misstatements are detected, we may nevertheless be able to conclude with reasonable assurance that the uncorrected misstatements both individually and in the aggregate do not exceed materiality. Materiality levels were determined on the basis of total revenue and we used a final materiality level of $2,500,000 for the year ended December 31, 2016 (2015, $2,460,000).
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.
Related party transactions	Related party transactions are disclosed in Note 18 to the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments made by management concerning measurement or disclosure.

Management judgment and accounting estimates	Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards. During the year ended December 31, 2016, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies. Our views on the significant quantitative and qualitative aspects of the judgments and estimates made by the Authority's management are presented on page 6 of this report.
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the Authority has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Management is responsible for ensuring that the Authority's operations are conducted in accordance with the laws and regulations applicable to the Authority in the jurisdiction in which it operates. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations. Our comments on legal and regulatory non-compliance matters are restricted to those that came to our attention during the course of our substantive procedures and should not be considered to be exhaustive. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Authority, subject to the receipt of legal letters.
Post-statement of financial position	Management is responsible for assessing subsequent events up to the date of the release of the financial statements. At the date of finalizing this report, we are not aware of any significant post-statement of financial position events.
Management representation letter	A draft version of the management representation letter to be signed by management is included in Appendix 3.
Independence	We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. As required under Canadian GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Audit Committee for the year ended December 31, 2016. A draft version of the independence letter is included in Appendix 2.
Quality control	Our Firm's quality control process embraces each of the elements identified in the Chartered Professional Accountants of Canada ("CPA Canada") Handbook sections covering Canadian standards of quality control for firms that perform audits and reviews of financial statements and other assurance engagements.
Fees	In our audit plan, we communicated proposed fees of $85,075 for the audit and $5,000 to audit the adjustments from International Financial Reporting Standards ("IFRS") to Public Sector Accounting Standards for purposes of consolidation with The City of Calgary. These proposed fees exclude the administration charge, expenses and applicable taxes. We have no changes to the proposed fees.
Communications	As a part of our audit plan, we committed to communicate certain matters to the Audit Committee on a regular basis or as specified events occur. These communications are included in Appendix 5 of this report.

Audit findings

This report summarizes the main findings arising from our audit to date.

Status of our audit	We expect to be in a position to render our audit opinion dated March 30, 2017 on the financial statements of the Authority as at and for the year ended December 31, 2016 (the "financial statements") following approval of the financial statements by the Board of Directors and the completion of the following outstanding procedures: • Receipt of signed management representation letter; • Receipt of legal letters; • Review of final financial statements, following approval by the Board of Directors; and • Minor documentation matters.
Internal control	We did not identify any deficiencies in internal controls that existed as at December 31, 2016 that we concluded to be significant. We have however, identified management letter points for consideration. These are included in Appendix 4.
Uncorrected misstatements	In accordance with Canadian GAAS, we request that all misstatements be corrected. We are required to accumulate and communicate all uncorrected misstatements greater than $125,000 (2015, $123,000), computed as 5% of materiality and those that are quantitatively insignificant but qualitatively significant. We identified uncorrected misstatements during the audit. Refer to the management representation letter, included in Appendix 3, for a listing of the uncorrected misstatements.
Unadjusted disclosure deficiencies	In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected. We carried forward one unadjusted disclosure deficiency from the prior year. Refer to the management representation letter, included in Appendix 3, for details. There were no new unadjusted disclosure deficiencies identified during the current year audit.
Conclusion	In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the Authority's financial statements prepared in accordance with IFRS. No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested. We intend to issue an unmodified audit report on the financial statements of the Authority for the year ended December 31, 2016 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board of Directors. A draft version of our Auditor's report is included in Appendix 1.

Audit risks

Our audit plan identified certain areas that we refer to as significant risks. There have been no changes to these risks nor have any additional risks been identified since our previous communication. The results of our audit work on these risks are set out below:

Significant risks

Areas of risk	Our audit response	Our conclusion
Revenue recognition – ParkPlus and Parking Control Revenue We have pinpointed this risk to revenue relating to the ParkPlus SystemTM ("Parkplus") and Parking Control revenue which may be understated or inaccurately recorded. Parking Control revenue could also be misclassified on financial statements.	We made enquiries of management regarding relevant internal controls to assist them in ensuring the accuracy and completeness of these revenue streams as well as the classification of Parking Control revenue. We evaluated the design and implementation of those internal controls including testing of the reconciliations between ParkPlus, Beanstream and PeopleSoft. We performed substantive audit procedures on these revenue streams.	Based on the procedures performed, we conclude that the ParkPlus SystemTM and Parking Control revenues are not materially misstated in the context of the financial statements taken as a whole.
Valuation of long-term investments (relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits)	As these investments are held through the City of Calgary (the "City") Treasury department, we held discussions with City personnel and performed procedures to assess the reasonableness and appropriateness of the fair value of long-term investments, including a review of the valuation techniques and inputs used.	Based on the procedures performed, we concur with management's assertion that long-term investments are not materially misstated in the context of the financial statements taken as a whole.
Management override of controls	We engaged in periodic fraud discussions with certain members of senior management and the Chair of the Committee. We considered the potential for bias in judgements and estimates, including performing retrospective analysis of significant accounting estimates. We evaluated the business rationale for any significant unusual transactions. We evaluated the Authority's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process. We tested journal entries that exhibit characteristics of possible management override of controls, identified using manual selection techniques.	Based on the performance of our audit procedures, we have not identified any instances of management override of controls.

Internal control matters

As part of our financial statement audit, we are required to consider many components of internal controls, which assist us in determining the risks of material misstatement and the identification of internal controls that will be relevant for our audit. Not all controls are relevant to every audit. For example, some internal controls may exist to address operational risks. For those controls deemed relevant to our audit, we evaluated the design of these controls and determined whether they were implemented. The procedures undertaken during this process allow us to consider whether or not our audit strategy will further rely on the operating effectiveness of those identified internal controls. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively throughout the period of reliance. The determination of whether or not we will test the operating effectiveness of controls is determined on an engagement by engagement basis.

In our audit of the Authority's financial statements, we applied a substantive audit approach to testing of account balances and as such we did not rely on internal controls, but tested the design and implementation of certain internal controls relevant to financial reporting and general IT controls.

We did not identify any significant deficiencies or material weaknesses in internal controls during the course of our audit.

Accounting practices, judgments and estimates

The accounting policies described in Note 2 and 3 of the financial statements are those that are most important to the portrayal of the Authority's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

Significant accounting policies

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under IFRS and are appropriate to the particular circumstances of the Authority.

Significant accounting estimates and judgments

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with IFRS and is appropriate to the particular circumstances of the Authority.

Appendix 1 – Draft version of our Auditor's report

Independent Auditor's Report

To the Directors of Calgary Parking Authority

We have audited the accompanying financial statements of Calgary Parking Authority, which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Parking Authority as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
March 30, 2017

Appendix 2 – Draft independence

March 30, 2017

The Members of the Audit Committee and the Board of Directors of
Calgary Parking Authority

Dear Members:

We have been engaged to audit the financial statements of Calgary Parking Authority (the "Authority") for the year ended December 31, 2016.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Authority, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator / ordre and applicable legislation, covering such matters as:

(a) Holding a financial interest, either directly or indirectly, in a client;

(b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;

(c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;

(d) Economic dependence on a client; and

(e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 24, 2016, the date of our last letter.

We are not aware of any relationships between the Authority and our Firm, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 25, 2016 to March 30, 2017.

The total fees charged to the Authority for audit services were $91,030, plus an additional $5,350 for the audit of the adjustments from International Financial Reporting Standards to Public Sector Accounting Standards.

We hereby confirm that we are independent with respect to the Authority in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta as of March 30, 2017.

This letter is intended solely for the use of Audit Committee, the Board of Directors, management and others within the Authority and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Appendix 3 – Draft management representation letter

[Client letterhead]

March 30, 2017

Deloitte LLP
700, 850 – 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Financial statements of Calgary Parking Authority for the year ended December 31, 2016

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calgary Parking Authority (the "Authority" or "we" or "us"), and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, financial performance, and cash flows of the Authority in accordance with International Financial Reporting Standards ("IFRS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Authority and Deloitte dated November 3, 2016 for the preparation of the Financial Statements in accordance with IFRS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Authority as at December 31, 2016 and the financial performance and cash flows for the year then ended in accordance with IFRS.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with IFRS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with IFRS. The Authority has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with IFRS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2016 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management’s method of determining significant estimates in the current year.

3. All related party relationships and transactions, including associated amounts receivable and payable, have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of IFRS.

4. We have determined that the Financial Statements are complete as of March 30, 2017, as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected, all final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.

5. We have completed our review of events after December 31, 2016 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which IFRS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

6. The Financial Statements are free of material errors and omissions.

   We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

   As a result of our evaluation process, we identified certain disclosures that, although required by IFRS, have been omitted from our Financial Statements. Those omitted disclosures that are more than inconsequential are noted below. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the Financial Statements as a whole.

Disclosure title	**Reference**	**Description**
Disclosure of parking restriction benefit	IAS 16.79(d)	Through the fair valuation of the parkades, upon transition to IFRS, it was determined that the fair value assigned on transition includes a parking restriction benefit to the Authority. This parking restriction benefit has not been disclosed as a separate component of property, plant and equipment in the notes to the financial statements.

7. The Authority, through The City of Calgary, has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Information provided

8. We have provided you with:

    a. 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. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the Authority and do not reflect any activities or expenses of any other person or entity;

    b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and

    c. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

9. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.

10. 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.

11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

    a. Management;

    b. Employees who have significant roles in internal control; or

    c. Others where the fraud could have a material effect on the Financial Statements.

12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the Authority that have been communicated by employees, former employees, analysts, regulators or others, whether written or oral.

13. We have disclosed to you all communications from regulatory agencies and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

14. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.

15. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with IFRS.

17. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

18. We have disclosed to you, and the Authority has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

19. We have disclosed to you all the documents that we expect to issue that may comprise other information.

Independence matters

For purposes of the following paragraph, “Deloitte” shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

20. Prior to the Authority having any substantive employment conversations with a former or current Deloitte engagement team member the Authority has held discussions with Deloitte and obtained approval from the Audit Committee.

Fair value of investment properties

21. The Authority has appropriately applied IAS 40, *Investment Property* (“IAS 40”), and has elected to measure all of its investment properties using the cost model. There have been no changes to the classification or categorization of investment properties unless the criteria in IAS 40 have been met.

22. In determining the fair value of investment properties, management has used a reasonable valuation methodology including the inputs and assumptions used in determining the fair value of investment properties. We have disclosed to you all relevant information which would have an impact on the fair value of investment properties.

Plans or intentions affecting carrying value / classification of assets and liabilities

23. We have disclosed to you all plans, intentions or other conditions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

24. We have assessed the Veritas investment property against the criteria in IFRS 5, *Assets Held for Sale*, and the properties do not meet the criteria to be separately disclosed in the Financial Statements.

Related parties

25. Key management personnel have been appropriately identified as those persons having authority and responsibility for planning, directing and controlling the activities of the Authority and include all Board of Directors of the Authority. We have disclosed key management personnel compensation in total and for each of the following categories in accordance with International Accounting Standards (“IAS”) 24, Related Party Disclosures:

    a. Short-term employee benefits;

    b. Post-employment benefits;

c. Other long-term benefits;

d. Termination benefits; and

e. Share-based payment.

Financial instruments – general include derivatives

26. The Authority has properly identified all derivative financial instruments and hedging relationships, if any. The Authority's hedging activities are in accordance with its documented and approved hedging and risk management policies and appropriate effectiveness assessments have been completed for all hedging relationships on a frequency and basis consistent with those policies and in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

27. For all financial instruments measured at fair value at December 31, 2016, fair value has been estimated using quoted market prices if the instrument trades in an active market, as set out in IFRS 13, *Fair Value Measurement* ("IFRS 13"). Where the instrument is not traded in an active market, the Authority has used valuation techniques that it believes are most appropriate for valuing such instruments. We believe our valuation techniques make maximum use of inputs observed from markets. We have identified and disclosed in the notes to the Financial Statements all significant assumptions used in determining fair value.

28. The Authority has properly identified all derivative financial instruments and hedging relationships, if any.

IFRS 13, *Fair Value Measurement*

29. The Authority has appropriately applied the framework for measuring and disclosing fair value, set forth in IFRS 13, to all fair value measurements and disclosures within the scope of IFRS 13.

30. In applying the definition of fair value as "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", the Authority considered the following items:

    a. Unit of account;

    b. Principal market and where the principal market does not exist, the Authority considered the most advantageous market;

    c. Pricing assumptions and considerations market participants would take into account; and

    d. Inputs that are available and the appropriate valuation technique(s).

31. In determining the fair value of the Authority's non-financial assets, we have taken into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

32. We have appropriately disclosed fair value information to assess both of the following:

    a. For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements;

b. For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period; and

c. For recurring and non-recurring fair value measurements, the levels of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2 or 3).

33. In applying the fair value hierarchy, the Authority has applied consistent judgment in determining and prioritizing the appropriate level of inputs to the valuation techniques.

Operating segments

34. We have determined that the Authority does not have operating segments which require disclosure in accordance with IFRS.

Section 3260 – *Liability for contaminated sites*

35. The Authority was required to adopt Section 3260, *Liability for contaminated sites* effective for fiscal 2015 for the purposes of the public sector accounting standards ("PSAS") version of the trial balance required for consolidation with the City of Calgary financial statements. Management has determined the impact of this standard on the year-end financial statements, and based on management's assessment, there is no impact on the adjustments for the December 31, 2016 PSAS financial statements of adopting this standard.

City of Calgary Capital Asset Policy

36. The Authority was aware of the City of Calgary's change in Capital Asset Policy for Buildings and Engineered Structures for the year ended December 31, 2016. Management has reviewed and understands the policy. Management has adopted the policy for the year ended December 31, 2016.

Contracts

37. The Authority has disclosed all agreements it has entered into that would impact the December 31, 2016 financial statements.

Communicating a threshold

38. We understand that the threshold used for accumulating misstatements identified during the year was $125,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Yours truly,
Calgary Parking Authority

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Mr. Mike Derbyshire
General Manager

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Ms. Jolene Hackett
Controller/Manager, Financial Services

Appendix A
Calgary Parking Authority
Summary of uncorrected financial statement misstatements
Year ended December 31, 2016

December 31, 2015 uncorrected error identified in current year

	Asset Dr (Cr)	Liability Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Income Statement Dr (Cr)
Adoption of the City of Calgary TCA policy for Machinery and Equipment, which was to be adopted in fiscal 2015 but the Authority adopted this policy in 2016. This results in an uncorrected error in both the fiscal 2015 and 2016 financial statements as the 2015 adjustment was booked in the 2016 financial statements. The ending 2016 balances are, however, correct.	(513,074)	-	-	513,074

December 31, 2016 uncorrected error

	Asset Dr (Cr)	Liability Dr (Cr)	Retained Earnings Beg of Year Dr (Cr)	Income Statement Dr (Cr)
Adoption of the City of Calgary TCA policy for Machinery and Equipment, which was to be adopted in fiscal 2015 but the Authority adopted this policy in 2016. This results in an uncorrected error in both the fiscal 2015 and 2016 financial statements as the 2015 adjustment was booked in the 2016 financial statements. The ending 2016 balances are, however, correct.	513,074			(513,074)

Appendix 4 – Letter of recommendations

Deloitte.

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March 8, 2017

Mr. Mike Derbyshire, General Manager
Calgary Parking Authority
620 – 9 Avenue SW
Calgary, AB T2P 1L5

Dear Mr. Derbyshire,

We have completed our examination of the financial statements of Calgary Parking Authority (the "Authority" or "CPA") for the year ended December 31, 2016.

During the course of our examination of the financial statements of the Authority, we examined the accounting procedures and system of internal accounting control employed by the Authority and identified matters that may be of interest to management. Our examination would not necessarily disclose all weaknesses in the system of internal control as these examinations are based on selective tests of the accounting records and related data. Furthermore, this letter does not necessarily include all of those comments of an accounting, internal control or computer systems nature, which a more extensive or special examination of these areas might disclose. This letter outlines our observations and is a by-product of the audit and therefore, may not include all items that are of interest to management.

This communication has been prepared solely for the information of management and the Audit Committee of the Authority, and is not intended to be, nor should it be, used for any other purpose.

We would like to thank management for the cooperation given to us during the course of the audit. We would be pleased to discuss with you the contents of this letter in further detail at your convenience.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

cc: Audit Committee

December 31, 2016 Management Letter Points

a. ParkPlus System Expansion

Observation:
We understand from discussions with management that the Authority is currently pursuing opportunities for the use of the ParkPlus System within countries outside of Canada.

Implication:
Conducting business internationally may carry many risks that domestic business does not. These include, but are not limited, to the following:

Compliance with local laws and regulations, including labour laws if hiring locally. It is important for the Authority and its lawyers to understand the major legal, regulator and labour law differences between Canada and international countries in which business is being conducted. This will be important in drafting business agreements.

Health and Safety Risk – the Authority's employees who travel for business should be fully aware of the specific country's health and safety risks and should ensure they are current on recommended travel vaccinations. There should be in-country medical care if needed as well as 24-hour emergency access to health care. Travel medical insurance is also recommended. Employees should also be aware of emergency evacuation procedures, if required.

Political Risk – International business may pose different types of political risk. For example, Local authorities may fail to enforce agreements and political unrest can disrupt business transactions. It is important for the Authority to fully research and understand any political risks and mitigate appropriately.

Corruption Risk – international business culture may be different with regards to areas such as bribery and fraud in comparison to domestic culture which encourages ethical leadership.

Recommendation:
It is recommended that the Authority take into consideration the impact of conducting business in foreign countries which includes a strong and robust risk assessment for each country to mitigate and implement appropriate risk strategies.

Management Response:

Management concurs with the recommendation.

Through the direction of City Council and the Authority Board, Authority management is pursuing opportunities for the use of the ParkPlus System within countries outside of Canada. The Authority Board is kept apprised through on-going management reporting of any developments or updates with respect to this directive. While the expansion into international markets brings profit potential, the Authority is aware that conducting business internationally carries different risks than domestic business that must be carefully considered and planned for.

Prior to conducting business in any foreign country the Authority will consider the associated risks and conduct a risk assessment to ensure appropriate risk mitigation strategies are implemented at the onset of any business arrangement. This will include but is not necessarily limited to, seeking outside legal counsel expertise in the area of international law as it relates to labour laws, appropriate permits or approvals, and drafting of contracts. Outside legal counsel expertise in the area of international law would continue to be sought out as necessary after the business arrangement has been initially established as an on-going risk mitigation measure.

The Authority's existing Employee Code of Conduct Policy will guide Authority staff's day to day actions while working in a foreign country to ensure ethical business practices are followed. The Authority's existing Occupational Health and Safety Policy will guide employee actions while working internationally. As it relates to specific health and safety risks associated with international travel and work outside of Canada, the Authority will review its existing policy at that time to ensure adequate support is available to employees given the operational change. The policy would be updated to reflect this operational change at that point in time.

Update - December 31, 2015 Management Letter Points

Matter carried forward from October 2016 interim

a. Enforcement department timesheets

Observation:
We understand that the Authority is not utilizing a formal time card submission process for the new Enforcement employees, but rather, the Supervisors of the Enforcement employees are required to track the Enforcement employees' time in a master schedule and submit time through a spreadsheet (Payroll data submission sheet). This leaves the responsibility of ensuring accuracy of the spreadsheet and resultant pay on the Supervisors who may not be aware of actual time worked and/or all adjustments required to the payroll entries.

Implication:
This increases the risk of inaccurate payroll reporting and resultant payment to employees.

Recommendation:
We recommend that the Authority utilize its previous policy of time cards submission for the new Enforcement employees and require the time cards to be appropriately signed off by the Supervisors.

Management Response:

Management does not agree with the recommendation. CPA has a different assessment and recommendation.

Most Enforcement employees are wage staff (94 new employees) and all hours worked are reported. It is not by exception reporting (I.e. adjustments made for sick days or vacation days). Only Exempt Enforcement employees (59 new employees) are salaried which is time-reporting by exception.

Employees see the master schedule prepared by Supervisor posted on a bulletin board. Either they have visual check-in with the Supervisors or 5-minute briefing (parade) at the beginning of the shift. The direct supervisor will prepare hours worked and send to next level for review and approval on a weekly basis. Previously, they used time-cards which were punched-in. Identification cards were also used and scanned at the door in the past by Commissionaires.

We disagree with Deloitte's recommendation as the previous procedures of utilizing time-cards submission was very inefficient and at times did not resolve the payroll submission errors (I.e. time-cards were forgotten to be submitted, staff was missed, wrong time reported, etc.).

CPA recommends that for 2016 we continue using the Payroll data submission spreadsheet for time reporting. Further controls will be implemented in Enforcement, whereby supervisors need to take due care and diligence in submitting hours worked for valid employees. Training and disciplinary action has occurred since errors have been found. The validation/verification of hours worked will include the source sheet time-reporting, which is to be signed off by the employee and the supervisor on a weekly basis. See Attachment B. This attachment B form will be consistently applied for wages/actual employees throughout the organization.

For future years 2017 and onwards, CPA will be investigating the use of a system such as In-time (The Calgary Police Service utilizes this) or Kronos (Roads) or PeopleSoft (Time and Labour) but implementation of such a system is very involved, requiring a high level of resources and technical training and probably another FTE required for IT backup and maintenance. Whatever the platform, it does not resolve the issue of wrong input if due care and diligence is not performed. A business case and cost/benefit analysis will be prepared.

Auditor's Update (based on October 2016 interim audit procedures):

Based on our audit procedures performed during our interim fieldwork, we note the following:

1. We viewed 25 payroll data submission spreadsheets. These spreadsheets are required to be signed off by the employees as well as the supervisor. Of the 25 spreadsheets examined, we noted that 19 had employee and supervisor signatures. Furthermore, of the 6 unsigned spreadsheets, 5 were from the first half of the year. This indicates an improvement of this control over the year.

2. The Authority is investigating the use of the PeopleSoft Time and Labour Module. Assuming all approvals from The City of Calgary are obtained, the Authority would implement the Time and Labour Module in Q1 2017.

Part 1 of the recommendation has been satisfactorily addressed and Part 2 is in progress. We will provide an update on Part b during fiscal 2017.

Auditor's Update (based on year-end audit procedures):

Based on discussions with management, the implementation of the PeopleSoft Time and Labour Module has been put on hold by the City until further notice. As the Authority has implemented part 1 of the recommendation, this matter has been satisfactorily resolved.

b. Onboarding of new personnel

Observation:

During fiscal 2015, the Authority has hired a significant number of employees (approximately 146); with a large proportion relating to the Commissionaires office that were previously contract employees.

Implication:

As a comprehensive approach to hiring new employees should go beyond the regular orientation process, the significant increase in headcount may require the Authority's management to assess the impact from a number of perspectives.

Recommendation:

We would recommend that the Authority's management give consideration to the following:

1. Understanding by the new employees of the corporate culture and of the code of conduct;

2. Understanding of internal control processes and the Authority's policies (for example travel or employee expenses reports);

3. Understanding/providing adequate training of additional staff to ensure they are aware of and understand their work and expectations from Supervisors/management;

4. Ensuring that the support services (including Payroll, HR, IT and Administrative) have the resource levels to manage additional staff ;

5. Consideration of whether existing internal control processes remain fit for the intended purpose given the significant increase in personnel in the year; and

6. Ensuring roles and responsibilities are clearly defined and organizational structure is appropriate to appropriately manage the increased scale of the departments impacted.

Management's Response:

Management concurs with all the recommendations and on several points, processes have already been implemented.

1. Corporate culture and code of conduct: All new employees are required to review the CPA Code of Conduct and submit an acknowledgement form to Human Resources that indicates they have read and understood the related policies.

2. Understanding of internal control processes and policies (I.e. travel & employee expense reports). This is the responsibility of the Supervisors to provide information and training to their employees. For example, how to obtain bus passes. There is no formal process but the Payroll Coordinator is available for all new staff that has queries. Most of the new hires (Enforcement) won't have these types of expenses so formal training would not be a good use of resources.

3. Understanding work expectations/providing adequate training. Utilization of a revised performance management system whereby corporate, departmental, and individual goals and objectives are communication to new staff by their supervisors. This sets out clear expectations and desired outcomes.

4. Resource levels. With the huge incremental increase to number of FTEs, Financial Services will discuss with the GM to advance the growth position earlier from 2017 to mid-way 2016 to provide support for payroll and create depth in Financial Services. Additional resources may be required in Human Resources, Information Technology and other support departments – this will be assessed in 2016.

5. Internal controls. We will review all internal controls relating to new personnel and see if any adjusted or new ones need to be added. For example, submission of proper hours worked (does Supervisors need formal training?). CPA Payroll Coordinator will be implementing a new spreadsheet whereby information is taken from PeopleSoft Master List of employees and populating a spreadsheet for tracking month-by-month basis. We recognize review of the payroll register will be difficult due to the number of new employees and this tracking will assist in ensuring the accuracy of the review. Timesheet tracking on absences for Exempt employees will require a Leave of Absence form, in light of the revised Sickness & Accident Policy (90% paid for 119 days) so that employees are paid correctly. The spreadsheet of time submission with hard-coded employees has the control whereby review by the Payroll Coordinator determines if an employee does not have any time submitted for that week. Just a comment – these are all examples of payroll-specific internal controls. Management agrees with Deloitte's comment that controls across all employee-related functions need to be reviewed.

6. Roles and responsibilities and organization structure. As part of the transition of contracted services to in-house employees, a review was conducted of all new positions being added. A joint job evaluation process was developed for unionized positions, which ensured all new union positions were effectively described. In 2016, a comprehensive Exempt position review will be completed to ensure all exempt positions are reviewed, appropriately described and assigned a salary level.

The Enforcement group has been split into two Departments (Enforcement and Enforcement Support) with the appropriate leadership to manage the increased volume of staff. Budgets and coding are currently being adjusted at source to accommodate analysis of variances and control of expenditures.

Auditor's Update (based on October 2016 audit procedures):

Based on our audit procedures performed during our interim fieldwork, we note the following:

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected 15 new hires and requested the signed Acknowledgement Form. Of the 15 new hires selected, we noted only 4 new hires had signed the Acknowledgement Form and returned the completed Form to human resources.

2. There is no formal process for employees to understand internal control processes and the Authority's policies; however, the Payroll Coordinator is available for all new staff who may have questions. We discussed this with the Payroll Coordinator, and based on this discussion, we understand that employees frequently call or email the Payroll Coordinator with questions on the Authority's policies.

3. The Authority implemented a revised performance management system in FY 2016 ("2016 Performance and Learning Plan"). This revised performance management system more clearly outlines the expectations of the employees.

4. The Authority has assessed the resource levels for the various support staff. This was completed by the Manager of each Department with Human Resources and the General Manager. We noted that a part time employee was hired in Payroll as well as Procurement.

5. The Authority has assessed the existing employee-related internal controls given the significant increase in personnel in fiscal 2015. Two new controls have been implemented in fiscal 2016:

    a. A Pay Register Summary is being prepared on a monthly basis by the Payroll Coordinator. This summary compares each employee's pay for the current month with the previous months (all previous months of the fiscal year). Any significant variances are investigated.

    b. A formal Leave Absence Form is required for all employees for the following types of leaves: vacation, sick days, extended leave, union leave, in lieu time, maternity leave, etc. The form is required to be submitted to Payroll and signed off by the employee as well as the employee's supervisor.

6. The Authority has performed the following regarding an assessment of employee roles and responsibilities:

    a. Comprehensive Exempt Position Review – The Authority performed job re-structuring in fiscal 2016 which involved the review of the existing roles in various departments and determining if these roles were in the correct departments. A job evaluation is required by all exempt employees by November 1, 2016. Human Resources is expected to review the job evaluations and determine potential changes in roles in Q2 2017. As a final step, the salaries of all exempt employees will be assessed in Q2 2017.

    b. Enforcement Department – Effective fiscal 2016, the Enforcement department is split into two Departments: Enforcement and Enforcement Support.

Parts 2, 3, 4, 5, and 6b of the recommendation have been satisfactorily addressed and Parts 1 and 6a are in progress. We will provide an update on Parts 1 and 6a during fiscal 2017.

Auditor's Update (based on year-end audit procedures)

1. New employees are required to sign an Acknowledgement Form of the Codes of Conduct (and related policies). We randomly selected an additional 10 new hires during our year end procedures and requested the signed Acknowledgement Form. Of the 10 new hires selected, we noted only 4 new hires had signed the Acknowledgement Form and returned the completed form to human resources.

   This following part of the recommendation has not be satisfactorily addressed. We will carry this forward to fiscal 2017.

6a. As part of assessments, the HR Advisors reviewed the Job Specs, identified any issues or concerns related to organization structure or job design and met with departmental managers to discuss and provide recommendations. Some organizational changes were made as a result (e.g. Communications and Customer Service combined 2 jobs into 1 role with multiple incumbents). Job Evaluation Questionnaires (JEQ's, detailed descriptions with specific examples of work performed) were then completed by exempt employees and their supervisors, for all exempt positions at CPA. These JEQs were reviewed and rated by a Job Evaluation Committee of six exempt employees. The rating process was facilitated by an HR Advisor. HR is now reviewing market data (survey data from Wynford and Mercer) to identify comparable positions with the aim to develop a salary structure. Once the structure is complete, all exempt positions which have now been rated and for which a hierarchy has been created, will be placed into that structure.

   We will provide an update on the above matter during fiscal 2017.

Appendix 5 – Communication requirements

In our audit plan, we committed to communicate certain items to the Audit Committee on a regular basis or as specified events occur. These items are summarized below.

Required communication	Refer to this report or document described below
1. Our responsibilities under Canadian GAAS	Audit plan communicated on November 3, 2016
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors	Audit plan communicated on November 3, 2016
3. Management judgment and accounting estimates	Management judgment and accounting estimates
4. Audit adjustments	Uncorrected misstatements
5. Uncorrected and corrected misstatements and disclosure deficiencies	Uncorrected misstatements and Unadjusted disclosure deficiencies
6. Our views about significant qualitative aspects of the Authority's accounting practices, including accounting estimates	Management judgment and accounting estimates
7. Disagreements with management	There were no disagreements with management during the audit of the 2016 financial statements
8. Our views about significant matters that were the subject of consultation with other accountants	Consultation with other accountants
9. Significant difficulties, if any, encountered during the audit	No significant difficulties encountered in performing the audit
10. All deficiencies in internal control that existed as of the date of management's assessment that were concluded to be material weaknesses in internal control	No significant deficiencies in internal control were identified
11. Material written communications between management and us	Engagement letter dated November 3, 2016 and this year-end report
12. All relationships between the Authority and us that, in our professional judgment, may reasonably be thought to bear on independence	Independence - Appendix 2
13. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence	Independence – Appendix 2
14. Illegal or possibly illegal acts	None identified based on audit procedures performed for the year ended December 31, 2016

Required communication	Refer to this report or document described below
15. Fraud or possible fraud identified through the audit process	None identified based on audit procedures performed for the year ended December 31, 2016
16. Non-compliance with laws and regulations that come to the auditor's attention	Legal and regulatory compliance
17. Matters that are significant to the oversight of the financial reporting process	All matters are documented within this year end communication document
18. Limitations placed on our scope	Audit strategy and scope. No limitations were placed our audit scope
19. Written management representations the auditor is requesting	Management representation letter – Appendix 3