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2013 Year-end audit communication

Calgary Parking Authority

For the year ended December 31, 2013
Presented to the Audit Committee
March 18, 2014

Deloitte.

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March 12, 2014

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 December 10, 2013, we have performed an audit of the financial statements of Calgary Parking Authority (the "Authority") as at and for the year ended December 31, 2013, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated March 27, 2014.

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 December 10, 2013.

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 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, 2013 audit was conducted in accordance with our audit plan presented on December 10, 2013.
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 requires 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 materiality level of $2,100,000 for the year ended December 31, 2013 (2012 - $1,800,000).
Use of the work of experts	As planned, Deloitte experts assisted in the audit to the extent we considered necessary: **IT specialists**: Participated in testing the ParkPlus System™, specifically related to the appropriate recording and reconciliation of transactions between the ParkPlus System™, Beanstream (third party credit card processing company) and Peoplesoft.
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 19 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, 2013, 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 8 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, except as disclosed in Note 23 of the financial statements.
Management representation letter	A draft version of the management representation letter to be signed by management is included in Appendix 4.
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, 2013. 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 $79,000 for the audit, $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 and $3,000 for 2013-flood related financial reporting and accounting matters. These proposed fees exclude the administration charge, expenses and applicable taxes. We have no changes to these 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 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 27, 2014 on the financial statements of the Authority (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; • Minor documentation matters; and • Finalization of the Engagement Quality Control review.
Internal control	We did not identify any deficiencies in internal controls that existed as at December 31, 2013 that we concluded to be significant.
Uncorrected misstatements	In accordance with Canadian GAAS, we request that all misstatements be corrected. We are required to accumulate all uncorrected misstatements greater than $105,000 (2012 - 90,000), and those that are quantitatively insignificant but qualitatively significant, in the appendices attached to the management representation letter. There are no uncorrected errors to report.
Unadjusted disclosure deficiencies	In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected. A summary of unadjusted disclosure deficiencies is included in Appendix B attached to the management representation letter. All proposed unadjusted disclosure deficiencies were reviewed with management and were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
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, 2013 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, Parking Control and Cellphone revenue)	We made enquiries of management regarding relevant internal controls to assist them in ensuring the accuracy, occurrence and cut-off of significant revenue streams. We evaluated the design and implementation of those internal controls, including testing of the reconciliations between the ParkPlus System™, Beanstream and Peoplesoft. We performed substantive audit procedures on these revenue streams.	Based on the procedures performed, we conclude that ParkPlus, Parking Control and Cellphone revenues are not materially misstated in the context of the financial statements taken as a whole.
Valuation of property and equipment (with significant damage to the Civic Plaza Parkade due to the 2013 flood) including completeness of impairments, capitalization versus expenditure of repairs and appropriate accounting of revenue recognition from the related insurance proceeds	We reviewed the write down of the flood damaged assets to verify that the impairments are complete and appropriate. We reviewed a sample of expenditures relating to the repair or maintenance of flood damaged assets to ensure that these costs were appropriately treated as an expense or capital item We reviewed the recognition of insurance proceeds revenue based on the terms of the insurance proceed stipulations as well as traced to cash receipts relating to insurance proceeds to ensure the amounts were recorded properly and in the appropriate period.	Based on the procedures performed, we conclude that property, plant and equipment and insurance proceeds revenue 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 made enquiries of management and those involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We tested a selection of journal entries and other adjustments at the end of and for the year ended December 31, 2013. We reviewed accounting estimates for bias and evaluated whether any bias represents a risk of material misstatement due to fraud. We performed retrospective reviews of management's judgments and estimates relating to significant accounting estimates reflected in the financial statements of the prior year. We also evaluated significant transactions outside the normal course of business for the Authority. We incorporated an element of unpredictability in the selection and timing of our audit procedures. In addition, we assessed the design and implementation of entity level controls. We also exercised increased scrutiny over the financial statements and related disclosures.	Based on the performance of our audit procedures, we have not identified any instances of management override of controls.
Determination of fair value of investment properties	Significant judgments and estimates made by management with respect to the valuation of investment properties included the valuation methodology and valuation assumptions. We assessed the reasonability of the fair value assessment made by management to the investment properties by examining the fair value methodology used and the reasonableness and appropriateness of the valuation assumptions used in the valuation techniques.	Based on the procedures performed, we concur that the fair value of investment properties is not materially misstated in the context of the financial statements taken as a whole.

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.

Canadian GAAS requires us to report to the Audit Committee any significant deficiencies or material weaknesses. 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 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, 2013 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, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[To be signed Deloitte LLP]

Chartered Accountants

March 27, 2014
Calgary, Alberta

Appendix 2 – Independence

March 27, 2014

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

Dear Members:

We have been engaged to audit the financial statements of Calgary Parking Authority (the "Authority") as at and for the year ended December 31, 2013.

Canadian generally accepted auditing standards ("Canadian GAAS") require 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. We are also required 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, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / 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 May 2, 2013, 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 May 2, 2013 to March 27, 2014.

The total fees charged to the Authority for audit services were $91,350 (2012 - $90,950) and non-audit services were $Nil (2012 - $Nil) during the period covered by the financial statements.

Canadian GAAS requires that we confirm our independence to those charged with governance in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta. We hereby confirm that we are independent with respect to the Authority within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta as of March 27, 2014.

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

Yours truly,

Chartered Accountants

Appendix 3 – Draft management representation letter

March 27, 2014

Deloitte LLP
700, 850 – 2 Street SW
Calgary, AB T2P0R8

Dear Sirs:

Subject: Financial statements of Calgary Parking Authority as at and for the year ended December 31, 2013

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") as at and for the year ended December 31, 2013, 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 December 10, 2013 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, 2013 and its 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, 2013 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 27, 2014 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, 2013 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.

   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 attached as Appendix B. 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.

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 reflects 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.

Independence matters

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

19. The Authority has not caused Deloitte's independence to be impaired by hiring or promoting a former or current Deloitte partner or professional employee in an accounting role or financial reporting oversight role that would cause a violation of the Canadian independence rules or other applicable independence rules. 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.

20. We have ensured that all non-audit services provided to the Authority have been approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to the Authority in accordance with applicable laws, regulations and rules that apply to the Authority, including the Audit Committee approval requirements.

21. We have disclosed to you all communications, if applicable, from:
    a. regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements.

Fair value of investment properties

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 Anthills property against the criteria in International Financial Reporting Standards ("IFRS") 5, Assets Held for Sale, and the property does 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; and
    d. Termination benefits.

Financial instruments – general including derivatives

29. 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*.

30. For all financial instruments measured at fair value at December 31, 2013, fair value has been estimated using quoted market prices if the instrument trades in an active market, as set out in International Financial Reporting Standards ("IFRS") 13, Fair Value Measurement. 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.

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

IFRS 13, Fair Value Measurement

32. 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.

33. 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 Company 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).

34. 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.

35. 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).

36. 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.

    The Authority has appropriately applied the transitional provisions prospectively to its annual period beginning on or after January 1, 2013 and prior comparative periods have not been adjusted.

Operating segments

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

Yours truly,
Calgary Parking Authority

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Mr. Troy McLeod
General Manager

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Ms. Wendy Haidey
Controller

Appendix A
Calgary Parking Authority
Summary of uncorrected and corrected financial statement misstatements
Year ended December 31, 2013

Uncorrected misstatements

None identified

Corrected misstatements

None identified

Appendix B
Calgary Parking Authority
Summary of disclosure items passed
Year ended December 31, 2013

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.
Statement of comprehensive income – nature versus function	IAS 1:99	The Authority has not presented their analysis of expenses recognized in the statement of comprehensive income classified between either nature or function; a combined disclosure approach has been adopted.

Appendix 4 – Letter of recommendations

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March 17, 2014

Ms. Wendy Haidey, Controller
Calgary Parking Authority
620 – 9 Avenue SW
Calgary, AB T2P 1L5

Dear Ms. Haidey,

We have completed our examination of the financial statements of Calgary Parking Authority (the “Authority” or “CPA”) for the year ended December 31, 2013.

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 letter also includes our follow up to the recommendations arising from the December 31, 2012 audit.

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 you and your staff 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 Accountants

cc: Audit Committee

DECEMBER 31, 2013 MANAGEMENT LETTER POINT

Password length of Cale Web Office (“Cale”)

Observation:
During our testing of general information technology controls, we noted that Cale only requires a 4 character password at the application level, which is not a sufficient length and complexity to ensure appropriate password security.

Implication:
Lack of strong password configuration, as per best industry practices, increases the risk that unauthorized users gain access to the system.

Recommendation:
We recommend that management consider configuring password settings which support strong passwords and which cannot be easily compromised. The modification of the system settings should consider the following best practice parameters:

- Maximum password age (Expiration at 90 days);
- Enforce password history (8-10 passwords); and
- Password minimum length (8 characters and use of special characters, numbers, etc.).

Management’s Response:

As Cale Web Office (CWO) is a third party managed service, we (CPA) have no direct access/control of these settings. However, this issue was raised with the vendor, Cale, and they have resolved this issue.

It should be noted that during previous Payment Card Industry (PCI) Audits, the password length and complexity settings were confirmed to be set properly. It has been in the past year that the setting had been changed by the vendor, Cale, incorrectly.

DECEMBER 31, 2012 MANAGEMENT LETTER POINTS – FOLLOW UP

Cross- training within the IT department

Observation:
During the course of the 2012 year end audit, significant difficulties were encountered in obtaining the appropriate information to complete our audit procedures relating to general computer controls and our testing of the ParkPlus System™ revenue reconciliations. It was noted that the IT Manager is the only individual at the Authority who has in-depth knowledge of the information systems.

Implication:
Having the knowledge of the processes and information systems residing with a limited number of individuals or an individual poses an increased risk to the Authority as the absence of an individual could adversely impact the day to day operations of the Authority.

Recommendation:
We recommend management implement a process whereby employees are cross-trained who can then be designated as a backup to support other employees in the event of an employee absence.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
Management identified this as a priority in 2012 and several actions were already underway. A senior software developer was hired in 2012 and contract IT services were acquired. City IT resources were leveraged for desktop support and firewall/security monitoring. This will enable CPA IT staff to focus on core functions including the ParkPlus System™. The IT Manager will continue to develop staff by cross-training his duties through staff shadowing. A matrix of responsibilities has been formulated with staff leads assigned.

Auditor's Response (based on 2013 year end audit procedures:
During our 2013 year end procedures our Enterprise Risk Services ("ERS") group tested the design and implementation of general, as well as application IT controls and noted that a staff competency matrix and a formal cross training program has been implemented. We conclude that the recommendation has been satisfactorily addressed.

Corporate credit card policy

Observation:
We observed that there is currently no formal corporate credit card policy in place for the Authority employees to follow when employees use the Authority's corporate credit card. It was noted that the General Manager reviews and signs off on the staff's monthly credit card expenses and the Chairman of the Board signs off on the General Manager's monthly credit card expenses.

Implication:
The lack of a formal corporate credit card policy may result in improper usage of the corporate credit card which would not be caught on a timely basis as the formal approval of credit card expenses occurs at the end of the month following the incurrence of the expense.

Recommendation:
We recommend that the Authority develop a formal credit card policy that appropriately considers the Authority's business requirements and clearly outlines the types of expenses (and limits) that are allowed to be charged through the Authority's corporate credit card. This policy should be communicated to all employees that have been provided usage of a corporate credit card.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
During the CPA managers' meetings held on April 15, 2013 and April 22, 2013, the signing authority approval limits were reviewed and revised. The list of purchases not allowed to be made through the corporate credit card was reviewed by the management team. A revised disallowed listing was formulated taking into account the business requirements. This was communicated to all corporate credit card users by June 2013.

Auditor's Response (based on 2013 year end audit procedures):
During our year end procedures, we reviewed CPA's credit card policy and confirmed that this policy was appropriately communicated to all of CPA's corporate credit card users during the 2013 fiscal year. We conclude that the recommendation has been satisfactorily addressed.

Parking tags

a) Cut-off of parking tags

Observation:
During the course of the audit, we observed that the report generated from the system used by management to accrue revenue for parking tag violations outstanding for 1-68 days was not complete. The report used a cut-off date of December 30, 2012 when the user had correctly entered a cut-off date of December 31, 2012 resulting in one day of unrecorded revenue.

Implication:
The implication is that the parking tag revenue accrual was not appropriately recorded in the year-end financial statements as the December 31, 2012 parking tags were missing from the accrual amount.

Recommendation:
Management should investigate the reason for the inaccuracy of the report generated from the system and ensure that the report is corrected.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
The Accounting Supervisor to document and use the cut-off date of January 1, 2013 so that the report includes December 31's data. An additional check on this report will be put in place by next year end by reviewing the dates of transaction on the first day and the last day and spot-check transactions in between.

Auditor's Response (based on 2013 year end audit procedures):
During our year end procedures, we performed substantive procedures on the parking tag accrual as part of testing of revenue and noted that this accrual was based on a report which ran up until December 31, 2013. We conclude that the recommendation has been satisfactorily addressed.

b) Estimation of write down for uncollected parking tag violations

Observation:
The percentage currently used by management to record the allowance for uncollected parking tag violations outstanding for 1 to 68 days was last analyzed by management in 2010, therefore the percentage being used may not be based on current operations.

Implication:
The Authority may be writing down tickets based on historical data that may not be relevant to current and future operations.

Recommendation:
To ensure that the estimate of the write-down is current, the Authority should perform an estimate at the end of each year using the historical parking tag information available to the Authority.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
Confirm the allowance percentage by working with the Parking Enforcement Manager on analysis from Bylaw Infraction Tracking System ("BITS"). An updated analysis report confirming the allowance for uncollected parking tag will be provided at the next year end.

Auditor's Response (based on 2013 year end audit procedures:
During our year procedures, we obtained the most recent management assessment for uncollectable parking tags and noted that an updated analysis report was used as supplementary information to update the previous analysis resulting in a 7% allowance being applied. We conclude that the recommendation has been satisfactorily addressed.

c) Updating the BITS

Observation:
The BITS database which tracks all parking ticket information (all parking tag violations the Authority has issued) is not up to date in terms of the status of outstanding tickets (which tickets have been paid) and therefore the data provided may not be completely reliable.

Implication:
The Authority may not be able to properly analyze and assess the information from the BITS database at a point in time. Further, this analysis may impact the proper write down required for parking tag violations outstanding for 1 to 68 days.

Recommendation:
We recommend that the Authority ensure that the BITS database is updated so that historical information on parking tags is up-to-date for the Authority to analyze.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
Perform analysis by working with the Parking Enforcement Manager on outstanding tags in BITS. Determine parameters for write-off of accounts receivable in BITS. Formal parameters will be established with documented procedures on write-offs of outstanding tickets which are no longer valid. Reports will be established to provide documentation to the external auditors of the annual write-offs in the BITS database.

Auditor's Response (based on 2013 year end audit procedures):
As part of our substantive testing of revenue, we reconciled the BITS report for all tickets paid during the year to CPA's revenue figures noting that a clean-up of the BITS system was performed. We conclude that the recommendation has been satisfactorily addressed.

Parkplus cash reconciliations

Observation:
During our testing of Parkplus revenue, we observed that for each daily cash count relating to the Parkplus machines, the ParkPlus revenue daily cash reconciliations continue to show variances between cash counted and deposited in the bank and the pull tape generated from the ParkPlus machines. We noted that management investigates all differences greater than $20 and is able to provide explanations for the differences. The differences largely result from the pull tape generated by the Parkplus machines being inaccurate due to reasons such as the machine not recognizing coins accurately.

Implication:
The Authority is required to commit additional staff time on a daily basis investigating the differences. Further, while controls are in place to prevent fraudulent activity, when cash is involved there should be no differences between the actual cash counted and the system generated pull tape.

Recommendation:
We recommend that the Authority thoroughly investigate the reasons for the inaccuracy of the pull tape generated by the Parkplus machines. As the pull tape system is generated it should be accurate as it provides the completeness of the cash collected by the Parkplus machine.

Management Response:
Management does not agree with the recommendation.

Management's actions to remediate the above:
Monthly variance outages between cash deposited and pull tape around $1,000 to $2,000. Recent February 2013 activity of all pay machines collected show $1,400 net overages. This may not be a real variance as the pull tape may not be 100% accurate, depending on the calibration of the pay machine and what is detailed as purchases. Overages are possible as the machine cannot give back change.

The pull tape may not be 100% accurate due to calibration and software issues and reading of what coin is actually purchased at the machine ("purchases"). Sometimes due to the coin being too cold or dirty, it will pass through the coin reader and drop into escrow or the vault. Human interaction with the machines will cause inaccuracies. For example, the customer could jam bills in the receipt area, drop unacceptable coins (ex. dimes, foreign coins) in the machine causing which causes jams in the escrow area, walking away from their coins in the return receptacle or not pressing accept for completion of the purchase.

Detective internal controls are in place:

i) Complete - segregation of duties. Cash collection is segregated from cash counting, which is segregated from cash reconciliation.
ii) Complete - all pay machines are reconciled to the cash deposited and threshold variances/trends are established for further review and investigation.

Auditor's Response (based on 2013 year end audit procedures):
Deloitte observed a routine ParkPlus pay machine count and noted that appropriate segregation of duties have been implemented by CPA to avoid possible misappropriation of cash. During this count, Deloitte did not note any differences between the ParkPlus cash receipt report and the cash counted. Furthermore, through detail testing performed on revenue, it was noted that daily cash receipts are reconciled to the amount deposited. Even though small differences may occur during the year due to calibration, software issues and machines having difficulty reading coins, there is an indication that management has implemented appropriate controls to minimize differences between cash receipts and cash deposits. We conclude that the recommendation has been satisfactorily addressed.

Monthly parking

Observation:
During our testing of the monthly contract parking revenue we observed that there is a lack of proper documentation on file for five customers. It was difficult to determine the number of parking stalls currently being rented by the customer as changes to the customer contract in terms of number of stalls being rented had been made but not properly documented in the customer file. In addition, we noted three instances where no signed contracts are in place where the rate and billing was established via e-mail communication between the Authority and the customer.

Implication:
A lack of proper documentation between the customer and the Authority may result in misinterpretations of the monthly contract in place with the customer. Also, by not having a formal signed monthly parking contract, there is no indication that the customer fully understands the terms and conditions of the monthly parking contract.

Recommendation:
We recommend that the Authority implement a process to ensure any revisions to contracts are properly documented within the customer file. This could be as simple as a letter issued to the customer noting the revisions or updates to the contract, which the customer then signs and returns to the Authority. We also recommend that the Authority maintain signed contracts for all customers.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
This was discussed with the Contract Administrator. Contracts were in place for the mentioned audited files; apparently documents were missing from the customer contract files. A log will be placed at the front of any customer file that has changes. A sign-in/sign-out sheet will also be put in place for access to monthly customer contract files. Limited access and a formal sign out of contract files will serve as a protection against missing documents.

Auditor's Response (based on 2013 year end audit procedures:
During the testing of controls surrounding monthly contracts, all contracts tested were found to be valid, signed and in place. Furthermore, Deloitte noted that management implemented a contract access sheet whereby an employee must sign out a contract if this is removed from a file and sign the contract back in when returned. We conclude that the recommendation has been satisfactorily addressed.

<u>Unsigned tenant lease</u>

Observation:
We identified one unsigned tenant lease agreement as at December 31, 2012 which remained unsigned through to approximately mid-March 2013 where a tenant currently occupies rental property and pays monthly rent to the Authority. Our understanding is that lease negotiations are performed by The City of Calgary and ensuring a signed lease agreement is in place is the responsibility of The City of Calgary.

Implication:
The Authority is exposed to potential liabilities and risks when there is no signed lease agreement in place as rental agreements normally include clauses which the tenant is required to follow to ensure protection to the landlord.

Recommendation:
We recommend the Authority follow up with The City of Calgary to ensure the tenant lease agreement is signed. We further recommend that the Authority and The City of Calgary maintain a strict policy of having a signed lease agreement in place prior to a tenant moving into the premises.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
The City's Corporate Properties was dealing with the unsigned lease as the tenant had not signed due to negotiation of compensation for construction of a showcase booth which they had built. The tenant moved in July 12, 2012 and the end date of the lease is June 30, 2016. The lease was recently signed and executed on April 25, 2013. The Operations Manager has communicated in May, the external auditor's recommendation to The City of Calgary-Corporate Properties on maintaining a strict policy of a signed lease prior to the tenant moving into the premise.

Auditor's Response (based on 2013 year end audit procedures):
Deloitte reviewed all new tenant leases entered into during the year and noted all required leases to be in place and appropriately signed. Deloitte further noted that the lease which we reported on during the prior year now has a signed lease in file. We conclude that the recommendation has been satisfactorily addressed.

<u>Cash deposit recorded in the incorrect period</u>

Observation:
Cash collected and counted from the ParkPlus pay machine on December 30, 2012 was recorded as cash deposited in fiscal 2012, however the deposit slip indicated that the cash was deposited in the bank on January 2, 2013. We understand that the delay in depositing the cash was due to Brinks not being available to pick up the cash until January 2, 2013 due to New Year holidays (December 31 and January 1).

Implication:
By recording cash in a different period from when it is deposited, this may affect how the information is available for the Authority to manage its cash flows. Maintaining cash on the premises also exposes the Authority to possible theft of cash and fraudulent activity.

Recommendation:
We recommend that the Authority record cash in its financial records only when the cash is physically deposited in the bank. The Authority could develop a process, especially around the holidays, to ensure that the cash is deposited immediately after the cash is counted.

Management Response:
Management does not agree with the recommendation.

Management's actions to remediate the above:
The cash is counted and processed at Victoria Park by the Cash Processing unit of Calgary Transit. This amount of $16,460.46 relates to December 30, 2012 (Saturday's cash). The Cash Processing unit counts the cash for CPA as well as Calgary Transit. The coins are wrapped up and put in boxes, locked up for the day. Armored car service pickup was on January 2, 2013.

Due to logistics and business requirements, it is not feasible to have the cash deposited immediately after the cash is counted. Financial Services will check the bank deposits and will record the cash that has been physically deposited in the bank.

Auditor's Response (based on 2013 year end audit procedures:
In consideration of management's response above regarding feasibility of depositing cash over New Year's Eve and considering cash was in possession of the CPA as at year end, Deloitte concludes that this is a valid reconciling item between the CPA's cash balance and their bank account balance. We conclude that the recommendation has been satisfactorily addressed.

User Access management

Observation:
During our testing of general computer controls, we noted that there are no formal documented procedures for user access management. Further, there is no user access review to ascertain that user access rights and privileges are appropriate within the scope applications (Cale and ParkPlus applications).

Implication:
By not documenting the formal process for user access management there is no formal control to ensure that access is assigned to only authorized users and appropriate for the individual's current role and responsibility. This increases the risk that access to sensitive information or transactions is allowed which is beyond an individual's roles and responsibilities, which could represent a possible segregation of duties issue.

If access rights are not reviewed and communicated on a periodic basis, users with restricted access who have moved to another role within the organization, or have been terminated remain active in the system thus increasing the risk that unauthorized users have access to sensitive information or transactions that are beyond the scope of their roles and responsibilities.

Lack of documentation increases the risk that the processes are not followed consistently and deviations from the processes may go undetected.

Recommendation:
The Authority should formalize a process for user access provisioning. This process should address all new users, changes and terminations and should include documentation to evidence the user request and business approval.

In the event of an exception (access that can potentially result in a segregation of duties issue), a rationale should be documented to justify the additional access and should also make reference to the compensating controls that minimize the risk for the requested access.

Further, the Authority should also implement a quarterly process to review all user accounts and user access rights and validate that the access is still valid and appropriate.

Access rights, should be reviewed by the business Managers or department heads to validate that the people who have access are consistent with their roles and responsibilities. All individuals who no longer require their existing level of access should have their access readjusted or revoked. At a minimum, this review should be performed annually.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
The CPA does have a formal process for new user hires and departures. This process has been updated to include an individual's change in duties during their tenure with the CPA. The formal process was implemented Q2 of 2013.

The process to review the users and their access was started in 2012. The formal policy for this type of review by IT and the business owners, specifically for ParkPlus and Cale was implemented Q2 of 2013.

Auditor's Response (based on 2013 year end audit procedures:
Our ERS group tested the design and implementation of general, as well as application IT controls and noted that access controls and have been implemented by CPA. We conclude that the recommendation has been satisfactorily addressed.

Segregation of duties conflict

Observation:
During our testing of general computer controls, we noted that access to privileged accounts in the ParkPlus application is not limited to IT staff. An individual in the finance group has administrative privileges within the application.

Implication:
If administrative accounts are not restricted to certain users based on business needs, this increases the likelihood of unauthorized access to sensitive information and segregation of duties issues. Over time, additional conflicts could be created.

Recommendation:
We recommend that the Authority perform a review of the administrative user list and restrict access to only the required accounts to perform business functions. Administrative accounts not in use should be disabled.

Management Response:
Management agrees with the recommendation.

Management's actions to remediate the above:
CPA has implemented a finer level of access for users in the ParkPlus System™ to better coincide with their duties. There are more appropriate roles created in the ParkPlus System™. A list of users for these roles has been verified by the business owners. This was completed by Q1 of 2013.

Auditor's Response (based on 2013 year end audit procedures):
Deloitte's ERS group tested the design and implementation of general, as well as application IT controls and noted that a user review was performed during the year where a check was done to determine whether users' access levels were appropriate. We conclude that the recommendation has been satisfactorily addressed.