City of Toronto Trust Funds

Audit Results – Year Ended December 31, 2007

Report to the Members of City of Toronto Council

Ernst & Young
Quality in Everything We Do
June 17, 2008

Members of City of Toronto Council

Dear Members of Council:

We are pleased to present the results of our audit of the consolidated financial statements of the City of Toronto Trust Funds (the “Funds”).

This report to Council 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 2007 financial statements of the Funds. 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 consolidated financial statements, and aligned our audit procedures accordingly. We received the full support and assistance of the Funds’ personnel in conducting our audit.

This report is intended solely for the use of Council and management, 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 2007 consolidated 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 Council in fulfilling its responsibilities.

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

Very truly yours,

Chartered Accountants
Licensed Public Accountants
Diana Brouwer, C.A./Kathi Lavoie, C.A.
(416) 943-7177/(905) 882-3056

Audit Results – City of Toronto Trust Funds
## Terms of Our Engagement

### Auditor's Responsibilities Under Generally Accepted Auditing Standards

- 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 consolidated financial statements will not be detected (particularly intentional misstatements concealed through collusion) even though the audit is properly planned and performed.
- The audit includes:
  - 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 cash flows of the entity.

### Detailed Terms of Engagement

- 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. This engagement letter has been signed by the City's Clerk in accordance with the RFP for audit services with the City of Toronto.
## Audit Process

<table>
<thead>
<tr>
<th>Overview</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 organization'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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
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<tr>
<td>Areas of audit emphasis for the consolidated financial statements and disclosures include:</td>
<td></td>
</tr>
<tr>
<td>- completeness of trust funds</td>
<td></td>
</tr>
<tr>
<td>- completeness of investment income and other revenue</td>
<td></td>
</tr>
<tr>
<td>- measurement and completeness of expenditures and accounts payable</td>
<td></td>
</tr>
<tr>
<td>- existence and completeness of cash, interest and other accounts receivable</td>
<td></td>
</tr>
<tr>
<td>- valuation of investments.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our evaluation of areas of audit significance is made relative to &quot;materiality&quot;. An understanding of what is significant or material in relation to the overall results of your organization 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.</td>
<td></td>
</tr>
<tr>
<td>The level at which materiality is set affects the following audit planning decisions:</td>
<td></td>
</tr>
<tr>
<td>- extent of evaluation of internal accounting controls</td>
<td></td>
</tr>
<tr>
<td>- extent and nature of audit evidence (i.e., extent of testing) to be examined</td>
<td></td>
</tr>
<tr>
<td>- Our estimation of materiality requires professional judgment and necessarily takes into account qualitative as well as quantitative considerations. Based on the results of the Funds, materiality for the audit of the 2007 financial statements was determined to be $57,900 ([$57,800 in 2006]), which represents approximately 1% of your total revenues of $5,783,000. This approach to calculating materiality corresponds with the recommendations in the CICA Handbook guideline which deals with materiality and audit risk.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of Specialists</th>
<th>None.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit</td>
<td>None.</td>
</tr>
<tr>
<td>Reliance on Other Auditors</td>
<td>None.</td>
</tr>
</tbody>
</table>

Audit Results – City of Toronto Trust Funds
Audit Team and Fees

Discussion

Audit Team

- Ernst & Young continues to serve you with a team of professionals who offer both industry experience and a working knowledge of your organization's business. 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>
<thead>
<tr>
<th>Engagement Member</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diana Brouwer</td>
<td>Engagement Executive</td>
</tr>
<tr>
<td>Kathi Laviole</td>
<td>Senior Manager</td>
</tr>
</tbody>
</table>

Fees

- A summary of our fees is included below for your reference.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual audit fees</td>
<td>$6,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Other audit related fees</td>
<td>$1,500</td>
<td>-</td>
</tr>
</tbody>
</table>

Annual audit fees are inclusive of expenses and GST in accordance with our agreed proposal with the City of Toronto. Other audit related fees relate to additional assistance provided with respect to adopting the new accounting standards for financial instruments.
## 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.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Audit Results and Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Trust Fund</td>
<td>During the year, the Green Lane Small Claims Fund was established. $100,000 was received by the Fund during the year.</td>
<td>We have reviewed the Funds’ accounting for this new trust fund as at December 31, 2007 and concur with the accounting and presentation in the consolidated financial statements.</td>
</tr>
<tr>
<td>Financial Instruments</td>
<td>Note 2 sets out details of the changes in accounting policies related to the accounting for and disclosures related to financial instruments. The rules do not require restatement of the prior year and as such the impact has been shown as an adjustment to the opening net assets.</td>
<td>We concur with the accounting for and disclosures related to the new accounting standards related to financial instruments.</td>
</tr>
<tr>
<td></td>
<td>Note 2 also sets out new rules that are effective for fiscal 2008 and will be adopted by the Funds next year. These changes will require some additional disclosures in the notes to the financial statements next year.</td>
<td>We concur with the disclosures related to the new rules not yet adopted.</td>
</tr>
<tr>
<td>Changes to the 2007 Financial Statements</td>
<td>There were no other significant changes to the 2007 financial statements, other than the notes regarding financial instruments.</td>
<td></td>
</tr>
</tbody>
</table>

*Audit Results – City of Toronto Trust Funds*
Other Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the 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 organization.

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)</td>
<td></td>
</tr>
</tbody>
</table>
| As set out in the section on terms of engagement, we designed our audit to express an opinion on your organization’s financial statements. 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. 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. | Upon completion of our remaining audit procedures, we currently expect to issue an unqualified audit opinion dated April 2, 2008 upon approval of the financial statements by Council and completion of certain outstanding procedures. The following procedures are outstanding:  
- confirmation from Council that there are no areas of concern that have not been addressed in this document. |
| 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 | Refer to “Items of Audit Significance Discussed with Management” section. |
| Audit Results – City of Toronto Trust Funds |
Other Required Communications (continued)

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensitive Accounting Estimates and Disclosures</td>
<td>The preparation of financial statements requires the use of accounting estimates. Certain estimates and disclosures are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management’s current judgments. We determine that the Members of Council are informed about management’s process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. There are no significant judgments or estimates required to prepare the financial statements where actual amounts are likely to be significantly different from the estimates.</td>
</tr>
<tr>
<td>Major Issues Discussed with Management Including Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</td>
<td>We determine that the Members of Council are 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. We are not aware of any significant unusual transactions recorded by the Funds or of any significant accounting policies used by the Funds related to controversial or emerging areas for which there is a lack of authoritative guidance.</td>
</tr>
<tr>
<td>Significant Audit Adjustments and Unrecorded Audit Differences Considered by Management to be Immaterial</td>
<td>We provide the Members of Council 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. We inform the Members of Council 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. There were two audit adjustments recorded that related to the impact of the new financial instrument rules.</td>
</tr>
<tr>
<td></td>
<td>We inform the Members of Council 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. There were no unrecorded audit adjustments related to the 2006 and 2007 audits.</td>
</tr>
</tbody>
</table>

Audit Results – City of Toronto Trust Funds
### Other Required Communications (continued)

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagreements with Management</td>
<td>None.</td>
</tr>
<tr>
<td>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</td>
<td>None.</td>
</tr>
<tr>
<td>Significant Weaknesses in Internal Controls</td>
<td>No significant weaknesses in internal control were identified.</td>
</tr>
<tr>
<td>We communicate all significant weaknesses in internal control over financial reporting that may have been identified during the course of our audit.</td>
<td></td>
</tr>
<tr>
<td>Fraud and Illegal Acts</td>
<td>We are not aware of any matters that require communication.</td>
</tr>
<tr>
<td>We report to Council 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.</td>
<td></td>
</tr>
<tr>
<td>We are also required to make inquiries of Council related to fraud, including both (1) their views about the risks of fraud, and (2) their knowledge of any actual or suspected fraud.</td>
<td></td>
</tr>
<tr>
<td>Consultation with Other Accountants</td>
<td>None of which we are aware.</td>
</tr>
<tr>
<td>Other Information in Documents Containing Audited Financial Statements</td>
<td>We are not aware of any other documents prepared by the Funds.</td>
</tr>
<tr>
<td>Our financial statement audit opinion relates only to the financial statements and organization 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.</td>
<td></td>
</tr>
<tr>
<td>Related Party Transactions</td>
<td>Related party transactions are with respect to the City of Toronto and are disclosed within the financial statements.</td>
</tr>
<tr>
<td>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 Council.</td>
<td></td>
</tr>
<tr>
<td>Major Issues Discussed with Management in Connection with Initial or Recurring Retention</td>
<td>None.</td>
</tr>
</tbody>
</table>

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**Audit Results – City of Toronto Trust Funds**
### Other Required Communications (continued)

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matters Relating to Component Entities of the Organization</td>
<td>None of which we are aware.</td>
</tr>
<tr>
<td>When the financial statements of an organization (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 Council 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 consolidated financial statements).</td>
<td></td>
</tr>
<tr>
<td>Independence</td>
<td>Refer to “Independence Letter” section.</td>
</tr>
<tr>
<td>Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between your organization and Ernst &amp; Young that, in our professional judgment, may reasonably be thought to bear on our independence.</td>
<td></td>
</tr>
<tr>
<td>Other Audit and Non-Audit Services Provided to Your Organization</td>
<td>None.</td>
</tr>
</tbody>
</table>

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*Audit Results – City of Toronto Trust Funds*
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.

<table>
<thead>
<tr>
<th>Accounting Standards in Canada: New Directions</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In January 2006, the AcSB approved its new strategic plan, “Accounting Standards in Canada: New Directions,” which outlines the broad policy objectives that will guide the AcSB in carrying out its standard-setting mandate from 2006 to 2011.</td>
<td></td>
</tr>
<tr>
<td>• In summary, the AcSB has adopted the following strategic direction for financial reporting in Canada:</td>
<td></td>
</tr>
<tr>
<td>- For publicly accountable enterprises, the AcSB will converge Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five-year period, after which Canadian GAAP will be replaced by IFRS and cease to exist as a separate, distinct basis of financial reporting for publicly accountable enterprises;</td>
<td></td>
</tr>
<tr>
<td>- For private enterprises with significant external users, the AcSB has received comments on a discussion paper setting out options for meeting the financial reporting needs of users. Possible options are:</td>
<td></td>
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<tr>
<td>- Top-down approach based on GAAP for publicly accountable (similar to differential reporting)</td>
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<tr>
<td>- Adoption of the IFRS-SME, with or without modification (simplified self-contained set of standards)</td>
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</tr>
<tr>
<td>- Independently developed set of standards</td>
<td></td>
</tr>
<tr>
<td>- For private enterprises without significant external users, the AcSB has issued a White Paper for comment. This paper sets out a framework that is built on the existing CICA standards with significant simplification;</td>
<td></td>
</tr>
<tr>
<td>- For not-for-profit organizations, the AdCom is developing an invitation to comment that will set out options for standards to be used for not-for-profits. Possibilities include: IFRS, the approach adopted for private enterprises with significant external users, and Public Sector Accounting Board standards. Any alternative will likely include guidance on areas unique to NFPs such as contributions and collections; and</td>
<td></td>
</tr>
<tr>
<td>- Canada will continue to maintain its own standard-setting capability to carry out the strategic direction outlined above, although roles, structures, processes and resources may evolve.</td>
<td></td>
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<table>
<thead>
<tr>
<th>Capital Disclosures</th>
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<tbody>
<tr>
<td>• In December 2006, the AcSB issued CICA 1535, Capital Disclosures.</td>
<td></td>
</tr>
<tr>
<td>• CICA 1535 applies to all entities regardless of whether they have financial instruments and are subject to external capital requirements. The new section requires disclosure of information about an entity’s objectives, policies and processes for managing capital, as well as quantitative data about capital and whether the entity has complied with any capital requirements.</td>
<td></td>
</tr>
<tr>
<td>• The standards are applicable for annual financial statements relating to fiscal years beginning on or after October 1, 2007.</td>
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</tbody>
</table>

Audit Results – City of Toronto Trust Funds
The AcSB has issued the following new Handbook Sections:

- **CICA 3855, Financial Instruments – Recognition and Measurement**: This section will probably affect all entities to some degree. It prescribes when a financial instrument is to be recognized on the balance sheet and at what amount—sometimes using fair value; other times using cost-based measures. It also specifies how financial instrument gains and losses are to be presented.

- **CICA 3861, Financial Instruments – Disclosures and Presentation**: With the implementation of CICA 3855 related to recognition and measurement for fiscal years beginning on or after October 1, 2006, and CICA 3862 not effective until fiscal years beginning on or after October 1, 2007, CICA 3861 provides a one-year transition with respect to disclosure and presentation from CICA 3860 to CICA 3862. CICA 3861 is substantially the same as CICA 3860. One new requirement is the need to describe financial risk management objectives and policies.

- **CICA 3862, Financial Instruments – Disclosures, and CICA 3863, Financial Instruments – Presentation**: These sections replace CICA 3861. Financial Instruments Disclosure and Presentation, CICA 3862 places increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. CICA 3863 carries forward the presentation requirements from CICA 3861, unchanged.

- **CICA 3865, Hedges**: Application of this section is optional. It provides alternative treatments to CICA 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces the guidance formerly in Accounting Guideline AcG-13, Hedging Relationships, and CICA 1650, Foreign Currency Translation, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

- **CICA 1530, Comprehensive Income**: This section introduces a new requirement to temporarily present certain gains and losses outside net income. This section does not apply to not-for-profit organizations. CICA 4400 was amended to provide that these gains and losses are recorded directly in assets.

- **Significant changes include the following:**
  - Investments and other financial instruments must be recorded on the balance sheet at market.
  - In certain circumstances, gains and losses are recorded in net assets.
  - Derivatives must be recorded on the balance sheet at fair value. Off-balance sheet treatment is no longer allowed.
  - Increased disclosures related to risks.

- **Entities are permitted a “fresh start” in applying the new standards for classification of financial assets and liabilities. Any adjustments to carrying amounts are recognized as adjustments to opening net assets.**

- **The new requirements in CICA 3855, 3861, 3865 and 4400 are effective for fiscal years beginning on or after October 1, 2006 for publicly accountable entities. Not-for-profit entities are considered publicly accountable. Early adoption is permitted only if the entity adopts all requirements of CICA 3855, 3865 and 1530 at the same time. The new requirements are effective for non-publicly accountable entities for fiscal years beginning on or after October 1, 2007. The new requirements in CICA 3862 and 3863 are effective for fiscal years beginning on or after October 1, 2007.**

- **These recommendations required the following changes:**
  - More detailed disclosures in the notes to the financial statements;
  - Valuation of investments at market rather than cost.

See “Items of Audit Significance Discussed with Management” section.
<table>
<thead>
<tr>
<th><strong>New Developments in Accounting or Auditing Standards (continued)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CICA 1506, Changes in Accounting Policies and Estimates, and Errors</strong></td>
</tr>
<tr>
<td>• In July 2006, the CICA issued CICA 1506, <em>Changes in Accounting Policies and Estimates, and Errors</em>, to replace the existing CICA 1506, <em>Accounting Changes</em>. The new Section includes the following changes from the former standard:</td>
</tr>
<tr>
<td>- An entity is permitted to change an accounting policy only when it is required by a primary source of GAAP, or when the change results in a reliable and more relevant presentation in the financial statements;</td>
</tr>
<tr>
<td>- Changes in accounting policy should be applied retroactively, except in instances where specific transitional provisions in a primary source of GAAP permit otherwise or application to comparative information is impractical (the standard provides specific guidance as to what is considered impractical);</td>
</tr>
<tr>
<td>- Expanded disclosures about the effects of changes in accounting policy, estimates and errors on the financial statements; and</td>
</tr>
<tr>
<td>- Disclosures of new primary sources of GAAP that have been issued but have not yet come into effect and have not yet been adopted by the entity.</td>
</tr>
<tr>
<td>• This new Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2007 and their early application is allowed.</td>
</tr>
<tr>
<td>• <em>This section impacted the required disclosures related to the adoption of the new rules for financial instruments. See note 2 to the current year financial statements.</em></td>
</tr>
</tbody>
</table>

| **Fair Value Measurements** |
| • In September 2004, the AcSB approved a proposal to develop a standard on how to determine fair value when other standards require a fair value measurement or disclosure. The project is about how to measure fair value, not when to do so. |
| • The intent is to develop proposed centralized guidance on fair value measurements that can be referenced from other *Handbook* Sections requiring fair value measurement or disclosure. The project will also need to consider the merits of changing existing guidance found in existing and proposed *Handbook* Sections. |
| • The project will notably address the following issues: |
|   - How to define “fair value”; |
|   - The appropriateness of the fair value hierarchy and whether the guidance in applying the levels in the hierarchy is appropriate and sufficiently comprehensive; and |
|   - The appropriateness of disclosures about the use of fair value to remeasure assets and liabilities recognized in the statement of financial position. |
| • The AcSB expects to issue an Exposure Draft with the IASB in 2008. |

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*Audit Results – City of Toronto Trust Funds*
**New Developments in Accounting or Auditing Standards (continued)**

<table>
<thead>
<tr>
<th>Going Concern</th>
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<tbody>
<tr>
<td>- The AcSB has issued amendments to CICA 1400, <em>General Standards of Financial Statement Presentation</em>, which are applicable to all entities.</td>
<td></td>
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<tr>
<td>- These amendments relate to the going concern assumption and require the following:</td>
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<tr>
<td></td>
<td>- Management is required to make an assessment of an entity's ability to continue as a going concern;</td>
</tr>
<tr>
<td></td>
<td>- In making its assessment, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date;</td>
</tr>
<tr>
<td></td>
<td>- Financial statements must be prepared on a going concern basis unless management intends either to liquidate the entity or to cease trading, or has no realistic alternative but to do so;</td>
</tr>
<tr>
<td></td>
<td>- Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern; and</td>
</tr>
<tr>
<td></td>
<td>- When financial statements are not prepared on a going concern basis, that fact must be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern;</td>
</tr>
<tr>
<td>- These amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged.</td>
<td></td>
</tr>
</tbody>
</table>
June 17, 2008

Dear Members of Council:

We have been engaged to audit the financial statements of the City of Toronto Trust Funds (the "Funds") for the year ended December 31, 2007.

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 Funds 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 August 15, 2007, the date of our last letter. We are not aware of any relationships between Ernst & Young and the Funds that, in our professional judgment, may reasonably be thought to bear on our independence since August 15, 2007, the date of our last letter.

Canadian generally accepted auditing standards require that we confirm our independence to the Members of Council 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 Funds within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 2, 2008.

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

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

Yours truly,

[Signature]

Chartered Accountants
Licensed Public Accountants
Diana Brouwer, C.A./Kathi Lavoie, C.A.
(416) 943-7177/(905) 882-3056

Audit Results – City of Toronto Trust Funds
Engagement Letter

July 20, 2007

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

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, 2007. 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 principles.

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. 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

Audit Results – City of Toronto Trust Funds
Engagement Letter (continued)

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.

4. 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 to prevent and detect potential misstatements. 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.

5. 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 are 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.

6. 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.

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7. In accordance with CICA Handbook Section 575.1, 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 (including related entities).

Management's Responsibilities and Representations

8. 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.

9. 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 is responsible for appraising all known instances of fraud, suspected fraud, illegal or improper acts and allegations involving financial improprieties committed by management or employees, by whistle-blowers, or by others, and for providing us full access to information and facts relating to those instances and allegations, and for internal investigations of them. We are not, and we do not purport to be, engaged in investigations of fraud or allegations thereof.

10. 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 and circumstances that may reasonably be thought to bear on our independence. Further, we will disclose any such withholding of information to the Auditor General and the Audit Committee.

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Engagement Letter (continued)

11. 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.

12. 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 Company 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.

13. 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.

Audit Results – City of Toronto Trust Funds
Engagement Letter (continued)

Fees and Billings

14. Our fees, which we will bill as work progresses, are based on our original response to your request for proposal, which stated a fee for 2007 of $750,000 inclusive of expenses and 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 17 as their terms and conditions are covered in a separate engagement letter. The cost of these audits, and other audits no longer required, as detailed in the Price Detail Form attached to our original response, will be deducted from this fee.

15. 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 proposed business combinations or 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

16. 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 financial statements and other information contained in the report, and to determine if the financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies which may impact on the financial statements, we will advise management and the Audit Committee as appropriate.

17. 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 $750,000 mentioned in part 14 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.

Toronto Economic Development Corporation
Toronto Community Housing Corporation
Toronto Parking Authority (including Carpark #161)
Police Services Board Special Funds
City of Toronto Sinking Funds
Investment Policy Compliance

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Engagement Letter (continued)

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
  • Albion Lodge
  • Bendale Acres
  • Carefree Lodge
  • Castleview Wychwood Towers
  • Cummer Lodge
  • Fudger House
  • Kipling Acres
  • Lakeshore Lodge
  • Seven Oaks
  • True Davidson Acres

➤ 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 Fund
Toronto Pension Fund
Toronto Police Benefit Fund
TTC Pension Fund Society
TTC Sick Benefit Association
York Employees Pension and Benefit Fund
Hummingbird Centre
Toronto Zoo
Board of Governors of Exhibition Place

Audit Results - City of Toronto Trust Funds
Engagement Letter (continued)

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

18. 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.

19. 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 Diana M. Brouwer, Ernst & Young LLP, Chartered Accountants, Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto, ON M5K 1J7.

Yours very truly,

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Acknowledged and agreed:
City of Toronto

By: _____________________ By: _____________________

[Name of Client Official] [Name of Client Official]

[Title] [Title]

Audit Results – City of Toronto Trust Funds
Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract into which these terms and conditions are incorporated (collectively, the "Agreement"), these terms and conditions shall apply to the engagement carried out by Ernst & Young LLP ("EY"). 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 will 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. Client Data and Information - Client will provide to EY in a timely manner complete and accurate data and information ("Client Data") and access to such management personnel, staff, premises, computer systems and applications as are reasonably required by EY to complete the performance of the Services. EY may disclose Client Data to other EY Entities for the purpose of rendering the Services. EY may also disclose Client Data to other EY Entities for the purposes of fulfilling its professional obligations to manage conflicts of interest and to maintain auditor independence as well as to implement standardized performance recording and documentation systems with the global Ernst & Young network. EY Entities or their service providers may store Client Data, which may include personal information, outside of Canada.

3. Confidentiality – 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 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.

4. EY Waiver Re: Tax Advice - Notwithstanding any confidentiality obligations or other restrictions on disclosure contained in this Agreement, with regard to:

(a) any oral or written statement or advice related to taxes provided by EY with regard to a person or entity that:
   (i) has any filing obligation with the US Internal Revenue Service, or
   (ii) qualifies as a US Controlled Foreign Corporation (i.e., a non-US corporation that has US shareholders (US persons that directly or indirectly own 10% or more of the total combined voting power of all of the classes of stock of such non-US corporation) that own in the aggregate more than 50% of the total vote or value of such non-US corporation);

(b) any oral or written statement or advice regarding US taxes or tax advice related to a transaction that could affect a US tax; or

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Engagement Letter (continued)

(c) where SEC audit independence restrictions apply to the relationship between client and any EY Entity, any oral or written statement or advice to client as to any potential tax consequences that may result from a transaction or the tax treatment of an item, together, (a), (b) and (c) referred to as "Tax Advice),

EY expressly authorizes client to disclose to any and all persons, without limitation of any kind, any such Tax Advice, including any fact that may be relevant to understanding such Tax Advice, and all materials of any kind (including opinions and other tax analyses) provided to client in relation to such Tax Advice. However, because the Tax Advice is solely for the benefit of client and is not to be relied upon by any other person or entity, client shall inform those to whom it discloses any such information that they may not rely upon any of it for any purpose without EY’s prior written consent.

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.

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. Fees - Any fee estimates by EY take into account the agreed-upon level of preparation and assistance from client personnel. EY undertakes to advise client management on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed estimated time.

9. Expenses - EY will bill for all reasonable expenses. Expenses such as long-distance telephone and telecommunications charges, photocopying, delivery, postage, clerical assistance and micro-computer technology costs are based on a percentage (included within our fixed fee) of our fees for professional services. Other major direct costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.

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10. 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. [Note that our agreement includes the taxes as noted in the letter – however, for billing purposes the fee will be broken out accordingly.]

11. 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.

12. Working Papers/Reports - EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. EY also retains all copyright and other intellectual property rights in all reports, advice or other communications of any kind provided to client in any form (written or otherwise) during the course of the engagement (the "Reports") provided by EY to client. The client will have the full right to use any Reports for their intended purpose, i.e. audit reports are 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 are 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. Any audit procedures were not planned or conducted (i) in contemplation of reliance by particular third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any use which a third party makes of the Reports, or any reliance on or decisions to be made based on them are the responsibility of such third parties. 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. Client may not rely on any draft Report.

13. Subject to the limitations contained in section 14 ("Limitation of Liability"), EY shall defend, save harmless and indemnify client and its Mayor, Councillors, officers, employees, agents, representatives, successors and assigns against all losses, costs, damages and other liabilities arising from the EY's performance of the Services where caused by or to the extent contributed by the negligent acts or omissions of EY and those for whom it is in law responsible. Subject to the limitations contained in section 14 ("Limitation of Liability"), EY shall defend, indemnify and save harmless client, its Mayor, Councillors, officers, employees, agents, representatives, successors and assigns, against all claims, actions, suits and proceedings, including all costs incurred in connection with any patent, copyright, moral right, trademark or industrial design or the use or misuse in connection EY's performance of the Services.
14. **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), strict liability, failure of essential purpose or otherwise,

(a) EY's liability shall be several and not joint and several 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;

(b) in no event shall EY be liable 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, and even if EY 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 $2,000,000.

This paragraph shall not limit EY’s liability for death, personal injury or physical damage to tangible property, damage caused by the negligent acts or omissions of EY and its partners and staff, or for loss or damage caused by their fraud or wilful 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.

15. 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.
16. **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, 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.

17. **No Application** - The preceding two sections entitled Limitation of Liability and Global Resources, or any portion of them, shall have no application to any liability for which exclusion or restriction is prohibited by applicable law or regulation (including any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).

18. **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 statement(s)), or in the 12 months preceding that date.

19. **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.

20. **Legal Proceedings** - In the event EY is requested or authorized 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 reasonable professional time and expenses, as well as the reasonable fees and expenses of counsel, incurred in responding to such requests provided that such requests do not fall within the scope of this engagement.

21. **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.
22. **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. This Agreement constitutes the entire agreement between the parties relating to its subject matter and except as described below, supersedes all prior representations, negotiations and understandings. 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 **Confidentiality, Limitation of Liability, Solicitation & Hiring of EY Personnel and Legal Proceedings.** The provisions of this Agreement shall operate for the benefit of, and may be enforced by, any subcontractor, agent, partner or employee that is providing any of the Services.

23. **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;
4. Request for Proposals No. 9155-03-7140

*Audit Results – City of Toronto Trust Funds*