

Compliance with Investment Policy

City of Toronto

Year ended December 31, 2008

AUDITORS' REPORT ON COMPLIANCE WITH INVESTMENT POLICY

To the **City of Toronto**

We have audited the **City of Toronto's** compliance for the year ended December 31, 2008 with the criteria established by governing legislation and the **City of Toronto's** Investment Policy and Procedures, dated May 2004, as approved by City Council in June 2004. Compliance with the criteria established by the governing legislation and the provisions of the policy is the responsibility of management of the **City of Toronto**. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the **City of Toronto** complied with the governing legislation and the criteria established by the provisions of the policy referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with the governing legislation and the policy, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, because of the deviations described in the note for the year ended December 31, 2008, the **City of Toronto** is not in compliance with the governing legislation and the **City of Toronto's** Investment Policy and Procedures, dated May 2004, as approved by City Council in June 2004.

Toronto, Canada,
March 26, 2009.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

NOTE OF COMPLIANCE DEVIATIONS WITH CITY OF TORONTO'S INVESTMENT POLICY AND PROCEDURES

In conducting our audit of the City of Toronto's compliance for the year ended December 31, 2008 with the governing legislation and the City of Toronto's Investment Policy and Procedures, dated May 2004, as approved by City Council in June 2004, we tested investments throughout the year and identified the following exceptions:

[a] Maximum Investment Holding Terms

Maximum investment holding term limits were exceeded in the Bond Fund and the Toronto Trust Fund at various times throughout the year.

[b] Maximum Investment Holding Percentages by Issuer

Maximum investment holding percentages by issuer limits were exceeded in the Sinking Funds at various times during the year.

[c] Minimum Credit Ratings

Investments purchased in the Bond Fund did not meet the minimum credit rating during the year.