



City of Toronto Long-Term Care Homes and Services Residents' Interest Trust Fund

Audit Results - Year Ended December 31, 2009

Report to the Advisory Committee



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Members of the Advisory Committee of Long-Term
Care Homes and Services
For the City of Toronto Long-Term Care Homes and
Services Residents' Interest Trust Fund

20 May 2010

Dear Members of the Advisory Committee:

We are pleased to present the results of our audit of the financial statements of the City of Toronto Long-Term Care Homes and Services Residents' Interest Trust Fund (the "Fund" or "organization").

This report to the Advisory Committee summarizes the terms of our engagement, the issues of audit significance discussed with management, the status of our final procedures, and provides the communications required by our professional standards.

Our audit was designed to express an opinion on the December 31, 2009 financial statements of the Fund. In planning the audit we held discussions with management, considered current and emerging business risks, performed an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We received the full support and assistance of the Fund's personnel in conducting our audit.

This report is intended solely for the use of the Advisory Committee, management, and ultimately City of Toronto Council, and is not intended to be and should not be used by anyone other than these specified parties. We disclaim any responsibility to any third party who may rely on it. Further, this report is a by-product of our audit of the December 31, 2009 financial statements and indicates matters identified during the course of our audit. Our audit did not necessarily identify all matters that may be of interest to the Advisory Committee in fulfilling its responsibilities.

We appreciate this opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP'.

Chartered Accountants
Licensed Public Accountants

Mark Barrett, Partner/Ann Chan, Manager
(905)882-3168 / (905)882-3053

Terms of Our Engagement

	Discussion
Auditor's Responsibilities Under Generally Accepted Auditing Standards	<ul style="list-style-type: none">• Management is responsible for the preparation of the financial statements, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets and preventing and detecting fraud and error.• The auditor's responsibility is to express an opinion on the financial statements based on an audit thereof.• An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement and, owing to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion) even though the audit is properly planned and performed.• The audit includes:<ul style="list-style-type: none">– obtaining an understanding of the entity and its environment including internal control in order to plan the audit and to assess the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;– examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;– assessing the accounting principles used and their application; and– assessing the significant estimates made by management.• When the auditor's risk assessment includes an expectation of the operating effectiveness of controls, sufficient appropriate audit evidence will be obtained through tests of controls to support the assessment, but the scope of the auditor's review of internal control will be insufficient to express an opinion as to the effectiveness or efficiency of the entity's controls or to consider whether internal control is adequate for management's purposes.• The auditor will express an opinion as to whether the financial statements present fairly in all material respects, in accordance with generally accepted accounting principles, the financial position, results of operations and changes in fund balances of the Fund.
Detailed Terms of Engagement	<ul style="list-style-type: none">• The detailed terms of our engagement are outlined in our engagement letter, a copy of which has been included in this document for your information.

Audit Process

	Discussion
Overview	<ul style="list-style-type: none">• For purposes of the audit of the financial statements, our audit scope is developed after considering the inherent and control risks and the effectiveness of the Fund's internal controls. A variety of factors are considered when establishing the audit scope including size, specific risks, the volumes and types of transactions processed, changes in the business environment, and other factors.• Our audit procedures are customized based on the organization's significant accounts, disclosures and classes of transactions, as well as our assessment of risk, including the risks of fraud. Given the size of the operations, our procedures are primarily of a substantive nature. In other words, we will not rely on controls except those at the entity level that address significant risks.• Areas of audit emphasis for the financial statements and disclosures include:<ul style="list-style-type: none">– Completeness of the allocation of interest revenues to the Fund; and– Completeness, occurrence and measurement of the Fund's expenses.
Materiality	<ul style="list-style-type: none">• Our evaluation of areas of audit significance is made relative to "materiality". An understanding of what is significant or material in relation to the overall results of the Fund is critical to the performance of an effective and efficient audit. An item is considered material if its impact might reasonably be expected to affect the decisions of a reader of the financial statements.• The level at which materiality is set affects the following audit planning decisions:<ul style="list-style-type: none">– extent of evaluation of internal accounting controls– extent and nature of audit evidence (i.e., extent of testing) to be examined• Our estimation of materiality requires professional judgment and necessarily takes into account qualitative as well as quantitative considerations. Based on the results of the fund, materiality for the audit of the 2009 financial statements was determined to be \$18,500 [2008 - \$18,900], which represents approximately 1% of total fund balance [2008 – 1%]. This approach to calculating materiality corresponds with the recommendations in the CICA Handbook guideline which deals with materiality and audit risk.

Audit Team

	Discussion						
Audit Team	<ul style="list-style-type: none">Ernst & Young continues to serve you with a team of professionals who offer both industry experience and a working knowledge of your Fund. We continue to focus on providing a committed and experienced team to your organization. The table below shows the key team members for the audit. <table><tr><th>Engagement Member</th><th>Responsibility</th></tr><tr><td>Mark Barrett</td><td>Engagement Partner</td></tr><tr><td>Ann Chan</td><td>Manager</td></tr></table>	Engagement Member	Responsibility	Mark Barrett	Engagement Partner	Ann Chan	Manager
Engagement Member	Responsibility						
Mark Barrett	Engagement Partner						
Ann Chan	Manager						

Items of Audit Significance Discussed with Management

During the course of planning and executing our audit, the following items/matters of audit significance were discussed with management.

Item	Description	Audit Results and Comments
Interest Income	<ul style="list-style-type: none">During the year, the Fund recognized interest income of \$13,750 [2007- \$71,438].	<ul style="list-style-type: none">We performed an interest reasonability procedure to test that interest income had been properly allocated to the Fund and concluded interest income recorded is reasonable.
Fund Disbursements	<ul style="list-style-type: none">During the year the Fund had total disbursements of \$63,858 [2007- \$83,152].The Fund's policy states that the total disbursements in the year cannot exceed 90% of prior year's interest income. In addition, expenditures over \$5,000 require the approval of the Advisory Committee.	<ul style="list-style-type: none">We have recalculated the total disbursements in 2009 to test that they do not exceed 90% of the prior year's interest income and reviewed all expenditures over \$5,000 for proper authorization. Our procedures indicate that the Fund has complied with these policies. <p>We have performed substantive testing of expenditures and did not identify any exceptions.</p>

Other Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the Advisory Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to your Fund.

Area	Comments
<p>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</p> <p>As set out in the section on terms of engagement, we designed our audit to express an opinion on your organization's financial statements.</p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement.</p> <p>As a part of our audit, we obtained a sufficient understanding of the internal control structure to plan our audit and to determine the nature, timing and extent of testing performed.</p>	<p>We anticipate issuing an unqualified audit opinion dated March 15, 2010 upon approval of the financial statements by the Advisory Committee and completion of certain outstanding procedures. The following procedures are outstanding:</p> <ul style="list-style-type: none"> • Confirmation from the Advisory Committee that there are no areas of concern that have not been addressed in this document; • Management letter of representation; and • Final procedures relating to the draft financial statements and footnotes.
<p>Adoption of, or Changes in, an Accounting Principle, Including Material Alternative Accounting Treatments Discussed with Management and Acceptability of a Particular Policy used by Management</p> <p>We determine that the Advisory Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p> <p>In addition, we report to the Advisory Committee all alternative accounting treatments within Canadian generally accepted accounting principles (GAAP) for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including the acceptability of the policies or methods ultimately retained by management.</p>	<p>There were no changes to significant accounting policies.</p> <p>We had no discussions with management regarding material alternative accounting treatments.</p>

Other Required Communications (continued)

Area	Comments
<p>Our Judgments About the Quality of the Organization's Accounting Principles</p> <p>We discuss our judgments about the quality, not just acceptability, of the accounting principles as applied in the organization's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>We believe the quality of accounting policies disclosed in the financial statements, as applied in the financial reporting, the consistency of their application, and the understandability and completeness of the financial statements are reasonable in relation to industry practice.</p>
<p>Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p> <p>We determine that the Advisory Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Fund or of any significant accounting policies used by the Fund related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p>Significant Audit Adjustments and Unrecorded Audit Differences Considered by Management to be Immaterial</p> <p>We provide the Advisory Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the organization's financial statements.</p> <p>We inform the Advisory Committee about unrecorded audit differences accumulated by us (i.e. adjustments either identified by us or brought to our attention by management) during the current audit period and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p>	<p>There were no unrecorded audit adjustments.</p>

Other Required Communications (continued)

Area	Comments
Disagreements with Management	None.
Serious Difficulties Encountered in Dealing with Management when Performing the Audit	None.
Significant Weaknesses in Internal Controls	
We communicate all significant weaknesses in internal control over financial reporting that may have been identified during the course of our audit.	No significant weaknesses in internal control were identified.
Fraud and Illegal Acts	
We report to the Advisory Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement to the financial statements.	We are not aware of any matters that require communication.
We are also required to make inquiries of the Advisory Committee related to fraud, including both (1) their views about the risks of fraud, and (2) their knowledge of any actual or suspected fraud.	We would request that the Advisory Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
Consultation with Other Accountants	None of which we are aware.
Other Information in Documents Containing Audited Financial Statements	
Our financial statement audit opinion relates only to the financial statements and accompanying notes. However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements.	We are not aware of any other documents prepared by the Fund containing the audited financial statements.

Other Required Communications (continued)

Area	Comments
Related Party Transactions	
Related party transactions identified by the auditor that are not in the normal course of operations or that involve significant judgments made by management concerning measurement or disclosure must be disclosed to the Advisory Committee.	None of which we are aware.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	None.
Matters Relating to Component Entities of the Company	
When the financial statements of a company (primary entity) include financial information from financial statements of a component entity (a subsidiary, investee (other than a portfolio investment), or joint venture; or an entity whose financial information from financial statements is included with those of the primary entity), the auditor communicates with the Advisory Committee those matters relating to the component entities that in the auditor's judgment are of significance in the context of the primary entity (for example, weaknesses in systems of internal control that have resulted, or could result, in material errors in the primary entity's financial statements).	None of which we are aware.
Independence	
Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between your organization and Ernst & Young that, in our professional judgment, may reasonably be thought to bear on our independence.	Refer to "Independence Letter" section.
Other Audit and Non-Audit Services Provided to Your Organization	None.

Other Required Communications (continued)

Area	Comments									
Fees	<p>A summary of our fees is included below for your reference.</p> <table><tr><td></td><td>2009</td><td>2008</td></tr><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Annual audit fees</td><td>\$9,010</td><td>\$9,010</td></tr></table> <p>Annual audit fees for 2009 are inclusive of expenses and plus GST. This is the second year of a two-year contract extension ending with the audit of the December 31, 2009 financial statements in accordance with our agreement with the City of Toronto.</p>		2009	2008		\$	\$	Annual audit fees	\$9,010	\$9,010
	2009	2008								
	\$	\$								
Annual audit fees	\$9,010	\$9,010								

New Developments in Accounting or Auditing Standards

Each year, we review changes in professional standards, legislation and stakeholder requirements that may have an impact on our audit, including the presentation or disclosure of items in the financial statements, our audit scope, and matters requiring communication.

	Discussion
Revisions to Not-for-Profit Accounting Standards (4400 Series)	<ul style="list-style-type: none"> The AcSB has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the Handbook that relate to not-for-profit organizations. The changes are effective for years beginning on or after January 1, 2009, with earlier adoption permitted. The following is a summary of the more significant changes: Introduction to Accounting Standards that Apply Only to Not-for-Profit Organizations: <ul style="list-style-type: none"> Cross-reference the Introduction to CICA 1100, <i>Generally Accepted Accounting Principles</i>, thereby reminding readers that Accounting Guidelines and EIC Abstracts are applicable to NFPs; CICA 4400, <i>Financial Statement Presentation by Not-for-Profit Organizations</i>: <ul style="list-style-type: none"> Makes CICA 1540, <i>Cash Flow Statements</i>, applicable to NFPs; as a result, investing and financing activities will need to be presented separately; Makes the disclosure of net assets invested in capital assets optional—if presented, it may be either in a note to the financial statements or directly on the face of the statement of financial position; and Requires the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. CICA 4470, <i>Disclosure of Allocated Expenses by Not-for-Profit Organizations</i>: <ul style="list-style-type: none"> Applies to organizations that classify their expenses by function rather than purpose; Requires disclosures when fundraising and general support expenses allocated to other functions; Disclosures include accounting policy explaining policies adopted for allocation, nature of expenses allocated, basis on which allocations made, and details of amounts allocated. These updates have no impact on the Fund's 2009 financial statements.

New Developments in Accounting or Auditing Standards (continued)

	Discussion
Private Sector Not-For-Profit Organizations	<ul style="list-style-type: none"> • The AcSB issued an Exposure Draft in March 2010 that proposes, subject to comments received following the exposure period, to issue Part III of the Handbook as accounting standards for not-for-profit organizations in the private sector. The Exposure Draft indicates that Part III will initially comprise: <ul style="list-style-type: none"> – the existing standards dealing with the unique circumstances of not-for-profit organization, currently in the 4400 series of standards in Part V of the Handbook; – the additional standards and amendments proposed in the Exposure Draft; and – new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to not-for-profit organizations. • The AcSB expects that the final standards will be issued late in 2010. • The standards in Part II of the Handbook, which would be used to account for transactions not covered by the standards dealing with issues unique to not-for-profit organizations, are based on existing Canadian GAAP but have been simplified and the required disclosures significantly reduced. • The AcSB previously decided to permit not-for-profit organizations to apply International Financial Reporting Standards (IFRSs), which are in Part I of the Handbook. In allowing not-for-profit organizations to adopt IFRSs, the Exposure Draft indicates that IFRSs do not and are not expected to contain an "add on" equivalent to the existing 4400 series in the Handbook. • The AcSB proposes that not-for-profit organizations select one of the two available sets of accounting standards and apply that set for annual financial statements relating to fiscal years beginning on or after January 1, 2012. Earlier application would be permitted. The new standards would be adopted with retroactive application with restatement of prior periods. • The Exposure Draft indicates that when the Public Sector Accounting Board ("PSAB") has completed the development of the standards applicable to government not-for-profit organizations, the AcSB will consider whether those standards should also be an option for private sector organizations. • Given the diversity of not-for-profit organizations, the AcSB agreed with stakeholders that options were required and that the choice between the options should be one that an organization can make freely. • The standards in Part V of the Handbook currently applicable to not-for-profit organizations will remain in effect until organizations have adopted either the standards in Part I or the standards in Part III. • We expect that almost all private sector not-for-profit organizations will choose to adopt Part III of the Handbook when it becomes available. IFRS does not deal with not-for-profit specific issues. Therefore, organizations adopting these rules would be required to develop the approach to accounting for these issues from basic principles. The standards contained in the 4400 series would not be available since there are a number of examples of where these standards are not consistent with the basic IFRS principles (e.g. CICA 4450 permits the non-consolidation of controlled entities).

New Developments in Accounting or Auditing Standards (continued)

	Discussion
Government Not-for-Profit Organizations	<ul style="list-style-type: none"> PSAB also issued an Exposure Draft in March 2010. In the Exposure Draft, PSAB sets out financial reporting proposals that would apply to government not-for-profit organizations. Government not-for-profit organizations are not-for-profits controlled by the government and consolidated into the government accounts (e.g. hospitals in Ontario). Specifically, PSAB proposes to: <ul style="list-style-type: none"> incorporate into the PSA Handbook the 4400 series from the CICA Handbook – Accounting as PS 4200 to PS 4270. PSAB has decided not to make substantive changes to the Sections at this time; amend the <i>Introduction of Accounting Standards that Apply Only to Not-for-Profit Organizations</i> currently in the PSA Handbook to set out the applicability of standards in the PSA Handbook to government not-for-profit organizations; and amend the <i>Introduction to Public Sector Accounting Standards</i> to direct government not-for-profit organizations to apply the standards for not-for-profit organizations in the PSA Handbook for fiscal periods beginning on or after January 1, 2012 with retroactive application with restatement of prior periods. PSAB expects the final standards will be incorporated into the PSA Handbook in late 2010. Government not-for-profit organizations currently use the standards developed by the AcSB that are used by private sector not-for-profit organizations. If the proposals in the Exposure Draft are adopted, government not-for-profit organizations will continue to apply the 4400 series of standards that they are familiar with while using the PSA Handbook as the financial reporting foundation. PSAB has agreed to undertake a review to identify necessary improvements to not-for-profit financial reporting following incorporation of these standards into the PSA Handbook. Subject to the outcome of the review, PSAB expects to propose amendments to the standards in the future. As noted above, the AcSB will undertake, in collaboration with PSAB, a similar evaluation for not-for-profit organizations in the private sector. Certain relatively insignificant changes are proposed to a few recommendations in the 4400 series to deal with issues where recommendations in the series contain details not consistent with details in the PSA Handbook (eg. there are no standards in the PSA Handbook related to interim financial statements so references to these statements has been removed from the 4400 series added to the PSA Handbook). Because the 4400 series are being incorporated into the PSA Handbook, if these proposals are adopted, we expect the financial statements of most government not-for-profit organizations would initially not be significantly different from the statements they currently issue. There are currently few differences in PSA standards compared to the AcSB standards currently being used that would be relevant to not-for-profit organizations. One of the only significant differences relates to the accounting for employee benefit plans. Differences could emerge if future changes made to the CICA 4400 and PS 4200 series by the AcSB and PSAB are not the same.

New Developments in Accounting or Auditing Standards (continued)

	Discussion
Financial Statement Concepts	<ul style="list-style-type: none"> • CICA 1000, <i>Financial Statement Concepts</i>, is amended to eliminate paragraphs that may have been used by some to support the recognition of assets that would not otherwise meet the definition of an asset or the recognition criteria. The section is also amended to add guidance from the International Accounting Standards Board <i>Framework for the Preparation and Presentation of Financial Statements</i> to further clarify the distinction between assets and expenses. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted. • The objectives of this standard are to reinforce a principle-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in CICA 1000. • These changes will eliminate the practice of recognizing as assets a variety of start-up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. Consequently, such costs will be expensed as incurred. Costs that meet the definition of an asset, such as prepaid expenses, will still be able to be recognized as assets. • These updates have no impact on the Fund's 2009 financial statements.
Date of Audit Report	<ul style="list-style-type: none"> • The AASB ("Auditing and Assurance Standards Board") has made some short-term conforming changes to the existing Assurance CICA Handbook. The term "substantial completion" used in reference to dating practitioners' reports will be replaced with the concept that the practitioner must obtain sufficient appropriate evidence before dating his or her report in CICA 5025, CICA 5030, CICA 5049 and CICA 5050. The replacement concepts are consistent with the Canadian Auditing Standards (CASSs). • This should not have any impact on the dating of the audit report as we normally date the audit report for the Fund when we obtain sufficient appropriate evidence.

Engagement Letter (continued)

Mr. Jeffrey Griffiths, Auditor General
City of Toronto
Metro Hall
55 John Street, 9th Floor
Toronto, ON M5V 3C6

4 December 2009

Dear Mr. Griffiths:

1. This engagement letter, including any additional terms that are attached, (collectively, the "Agreement") confirms the terms upon which Ernst & Young LLP ("we" or "EY") has been engaged to perform a statutory audit and report on the consolidated financial statements of the City of Toronto (the "City") for the year ending December 31, 2009. The services described in this paragraph may hereafter be referred to as either "Audit Service" or "Audit Services".

Audit Responsibilities and Limitations

2. The objective of our audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the City in conformity with Canadian generally accepted accounting principle.
3. We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute assurance that the consolidated financial statements taken as a whole are free of material misstatement whether caused by error, fraud or illegal acts whose consequences have a material effect on the consolidated financial statements. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of the data underlying the financial statements, the inherent limitations of internal controls, and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate the possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards. Also, an audit is not designed to detect error or fraud that is immaterial to the consolidated financial statements.

Engagement Letter (continued)

4. In accordance with standards established by the Canadian Institute of Chartered Accountants, we will communicate certain matters related to the conduct and results of the audit to the Audit Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; difficulties encountered in performing the audit; our level of responsibility under professional standards in Canada for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unrecorded audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the City's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the City's accounting principles; our basis for conclusions regarding sensitive accounting estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.
5. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the City's internal controls over financial reporting. This consideration will not be sufficient to enable us to provide assurance on the effectiveness of internal controls over financial reporting or to identify all significant weaknesses.

Canadian generally accepted auditing standards define a significant weakness in internal control as one in which, in the auditor's professional judgment, the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited.

6. If we determine that there is evidence that misstatements, resulting from error, other than trivial errors, or that fraud or illegal or possibly illegal acts may exist or have occurred (other than illegal acts that are considered inconsequential), we will bring such matters to the attention of an appropriate level of management. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed and whether the communication is also made to the Auditor General and the Audit Committee. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Auditor General and the Audit Committee. We will also determine that the Auditor General and the Audit Committee is adequately informed of misstatements, resulting from error, other than trivial errors and illegal or possibly illegal acts that come to our attention unless they are clearly inconsequential. We will not duplicate any reporting made by the Auditor General in his communications to the Audit Committee and we will work with the Auditor General in our understanding of the risks that may arise as a result of any reportable incidents to his group in the year. In addition, we will inform the Auditor General, the Audit Committee and appropriate members of management of significant audit adjustments and significant weaknesses in the design or implementation of internal controls to prevent or detect fraud or error noted during our audit procedures, as well as related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure.

Engagement Letter (continued)

7. We also may communicate to the appropriate levels of management other opportunities we observe for economies in or improved controls over the City's operations. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities.
8. In accordance with CICA Handbook Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*, we will communicate in writing to the Audit Committee any relationships between Ernst & Young LLP, its partners and professional employees and the City of Toronto (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to the City of Toronto.

Management's Responsibilities and Representations

9. The preparation and fair presentation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the City. Management also is responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the City complies with the laws and regulations applicable to its activities.
10. The design and implementation of internal controls to prevent and detect fraud and error are the responsibility of the City's management, as is an assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud. Management of the City is responsible for apprising us of all known instances of fraud, suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and for providing us full access to information and facts relating to these instances and allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the City. If the City limits the information otherwise available to us under this paragraph (based on the City's claims of solicitor/ client privilege, litigation privilege, or otherwise), the City will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may alter the form of report we may issue on the City's financial statements; prevent us from consenting to the inclusion of previously issued auditor's reports in future City filings; or otherwise affect our ability to continue as the City's auditors. The City and we will disclose any such withholding of information to the Audit Committee.

Engagement Letter (continued)

11. Management is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of Council and committees; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; information relating to any illegal or possibly illegal acts, and all facts related thereto; and information regarding all related parties and related party transactions. Failure to provide this information on a timely basis may cause us to delay our report, modify our procedures or even terminate the engagement.
12. Management is responsible for adjusting the consolidated financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded audit differences accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.
13. As required by Canadian generally accepted auditing standards, we will make specific inquiries of management about the representations contained in the consolidated financial statements. Management is responsible for affirming to us in its representation letter and providing us with information regarding the recognition, measurement and disclosure of specific items, including but not limited to the following:
 - its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the consolidated financial statements or used to support amounts in the consolidated financial statements;
 - any plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - information relating to the measurement and disclosure of transactions with related parties;
 - an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with CICA Handbook Section 1508, *Measurement Uncertainty*;
 - information relating to claims and possible claims, whether or not they have been discussed with the City's legal counsel;
 - information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the City is contingently liable;
 - information on whether the City has satisfactory title to assets, whether liens or encumbrances on assets exist, or whether assets are pledged as collateral;
 - information relating to compliance with aspects of contractual agreements that may affect the consolidated financial statements; and
 - information concerning subsequent events.
14. At the conclusion of the audit, we obtain representation letters from certain members of management to confirm significant representations on matters that are directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements; matters that are not directly related to items that are material to the consolidated financial statements but are significant, either individually or in the aggregate to the engagement; and those that are relevant to your judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements. The responses to the inquiries of management, the written representations from management and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the consolidated financial statements.

Engagement Letter (continued)

Fees and Billings

15. Our fees are based on our two-year contract extension for external audit services for fiscal years 2008 and 2009, which stated a fee for 2009 of \$1,226,500 inclusive of expenses plus GST. The stated fee also includes the audit of the Toronto Public Library Foundation and the Toronto Zoo Foundation which are not listed in paragraph 18 as their terms and conditions are covered in a separate engagement letter. The cost of all these audits are detailed in the Price Proposal Form previously submitted to the Auditor General. We will submit our invoices as work progresses and payment of them will be due upon receipt.
16. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the City's records and the representations City personnel have made to us and are dependent upon the City's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fee referred to above and may be the subject of other written agreements supplemental to those in this letter.

Other Matters

17. You will provide to us copies of the printer's proofs of your annual report prior to publication for our review. Management of the City bears the primary responsibility to ensure the annual report contains no misrepresentations. We will review the report for consistency between the annual consolidated financial statements and other information contained in the report, and to determine if the consolidated financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies which may impact on the consolidated financial statements, we will advise management and the Audit Committee as appropriate.
18. In addition to reporting on the consolidated financial statements of the City, we will also audit and report on the undernoted financial statements. The fee for these services is included in the \$1,226,500 mentioned in part 15 of this letter. Our comments noted above setting out the terms of our engagement as auditors of the City of Toronto also apply to the entities/work listed below:

Engagement Letter (continued)

Toronto Economic Development Corporation
Toronto Community Housing Corporation
Housing Services Inc.
Toronto Parking Authority (including Carpark #161)
Police Services Board Special Funds
City of Toronto Sinking Funds
Investment Policy Compliance
City of Toronto Trust Funds
Homes for the Aged Interest Trust Fund
Toronto Board of Health
Various Subsidy Claims:

➤ Toronto Public Health

- Preschool Speech and Language Program
- Healthy Babies Healthy Children Program
- AIDS Bureau Program
- Infant Hearing Program

➤ 10 Homes for the Aged

- Bendale Acres
- Carefree Lodge
- Castlevue Wychwood Towers
- Cummer Lodge
- Fudger House
- Kipling Acres
- Lakeshore Lodge
- Seven Oaks
- True Davidson Acres
- Wesburn Manor

➤ Community and Neighbourhood Services – “Supportive Housing and Community Support”

Toronto Coach Terminal, Inc.
Toronto Transit Commission
TTC Insurance Company Limited
Metropolitan Toronto Pension Fund
Toronto Fire Department Superannuation and Benefit Funds
Toronto Pension Fund

Engagement Letter (continued)

Toronto Police Benefit Fund
TTC Pension Fund Society
TTC Sick Benefit Association
York Employees Pension and Benefit Funds
Sony Centre for the Performing Arts
Toronto Zoo
Board of Governors of Exhibition Place
Canadian National Exhibition Association
Canadian National Exhibition Foundation
St. Lawrence Centre for the Arts
North York Performing Arts Centre Corporation
Toronto Public Library Board
Toronto Track and Field Centre

19. By your signature below, you confirm that the City, through City of Toronto Council, has expressly authorized you to enter into this Agreement with us on the City's behalf, and to bind the City.
20. The attached additional Terms and Conditions form an integral part of this engagement letter and govern our respective rights and obligations arising therefrom.

EY appreciates the opportunity to be of assistance to the City. If this Agreement accurately reflects the terms on which the City has agreed to engage EY, please sign below on behalf of the City and return it to Mark Barrett, Ernst & Young LLP, 175 Commerce Valley Drive, Suite 600, Thornhill, ON, L3T 7P6.

Yours very truly,

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Engagement Letter (continued)

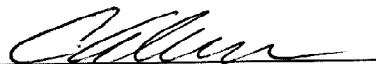
Acknowledged and agreed this 19th day of February, 2009

City of Toronto

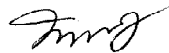


Name: Jeffrey Griffiths
Title: Auditor General

Authorized by Item AU6.1 adopted by
City of Toronto Council on March 3, 4, & 5,
2008.



Name: Cam Weldon
Title: Deputy City Manager and Chief Financial Officer



Name: Marilyn M. Toft
Title: City Clerk

Marilyn M. Toft
for Ulli S. Watkiss
City Clerk

APPROVED AS TO FORM

For Anna Kinastowski
City Solicitor

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

I/We Have Authority to Bind the Corporation

Engagement Letter (continued)

Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services") to the reasonable satisfaction of the client's Auditor General and Deputy City Manager and Chief Financial Officer and EY will use all reasonable efforts to complete the performance of the Services within any stipulated time-frames. EY shall not be liable for failures or delays in the performance of Services that arise from causes beyond its control, including the untimely performance by client, its representatives, advisors or agents.
2. **Unexpected Events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee and Council approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client Data & Information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both Client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.

EY shall comply with the Privacy, Security and Confidentiality Terms and Conditions attached as Appendix B to the Request for Proposals No. 9155-03-7140, except that, unless specifically requested by client, (i) EY shall not be encrypting e-mail communications which may contain personal information, and (ii) any personal information in EY's possession shall not be segregated from the rest of its audit working

Engagement Letter (continued)

papers. EY shall not at any time before, during or after the completion of the engagement divulge any confidential information communicated to or acquired by EY or disclosed by any of the entities being audited in the course of carrying out the engagement, except as required by law. No such information shall be used by EY on any other project without prior written approval of the client. The client shall take all reasonable steps to maintain the confidentiality of any of EY's proprietary or confidential information.

5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.
6. **Internet Communications** - Unless otherwise agreed with Client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to Client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
7. **Right to Terminate Services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing 30 days written notice to the other party. In the event of EY's failure to comply with the terms of this Agreement, client has the right to terminate this Agreement if the failure has not been rectified 15 days after written notice was provided to EY of the failure. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.
8. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services and are included in our fee. Other major direct costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.
9. **Billing & Taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.

Engagement Letter (continued)

10. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
11. **EY Reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.

The client will have the full right to use any Reports for their intended purpose, i.e. audit reports provided to client in accordance with the provisions of the *City of Toronto Act, 2006* and in particular with sections 233, 234 and 235 thereof and not prepared for use by third parties, although EY specifically acknowledges and agrees that the audit reports shall be part of the public record which may be inspected by any person.

All working papers and reports will be retained by EY, at its expense, for ten (10) years, unless notified by the Client in writing of the need to extend the retention period.

12. **Limitation of Liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,
- (a) EY's liability shall be several and not joint and several, solidary or *in solidum* and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;

Engagement Letter (continued)

- (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
- (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$2,000,000. This paragraph (c) shall not limit EY's liability for death, bodily injury, physical damage to tangible property, fraud or willful misconduct of EY.

For the purposes of this section ("*Limitation of Liability*"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

13. **Insurance** - EY agrees that it shall, at its own expense during the performance of the Services, cause to be maintained a Comprehensive General Liability policy of insurance containing a \$2,000,000.00 per occurrence and in the aggregate limit of coverage, and a Professional Liability and Errors and Omissions policy of insurance containing a \$5,000,000.00 per occurrence and in the aggregate limit of coverage.

In respect of the **Comprehensive General Liability** coverage, such coverage shall include:

- (i) the client as an additional insured only with respect to liability arising out of the actions of EY;
- (ii) a cross liability/severability of interest clause
- (iii) personal injury liability;
- (iv) broad form contractual liability;
- (v) contingent employer's liability;
- (vi) employer's liability; and
- (vii) non-owned automobile liability.

In respect of Professional Liability and Errors and Omissions coverage, such coverage shall include coverage of each person made available for the performance of Services by EY. EY agrees that it shall, at its own expense, maintain the levels of coverage described above for Two (2) Years subsequent to the completion or other termination of the Services.

If requested by the client to do so, EY will from time to time provide certificates of insurance to the client evidencing such levels of coverage.

EY acknowledges that its insurance policies are subject to deductible amounts, which deductible amounts shall be borne by EY.

Engagement Letter (continued)

14. **Global Resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
15. **No Application** - The preceding sections (*Limitation of Liability*, *Global Resources*) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
16. **Solicitation & Hiring of EY Personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.
17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal Proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.

Engagement Letter (continued)

19. **LLP Status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.
20. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed *Client Data & Information*, *Confidentiality*, *Auditor Oversight*, *Limitation of Liability*, *Global Resources*, *Solicitation & Hiring of EY Personnel*, and *Legal Proceedings*. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

Other Relevant Documents – The terms and conditions contained in the Request for Proposals No. 9155-03-7140 and the Proposal by EY in response to R.F.P. No. 9155-03-7140 are incorporated into and form a part of this agreement. In the event of any inconsistency between the terms of the documents which make up this agreement, the following shall be the order of priority of the documents to the extent of any inconsistency:

1. The Engagement Letter;
2. The Standard Terms and Conditions;
3. The Proposal by EY referred to above as amended by the price proposal form dated approved by City council at its meeting held on May 26 and 27, 2008; and
4. Request for Proposals No. 9155-03-7140

Independence Letter

Members of the Advisory Committee of Long-Term Care
Homes and Services
For the City of Toronto Long-Term Care Homes and
Services Residents' Interest Trust Fund

20 May 2010

Dear Members of the Advisory Committee:

We have been engaged to audit the financial statements of the City of Toronto Long-Term Care Homes and Services Residents' Interest Trust Fund (the "Fund"), for the year ended December 31, 2009.

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships between Ernst & Young and its related entities and the Fund and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 4, 2009, the date of our last letter.

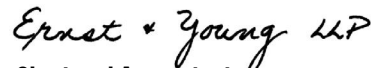
We are not aware of any relationships between Ernst & Young and the Fund that, in our professional judgment, may reasonably be thought to bear on our independence since May 4, 2009, the date of our last letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Advisory Committee in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of May 20, 2010.

The total fees charged to the Fund during this period are set out in the Audit Results package.

This report is intended solely for the use of the Advisory Committee, management, and ultimately the City of Toronto, and should not be used for any other purposes.

Very truly yours,



Chartered Accountants
Licensed Public Accountants

Mark Barrett, Partner/Ann Chan, Manager
(905)882-3168 / (905)882-3053

ERNST & YOUNG LLP

www.ey.com/ca

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