

Toronto Parking Authority

Audit Resolution Report to the Board of Directors
December 31, 2010

April 14, 2011

Members of the Board of Directors
Toronto Parking Authority
33 Queen Street East
Toronto, Ontario
M5C 1R5

Dear Members of the Board of Directors

We have substantially completed our audit of the financial statements of Toronto Parking Authority (the TPA) for the year ended December 31, 2010 and propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1.

We have issued the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss our key findings with you.

We would like to express our sincere thanks to the management and the staff of the TPA who have assisted us in carrying out our work and we look forward to our meeting on April 19, 2011. Should you have any questions or concerns prior to the Board meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon, Partner
Audit and Assurance Group

cc: Gwyn Thomas, President
Gerry Daigle, Vice President of Finance and Administration/Chief Financial Officer

Index

Page

1.	Executive summary	1
2.	Audit administration	2
3.	How we performed the audit.....	4
4.	Significant audit, accounting and financial reporting matters	6
5.	Summary of unadjusted items	9
6.	Other required communications	10
7.	Internal control recommendations	11
8.	What's new for the current year?.....	13

Appendices

- Appendix A: Engagement letter
- Appendix B: Draft auditor's report and draft financial statements
- Appendix C: Management representation letter
- Appendix D: Independence letter

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose.

1. Executive summary

a. Status of the audit

We have substantially completed our audit of the 2010 financial statements. Our audit report will be issued once we receive and have completed our audit work on the outstanding items noted below.

Our audit has been performed substantially in accordance with the plan and timeline previously communicated to you:

The following items will need to be completed / received prior to the issuance of our opinion. We will provide an update on the status of these items at your upcoming meeting.

Outstanding item	Status
i. Receipt of outstanding confirmations	Confirmations are outstanding from: <ul style="list-style-type: none">- City of Toronto- TTC
ii. Legal letters	Confirmations are outstanding from: <ul style="list-style-type: none">- Legal Services, City of Toronto
iii. Receipt of signed management representation letter	To be provided to management
iv. Approval of the financial statements by the Board of Directors	To be approved at meeting

b. Key issues for discussion

The following is a summary of the key audit and financial reporting issues we discussed with management during the audit. Further details on each issue can be found within this document. (All amounts are in thousands of dollars)

	Issue	Summary discussion	For further reference
i.	Summary of unadjusted items	<ul style="list-style-type: none">• We identified one unadjusted item during the audit. As this adjustment was a re-classification, there was no impact to net income.• In our opinion, the financial statements, taken as a whole, are free of material misstatement.	page 9
ii.	Significant deficiencies	<ul style="list-style-type: none">• We have not noted any significant deficiencies in internal controls.	page 9
iii.	Independence	<ul style="list-style-type: none">• We are independent of Toronto Parking Authority as at April 19, 2011, and our independence letter can be found in Appendix D.	Appendix D

2. Audit administration

a. Your team

Your client service team comprises the following individuals:

Name	Role	Phone number	Email address
Cathy Russell	Overall Engagement Leader for City of Toronto	(416) 815-5291	cathy.russell@ca.pwc.com
Terri McKinnon	Engagement leader	(416) 228-1922	terri.mckinnon@ca.pwc.com
Farah Pira	Engagement manager	(416) 228-4217	farah.pira@ca.pwc.com

b. Our audit objectives

As the TPA's auditor, our primary responsibility is to form and express an opinion on the TPA's financial statements for the year ending December 31, 2010. The financial statements are prepared by management with the oversight of those charged with governance. An audit of the financial statements does not relieve management or the Board of its responsibilities.

We conduct our audit in accordance with Canadian Auditing Standards, which are the same as International Standards on Auditing.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Board. Where appropriate, we will discuss segment standards, provide management our views and insights and also advise management of other services we feel could be helpful – at all times staying within the realms of our independence rules.

c. Engagement terms

Our engagement letter (included in Appendix A) sets out the terms and conditions for our engagement as the independent auditor of the TPA for the year ending December 31, 2010.

In addition, our engagement letter outlines our responsibilities as the auditor and the responsibilities of management.

d. Independence

Generally accepted auditing standards require that we confirm our independence to the Board of Directors annually. We are not aware of any relationships that may reasonably be through to bear on our independence. Our confirmation letter is set out in Appendix D.

e. Our fees

Our estimated fees are based on the estimated time required by the individuals assigned to the engagement. Our fees for the audit of the financial statements of Toronto Parking Authority for the year ended December 31, 2010 are \$14,110.

3. How we performed the audit

a. Our audit approach

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

- i. Gaining an understanding of the TPA – focusing on new developments and key business issues as well as management’s monitoring of controls and business processes
- ii. Identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks
- iii. Using well-reasoned professional judgment, especially, in areas that are subjective or require estimates
- iv. Leveraging reliance where possible on internal controls and information technology and data systems. Our approach will, therefore, include a mixture of key controls reliance, substantive analytics and detailed testing.

Our understanding of the TPA also drives our assessment of materiality and the identification of audit risks.

Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the financial statements. As a result, you will always hear us talking to you about the key issues.

b. Materiality

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) could reasonably be expected to influence the economic decisions of users, taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both. A common measure for setting materiality at a not-for-profit entity is to use ½% to 2 % of revenues or expenditures.

Accordingly, we have set our materiality for the audit as follows:

	Basis	Amount
Overall materiality	½% to 2% of revenue or expenditure	\$1,166,000
Unadjusted and adjusted items in excess of this amount will be reported to the audit committee	5% of overall materiality	\$58,000

c. Discussion on fraud risk

Canadian Auditing Standards require us to discuss fraud risk annually with the Board. We understand that part of your governance role is also to consider the fraud risks facing the TPA and the responses to those risks.

<p>Required discussion: Fraud related processes</p>	<p>Through our audit process, we have developed an understanding of your oversight processes including:</p> <ul style="list-style-type: none"> ◦ Presentations by management, including business performance reviews ◦ Review of related party transactions ◦ Consideration of tone at the top ◦ Internal audit <p>Are there any new processes or changes to the above that we should be aware of?</p>
<p>Required discussion: Fraud</p>	<p>We are not aware of any fraud at the current time.</p> <p>We would like to ask whether you are aware of instances of actual, suspected or alleged fraud affecting the TPA.</p>

4. Significant audit, accounting and financial reporting matters

The preparation of the financial statements under Canadian generally accepted accounting principles (GAAP) requires management to select accounting policies as well as make critical accounting estimates and disclosures that involve significant judgment and measurement uncertainty, which can significantly impact the reported results.

We are responsible for discussing with the Board of Directors our views about the significant qualitative aspects of the accounting practices, including the appropriateness of accounting policies, the reasonability of key accounting estimates and judgments, as well as the adequacy of financial statement disclosures.

Our comments and conclusions included in this report should only be taken in the context of the financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate.

During the audit, we dealt with the following complex issues, areas of judgment and significant audit risks:

Issue	Discussion
Completeness of Revenues for Off-Street Parking	<p>We noted an audit risk in respect of the off-street parking revenues due to the significant amount of cash that is collected from these operations. Therefore we tested internal controls surrounding the cash collections and reconciliations which are performed on a daily basis. PwC has tested a sample of these reconciliations and ensured they were complete and accurately recorded in the general ledger.</p> <p>The TPA performs an analysis of revenues on a monthly basis, in addition to ensuring off-street lots are supervised and entry/exit gates are not manually operated. PwC did not note any exceptions.</p>
Agreement with Precise Parklink Inc.	<p>In the current year the TPA upgraded the pay and display machines with new credit card systems in order to reduce the number of unauthorized transactions, reduce lost revenues and to comply with the network changes made by the network provider.</p> <p>The TPA entered into an agreement for this purchase, which resulted in financing the purchase which is being paid over a 15 year period on a monthly basis. The debt is classified as a long-term payable and details are included in note 8 to the financial statements.</p> <p>PwC has performed testing to ensure the long-term payable is appropriate classified, discounted and recorded in the balance sheet.</p>
Related Party Transactions	<p>TPA operates 52 parking facilities on a year round basis on properties owned by the City of Toronto departments and agencies. There are 15 other locations operated during the summer months on behalf of the Parks and Recreation Department of the City. These parking facilities are operated under separately negotiated agreements with each City department or agency. TPA receives compensation in the form of either a share of net income or on a cost recovery plus a fixed fee basis. Amounts owing from or to the Authority under these agreements are included within accounts receivable or accounts payable and accrued liabilities at</p>

Issue	Discussion
	<p>year end.</p> <p>PwC has assessed these transactions through confirmations with the City of Toronto and have concluded that all balances with the City are appropriately reflected in 2010.</p> <p>PwC also recomputed the City's share of TPA's income and noted no exceptions.</p>
TTC Operating Agreement	<p>TPA has an agreement with the TTC to provide various services including snow removal, maintenance and repairs etc. TPA tracks the costs incurred on behalf of the TTC in separate accounts in the general ledger and recovers these costs monthly. At year end, the actual costs incurred are compared to the recovered amount and TTC is either charged or reimbursed for the difference. The monthly management fee paid to TPA by the TTC is \$118k.</p> <p>PwC performed the following procedures:</p> <ul style="list-style-type: none"> • Receipt of confirmation from TTC to confirm the related party balances • Review management's year end reconciliation between TPA and TTC • Review of calculation of management fee received <p>Differences were noted between the amounts recorded by TPA and the initial confirmation received from TTC, but were resolved. No exceptions were noted in testing performed.</p>
Sale of Air Rights – Car Park 49	<p>In the current year, the TPA sold the surface lot for car park 49 for total consideration of \$24M of which \$18M was paid in cash and \$6M of the proceeds was held back by the purchaser to build a future car park on the site. The \$6M has been recorded as an Investment in Garage on the balance sheet.</p> <p>PwC reviewed the agreement and noted that the developer is obligated to provide this future car park once the development on the surface lot is complete. The total cost of the property was \$404K and thus the gain on the sale was approx. \$23.5M. There were no exceptions noted in our testing.</p>
Presentation of Mall Rent revenue – Gross vs. net	<p>Net revenues from retail operations are remitted to the City of Toronto for placement into a capital reserve fund as per Municipal Code 227. This fund is managed by the City and funds are usually used towards capital purchases made by TPA. Net revenues have historically been disclosed in the financial statements.</p> <p>PwC noted although there is disclosure in the notes to the financial statements of the gross amounts, GAAP requires that gross revenues should be recorded on the face of the Statement of Operations when the entity has control and risk over the revenues and expenses. As the lease agreements are between the TPA and the retail tenants and the TPA is solely at risk for these operations, it is appropriate for TPA to record these revenues and expenses at their gross amounts. The financial statements (note 3) have been amended accordingly for 2010 and 2009.</p>

Issue	Discussion
Property Taxes	<p>TPA has many lots in Toronto and is required to pay municipal taxes on the properties (lots) that they own. Municipal assessments for the lots are determined through the Municipal Property Assessment Corporation and it can take a number of years before final assessments are completed when a new lot is purchased and the tax billings are provided.</p> <p>Management evaluates the taxes owed on the lots by equating the lot to a similar one held and accrues for the taxes annually. There are 4 properties that are not assessed at year-end and \$296,480 has been accrued for property taxes relating to these properties. PwC reviewed management's accruals for property taxes and found management's assessments to be reasonable. When final bills are received from the City, they will be recorded and reconciled to what was already accrued which may result in variances that are unknown at this time. In 2010, bills relating to tax on lots accrued for in 2009 were received for \$24,857. Management accrual in 2009 related to these lots was \$33,967. PwC finds management's prior year estimate to be reasonable.</p>
Changes to the Financial Statements	<p>The Debt Payable note has been enhanced to include details of the new debt relating to the purchase of equipment upgrades.</p> <p>The related party note disclosure was enhanced to include disclosure on amounts paid and received during the year from the related parties as well as updating of the City of Toronto income share arrangement note. In addition the note related to the TPA's reserve funds was also enhanced.</p>

5. Summary of unadjusted items

Our responsibility is to issue an opinion as to whether the financial statements are free of material misstatement.

As a result of our audit, we identified certain items and have discussed these with management. Management has adjusted the financial statements to reflect certain of these items. The items that remain unadjusted are summarized in (a) below. Under Canadian Auditing Standards we are required to ask the Board of Directors to consider adjusting the financial statements for these items.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. We did not identify any such items.

Unadjusted items

Total unadjusted items have a no effect on the net income.

Description	Statement of Operations	Balance Sheet		
	Over (under) stated	Assets (over) under stated	Liabilities over (under) stated	Equity over (under) stated
Re-classification of TTC Management Fee Revenue currently netted against rent expense	118,284	-	-	-
	(118,284)	-	-	-
				-
Total unadjusted differences	-	-	-	-

We have concluded that the financial statements taken as a whole are free of material misstatement and (pending the completion to our satisfaction of the outstanding matters identified in section 1), we are prepared to issue an unmodified report on the financial statements.

6. Other required communications

Canadian Auditing Standards require that the external auditor communicate certain matters to the Board of Directors that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to the Toronto Parking Authority:

Matter to be communicated	PwC's response
Management's representations	Under Canadian Auditing Standards, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.
Significant deficiencies in internal control	<p>Changes to Canadian Auditing Standards require us to communicate to the Board of Directors internal control weaknesses identified as part of our audit that are considered to be significant deficiencies.</p> <p>A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Board of Directors. We did not find any significant deficiencies, however we did note there were some areas where best practices could be implemented. See section 7 below for recommendations made.</p>
Significant difficulties or disagreements that occurred during the audit	No difficulties or disagreements occurred while performing our audit that requires the attention of the Board of Directors.
Fraud and illegal acts	<p>No fraud involving senior management, employees with a significant role in internal control, or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures.</p> <p>We wish to reconfirm whether the Board of Directors is aware of any known, suspected or alleged incidents of fraud.</p>

7. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the financial statements.

The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

During our audit, we identified no significant deficiencies or other control recommendations that we wish to bring to your attention. However there were some areas noted below where best practices could be implemented.

Item	Recommendation	Management Response
<p>Review of payroll information input into the system</p> <p>Payroll information for new employees that is input into the system is not reviewed after it is input. An input error was noted during our audit which resulted in an employee being paid the incorrect amount.</p>	<p>PwC recommends that payroll inputs should be reviewed by another individual to minimize the risk of input errors going unnoticed.</p>	<p>Management agrees with the recommendation and a review of information by another individual has been implemented.</p>
<p>Accounting for the write-off of capital assets</p> <p>Capital assets that were written-off the financial statements in 2006 still remain on the general ledger thus resulting in a material difference between the general ledger and the financial statements. The assets should be written off in order to present an accurate listing of capital assets which is in line with the financial statements.</p>	<p>Fixed assets written off should be removed from the general ledger on a timely basis.</p>	<p>The assets written-off were fully depreciated and had no effect on the net asset amount appearing on the financial statements. The assets written off were identified in the detailed listing of assets but the adjusting journal entry had not been made. The entry was processed in 2011.</p>
<p>Lack of vacation policy</p> <p>TPA's vacation policy allows unused vacation days to be carried forward indefinitely.</p>	<p>The vacation policy should encourage employees to take vacation annually. Any unused vacation, up to a certain amount, can be carried forward. Unused vacation more than one year old should expire.</p>	<p>The unused vacation relates mostly to senior management staff. All other staff are encouraged by their managers to take their full vacation entitlement. In the case of senior management the situation is not that individuals are taking no vacation days. In 2010 all took vacation –</p>

Item	Recommendation	Management Response
		<p>except for a few exceptions, everyone took at least 2 weeks of vacation. Therefore, the typical risks associated with staff who take no vacation is mitigated. The management group is quite small in number and are long serving with higher vacation entitlements. A policy that requires vacation to be taken or lost would be counter-productive and disruptive. Management recognizes the need for vacation and will ensure that staff take a minimum number of days each year as vacation.</p>

8. What's new for the current year?

a. Canadian Auditing Standards

Canada has adopted International Standards on Auditing (ISA) as Canadian Auditing Standards for the audits of financial statements and other historical financial information. Canadian Auditing Standards came into effect for fiscal periods ending on or after December 14, 2010.

Key changes include:

- There are approximately one third more requirements that apply to single organization audits and a number of new requirements that apply to group audits. About half of the new requirements result from clarification of the existing guidance and half relate to new requirements designed to improve audit quality (although many are conditional on the prevailing facts and circumstances).
- Additional procedures are required in the areas of auditing estimates and related party transactions and where auditor's experts are used.
- The structure and wording of this report has changed. In addition, under the previous standards, it was very rare that an auditor's report contain an emphasis of matter or other matter paragraph. Under Canadian Auditing Standards, these additional paragraphs are required when there is a material uncertainty related to a going concern, another significant uncertainty or an unusual item, if there is a restatement of the prior period, or when there is a restriction on use of the financial statements. We have included our draft auditor's report under Canadian Auditing Standards in Appendix B.
- There is increased emphasis on appropriate and timely communications with management and those charged with governance to help you understand and respond to our audit findings. There are new requirements, in particular, to communicate significant deficiencies in internal control (not just material weaknesses) and evaluate the adequacy of two-way communications. Our audit committee report templates have been revised to address these matters.

We have assessed the impact of these changes on our audit of the TPA and amended our audit plan accordingly.

b. Changes to accounting standards for not-for-profit organizations (NPOs)

In December 2010, the Canadian Accounting Standards Board issued new accounting standards for not-for-profit organizations (NPOs) and changes to definitions of government entities in the Public Sector Accounting Standards (PSAS). Going forward, government NPOs need to assess what type of government organization it is in accordance with the revised definitions in PSAS. The TPA needs to determine whether it is Government Business Enterprise (GBE), Government Not-for-Profit Organization (GNFPO) or an Other Government Organization (OGO). The designation will dictate the particular accounting principles to be applied.

Management has determined that they are a government business entity (GBE) and thus will be required to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. Management is currently working on identifying any differences between current GAAP and IFRS. It is recommended that during summer 2011, PwC review management's assessment to prepare for the 2011 year-end audit.

Appendix A: Engagement letter

November 1, 2010

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

Dear Mr. Griffiths:

PricewaterhouseCoopers LLP (PricewaterhouseCoopers or we), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to be appointed auditors of the City of Toronto and its major agencies, boards, commissions and other entities listed in the "Annual Financial Statement and Other Reports" section of this engagement letter (collectively, the City), for the years ending December 31, 2010, 2011, 2012, 2013 and 2014. The purpose of this engagement letter is to confirm our mutual understanding of the specific terms and conditions of our engagement, which terms and conditions are supplemented by our standard terms and conditions set out in the Appendix attached to this letter. Should there be any conflict between our standard terms and conditions and the specific terms and conditions set out in this letter, specific terms and conditions shall apply.

Audit Services and Related Reports

We will provide the following services (the Audit Services):

Annual Financial Statement and Other Reports We will audit the City's financial statements and issue other reports, as outlined in the request for proposal 9171-09-7137 for external audit services dated November 3, 2009 for the engagements listed below as at December 31, 2010, 2011, 2012, 2013 and 2014 and for the years then ending, prepared in accordance with Canadian generally accepted accounting principles.

For the pension fund audits other than **the** Toronto Transit Commission Pension Fund Society, we will audit the statement of net assets available for benefits and the related statement of changes in net assets available for benefits in accordance with the basis of accounting disclosed in the notes to the financial statements. These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of management and the administrator of the funds and the Financial Services Commission of Ontario for complying with Section 76 of Regulation 909 of the Pension Benefits Act of the Province of Ontario (the Act). These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose. These financial statements have been prepared by management and/or the administrator.

1. Consolidated Financial Statements of the City of Toronto.
2. Consolidated Financial Statements of the City of Toronto Trust Funds.
3. City of Toronto Sinking Funds.
4. City of Toronto – Report on Compliance with Investment Policy.
5. City of Toronto – Report on Compliance with Agreement for the Transfer of Federal Gas Tax Revenue and Annual Expenditure Report.
6. City of Toronto – Report on Compliance with the Building Canada Fund Contribution Agreement for the Toronto-York Spadina Subway Extension and Report on accounts, records, claims and expenditures incurred under this Agreement.
7. Long-term Care Homes and Services – Residents' Interest Trust Fund.
8. Long-term Care Homes – Annual Reconciliation Reports (10 as listed below):

- (a) Bendal Acres;
 - (b) Carefree Lodge;
 - (c) Castleview Wychwood Towers;
 - (d) Cummer Lodge;
 - (e) Fudger House;
 - (f) Kipling Acres;
 - (g) Lakeshore Lodge;
 - (h) Seven Oaks;
 - (i) True Davidson Acres; and
 - (j) Wesburn Manor.
- 9. The Toronto Track and Field Centre – Statement of Operating Costs.
 - 10. Toronto Community Housing Corporation:
 - (a) Toronto Community Housing Corporation; and
 - (b) Housing Services Inc.
 - 11. Toronto Economic Development Corporation
 - 12. Toronto Parking Authority:
 - (a) Toronto Parking Authority; and
 - (b) Toronto Parking Authority Carpark No. 161 – St. Clair-Yonge Garage – Statement of Operations.
 - 13. Toronto Police Services Board Special Fund – Section 9110 Report.
 - 14. Toronto Public Health – Specified procedures in connection with various Settlements of Toronto Public Health programs (7 as listed below):
 - (a) Toronto Board of Health Cost Shared Programs;
 - (b) Settlement of AIDS Bureau Program and Statement of Revenue & Expenditures – Toronto Public Health – AIDS Bureau Program;
 - (c) Blind Low Vision;
 - (d) Healthy Babies Healthy Children Program;
 - (e) Infant Hearing Program;
 - (f) Preschool Speech and Language Program; and
 - (g) Smoke Free Ontario (if applicable).
 - 15. Toronto Public Library Board.
 - 16. Toronto Public Library Foundation.
 - 17. Consolidated Financial Statements of the Board of Governors of Exhibition Place.
 - 18. Canadian National Exhibition Association.
 - 19. Canadian National Exhibition Foundation.
 - 20. The Sony Centre for the Performing Arts.
 - 21. St. Lawrence Centre for the Arts.
 - 22. Toronto Centre for the Arts.
 - 23. Board of Management of the Toronto Zoo.
 - 24. Consolidated Financial Statements for the Toronto Transit Commission.
 - 25. Toronto Coach Terminal Inc.
 - 26. TTC Insurance Company Limited.
 - 27. The Pension Fund of the Corporation of the City of York Employee Pension Plan.
 - 28. The Fund of the Metropolitan Toronto Pension Plan.
 - 29. The Fund of the Metropolitan Toronto Police Benefit Fund.
 - 30. The Fund of the Toronto Civic Employees' Pension and Benefit Fund.
 - 31. The Fund of the Toronto Fire Department Superannuation and Benefit Fund.
 - 32. Toronto Transit Commission Pension Fund Society.
 - 33. Toronto Transit Commission Sick Benefit Association.

Reports Upon completion of our annual audits, we will provide the City with our reports on the work referred to above. The form and content of our audit reports will be in accordance with Canadian Audit Standard (CAS) 700 / CICA 5400. For the pension fund audits other than the Toronto Transit Commission Pension Fund Society, the form and content of our reports will be in accordance with CAS 800/CICA5600. There may be circumstances where our reports may differ from the expected form and content and if, for any reasons caused by or relating to the affairs or management of the City, we are unable to complete our audits, we may decline to issue our reports.

Our Responsibilities

Annual Financial Statement Audit The objective of a financial statement audit is the expression of an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to attain reasonable assurance whether the financial statements are free of material misstatement. The audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Other Reporting Responsibilities Our responsibility as auditors of the TTC Insurance Company Limited (TTC Insurance Co.) is also to report to the Financial Services Commission of Ontario (FSCO) whether certain statements and notes in the TTC Insurance Co.'s Annual Return P&C-1 to FSCO at December 31, 2010, 2011, 2012, 2013 and 2014 present fairly, in all material respects, the TTC Insurance Co.'s financial position, results of operations and changes in cash flows in accordance with Canadian generally accepted accounting principles.

Internal Control, Fraud and Error We will obtain an understanding of the City's internal control over financial reporting solely for the purpose of identifying types of potential misstatements, considering factors that affect the risks of material misstatements and determining the nature, timing and extent of auditing procedures necessary for expressing our opinions on these financial statements. This understanding will not be sufficient to enable us to render our opinions on the effectiveness of internal control over financial reporting, or to consider whether internal control is adequate for management's purposes, nor to identify all significant weaknesses in the City's system of internal financial controls. However, we will inform the appropriate level of management, the Auditor General and the Audit Committee of any significant weaknesses in internal control that come to our attention. Such communications are derivative in nature, and we do not design procedures for the principal purpose of identifying such matters.

Because of the inherent limitations of internal control over financial reporting, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected.

We will design our audits to provide reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on these financial statements as well as other illegal acts having a direct and material effect on these financial statement amounts. Our audits will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements.

It is important to recognize that there are inherent limitations in the auditing process such as: (i) the use of selective testing of the data underlying these financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed; (ii) the inherent limitation of internal control; and (iii) the fact that most audit evidence is persuasive rather than conclusive. Audits are, therefore, subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if any exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, 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 errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Auditor General, Audit Committee and management of the City, as appropriate, any such matters identified during our audits.

Independence We are required to be, and to remain, independent with respect to the City within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Informing the Audit Committee and the Auditor General We also are responsible for determining that the Audit Committee and the Auditor General are informed about certain other matters related to the conduct of our audits, including but not limited to: (i) any disagreements with management about matters that could be significant to the City's financial statements or our reports thereon; (ii) any serious difficulties encountered in performing the audits; (iii) information relating to our independence with respect to the City; and (iv) other matters related to the City's financial statements including its accounting policies and practices.

Reliance by Third Parties The Audit Services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Management's Responsibilities

Responsible for Financial Statements and Internal Control The City's management is responsible for the preparation and fair presentation of these financial statements and information referred to above. Management is also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting systems and records, and for reporting financial information in conformity with Canadian generally accepted accounting principles.

If management engages us to translate these financial statements or other documents referred to above from one language to another, management is responsible for the translated documents.

Correction of Errors	Management is responsible for adjusting these financial statements to correct material misstatements and for affirming to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the year under audit are immaterial, both individually and in the aggregate, to these financial statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.
Prevention and Detection of Fraud	Management also is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us: (i) of the risk that these financial statements may be materially misstated as a result of fraud; (ii) about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on these financial statements; and (iii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.
Laws and Regulations	Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities. Management will make available to us information relating to any illegal or possibly, illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.
Providing Information on a Timely Basis	Management is responsible for making available to us, on a timely basis, all of the City's original accounting records and related information and the City's personnel to whom we may direct inquiries.
Management Representation Letter	<p>We will make specific inquiries of management and others about the representations embodied in the annual financial statements.</p> <p>Management of the City will provide us with its written representations covering the annual financial statements from certain members of management on matters that are: (i) directly related to items that are material, either individually or in the aggregate, to these financial statements; (ii) not directly related to items that are material to these financial statements but are significant, either individually or in the aggregate, to the engagement; and (iii) relevant to management's judgments or estimates that are material, either individually or in the aggregate, to these financial statements. The results of our tests, the responses to our inquiries and the written representations obtained will comprise the evidential matter we intend to rely on in forming our audit opinions on these financial statements.</p>
Previous Auditors	To assist us in planning our audits, the City will authorize its previous auditors, Ernst & Young LLP, to allow us to review their working papers and to respond fully to our inquiries.

Fees for Audit Services

Fee Estimate	Our fees for the Audit Services as outlined in 3.0, Scope of Work, and in 5.3 Section 7, Cost of Service, of the City's request for proposal No. 9171-09-7137(RFP) will be \$750,000 in 2010, \$750,000 in 2011, \$805,000 in 2012, \$860,000 in 2013 and \$920,000 in 2014. These are fixed fees inclusive of all costs and expenses, but exclusive of applicable taxes. Fees are allocated to the City engagements as outlined in Appendix D of the RFP.
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Other Matters

City Preparation	Our time and fee estimates take into account the agreed upon level of preparation and assistance from the City's personnel. We will advise you on a timely basis when and if for any reason management does not provide such schedules, information and assistance as outlined in this letter and in the City's Responsibility section of the Appendix. In addition, should these or any other issues arise that will require an extra effort to resolve, we will communicate with management, the Auditor General and the Audit Committee in order to revise the fee estimate to reflect additional services, if any, required of us to complete our work.
Term – Agreement Continues in Force	In the event PricewaterhouseCoopers or the City does not exercise its respective rights to terminate the Agreement provided for herein, the Agreement shall continue in full force and effect for the year ending December 31, 2015 until such time as the Agreement is superseded or replaced by another agreement executed between PricewaterhouseCoopers and the City. It is understood by PricewaterhouseCoopers and the City that a specific agreement will be entered into with respect to audit and related services PricewaterhouseCoopers is to provide in each year, including an update to the agreed upon fees and billing schedule.
Termination by PricewaterhouseCoopers	Upon the completion of the services described in this letter for the year ending December 31, 2014, PricewaterhouseCoopers shall have the right to terminate the Agreement upon providing the City with ten (10) days' prior written notice and the City shall pay all fees for services provided by PricewaterhouseCoopers to the satisfaction of the City and in accordance with the Terms and Conditions of the Agreement up to the date of termination.
Termination by the City	The City shall have the right to terminate the Agreement upon providing PricewaterhouseCoopers with ten (10) days' prior written notice. In the event of termination by the City in accordance with this provision, the City shall pay PricewaterhouseCoopers for all fees for services provided to the satisfaction of the City prior to receipt of notice of termination.
Terms and Conditions	The Appendix sets forth additional terms and conditions, including rights and responsibilities of the parties with respect to this engagement.
Other relevant documents	The terms and conditions contained in the RFP No. 9171-09-7137 and the Proposal by PricewaterhouseCoopers in response to RFP No. 9171-09-7137 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: <ol style="list-style-type: none">1. The Engagement letter;2. The Terms and Conditions to the engagement letter;3. Request for Proposal No. 9171-09-7137; and4. The Proposal by PricewaterhouseCoopers referred to above.

As part of PricewaterhouseCoopers' process of assessing the quality of its services, the City may receive questionnaires from PricewaterhouseCoopers and visits from senior partners not directly involved in providing services to the City. PricewaterhouseCoopers appreciates the attention given to these questionnaires and visits and values the City's commentary.

If the services outlined herein are in accordance with your requirements and if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.



Yours very truly,

Price Waterhouse Coopers LLP

Chartered Accountants

cc: Ms. Ulli S. Watkiss, City Clerk
Mr. Cam Weldon, Deputy City Manager and Chief Financial Officer

The services and terms as set forth in this letter, including the provisions of the Appendix, are agreed to.

City of Toronto



Marilyn M. Toft
for Ulli S. Watkiss
City Clerk

Ulli S. Watkiss, City Clerk



Authorized by item AU15.3. of the Audit Committee adopted by the Council of the City of Toronto on the 22nd and 23rd day of February, 2010.



Marilyn M. Toft for City Clerk

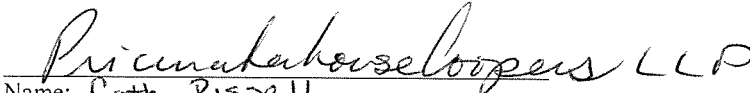
Date



G CARBONE FOR
Cam Weldon, Deputy City Manager and
Chief Financial Officer

Date

PRICEWATERHOUSECOOPERS LLP



Name: Cathy Russell
Title: Partner

Date

Nov 3, 2010

I have authority to bind the partnership

APPROVED AS TO FORM

For Anna Kinaszowski
City Solicitor

APPENDIX

TERMS AND CONDITIONS

The engagement letter and any amendments thereto (collectively, the Engagement Letter), together with the Appendix (the Appendix), (collectively, the Agreement), shall, once the Engagement Letter is executed by both parties, constitute the entire agreement between the City of Toronto (City) to which such Engagement Letter is addressed (the City) and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), a limited liability partnership organized under the laws of the Province of Ontario, regarding the services described in the Agreement (the Services). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Engagement Letter.

Timely Performance

- 1 In consultation with the City, PricewaterhouseCoopers will, acting reasonably, establish the timing of the performance of the Services. PricewaterhouseCoopers will use all reasonable efforts to complete the Services within any agreed upon time frame. However, PricewaterhouseCoopers shall not be liable for failures or delays in performance that arise from causes beyond its control, including the untimely performance by the City of its obligations, as set out in the City's Responsibility section below.

Right to Terminate Services

- 2 In addition to the termination rights contemplated under the Engagement Letter, should the City not fulfill its responsibilities to PricewaterhouseCoopers under the Agreement and, in the event that the City fails to remedy such default within thirty (30) days, or such extended period of time as the parties may agree to, following receipt of a notice from PricewaterhouseCoopers to this effect, PricewaterhouseCoopers may, without prejudice to its other rights and recourses, and without any further notice, cease providing the Services and consider the Agreement terminated. In such case, PricewaterhouseCoopers will not be responsible for any action, claim, liability, loss, damage, cost or expenses arising out of, in connection with or resulting from such termination.
- 3 In addition to the termination rights contemplated under the Engagement Letter, should PricewaterhouseCoopers not fulfill its responsibilities to the City under the Agreement and, in the event that PricewaterhouseCoopers fails to remedy such default within thirty (30) days, or such extended period of time as the parties may agree to, following receipt of a notice from the City to this effect, the City may, without prejudice to its other rights and recourses, and without any further notice, terminate the Agreement. Despite such termination the City shall provide payment for fees involved by PricewaterhouseCoopers for services performed to the satisfaction of the City prior to the date of termination. In such case, PricewaterhouseCoopers will not be responsible for any action, claim, liability, loss, damage, cost of expense arising out of, in connection with or resulting from such termination.

City's Responsibility

- 4 The City will provide and make available complete information and such other assistance as PricewaterhouseCoopers may require to enable PricewaterhouseCoopers to provide the Services. Such information will include, but not be limited to:
 - a) financial records and related data;
 - b) copies of all minutes of meetings of City council and other committees;
 - c) a schedule of all entities that are controlled by the City, those entities over which the City has significant influence and those entities that are under common control with the City (the Schedule of Group Structure);
 - d) a schedule of all other related parties as defined in The Canadian Institute of Chartered Accountants' Handbook Section 3840, "Related Party Transactions" (the Other Schedule), which will include, but not be limited to, directors, officers, senior members of management, immediate family members of such individuals and entities over which these individuals or entities are able to exert significant influence;
 - e) a schedule of all the transactions among the City, the entities referred to in the Schedule of Group Structure and the entities or individuals referred to in the Other Schedule during the reporting period; and
 - f) information relating to the recognition, measurement and disclosure of specific items, including, but not limited to:
 - i) an assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
 - ii) any plans or intentions that may affect the carrying value or classification of assets or liabilities;
 - iii) measurement and disclosure of transactions with related parties;
 - iv) an assessment of all areas of measurement uncertainty known to management
 - v) claims and possible claims, whether or not they have been discussed with the City's legal counsel;
 - vi) 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;
 - vii) information on whether the City has satisfactory title to assets;
 - viii) information on whether any liens or encumbrances on assets exist;
 - ix) information on whether any assets are pledged as collateral;
 - x) information relating to compliance with aspects of contractual agreements that may affect these financial statements; and
 - xi) information concerning subsequent events.

APPENDIX

TERMS AND CONDITIONS

- 5 The City will ensure that its staff and senior management are available to provide such information, materials and assistance, and that such City personnel will be qualified and have the appropriate skills and experience. If any of the City's personnel fail to perform as required, the City will make suitable additional or alternative personnel available.
- 6 The City will ensure timely communication to PricewaterhouseCoopers of all significant accounting, financial and internal control reporting matters.
- 7 The City will provide the Schedule of Group Structure to PricewaterhouseCoopers at the time of signing the Agreement and will notify PricewaterhouseCoopers of changes thereto within seven (7) days of such events occurring.
- 8 The City agrees that all information disclosed or to be disclosed to PricewaterhouseCoopers is or will, to the best of the City's knowledge, be true, accurate and not misleading in any material respect.
- 9 The City will maintain the existing quality of the City's accounting records during the engagement.
- 10 The City will provide PricewaterhouseCoopers and its staff with all office and other accommodation or workspace and facilities that PricewaterhouseCoopers may reasonably require to perform the Services.
- 11 The City will provide all schedules on the dates established by PricewaterhouseCoopers, acting reasonably and in consultation with the City. Schedules will be completed in an acceptable format, mathematically correct and in agreement with appropriate City records (e.g., general ledger accounts).
- 12 The City's personnel will provide all necessary assistance in obtaining timely responses to third party confirmation requests.
- 13 The City's personnel will prepare a trial balance in financial statement format, which will reference to supporting detailed working papers (by general ledger account number). All entries will be posted to this trial balance prior to PricewaterhouseCoopers' receiving it. Any post-closing entries will be minimal and posted to a final trial balance by the City's personnel. In addition, the City's personnel will prepare draft financial statements that agree with the trial balance and are internally referenced to supporting documentation (for cash flow statements and notes to the financial statements).
- 14 PricewaterhouseCoopers' performance of the Services is dependent on the City carrying out its responsibilities, as set out in this Agreement. PricewaterhouseCoopers shall not be responsible for any delay or any other consequences resulting from the City's failure to perform any of its obligations under this Agreement.
- 15 It is the City's responsibility to ensure that these financial statements, the auditors' report and other information in public documents that contain or incorporate by reference either full or summarized financial statements that we audited are accurately reproduced from the original.
- 16 The City agrees not to offer and not to permit its related parties to offer employment to or hire the lead engagement partner, the quality review partner (if such partner is involved in the provision of the Services) or any other PricewaterhouseCoopers person who provided more than ten (10) hours of audit, review or attest service, without first consulting with the lead engagement partner on any proposed offer of employment.

Electronic Mail (email) Communications

- 17 During the engagement, we may from time to time communicate electronically with each other. However, as the City is aware, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. We shall not have any liability to each other arising from or in connection with the electronic communication of information to or from the City during or as a result of its electronic transmission outside of our electronic environments. If the communication relates to a matter of significance and there are concerns about possible effects of electronic transmission, such information should be restricted to hard copy transmission.
- 18 An electronic communication shall be of no legal effect until received and shall be deemed sent by the sender and received by the addressee when accessible at the email address provided to the sender by the addressee. The electronic signature of a party affixed to, associated with or contained in any electronic communication transmitted by the party shall constitute a valid reliable electronic signature and shall be sufficient to verify that such party signed the electronic communication and its content and had the authority to electronically sign and send the electronic communication and its content. This Agreement and any Schedule may be executed in counterparts, by fax or electronic communication, each of which is deemed to be an original and all of which together are deemed to be one and the same instrument.
- 19 The City approves that PricewaterhouseCoopers' staff may connect their PricewaterhouseCoopers' notebooks to the City's network to access the Internet and use PricewaterhouseCoopers' secure VPN utility to communicate directly with the PricewaterhouseCoopers network.

Personal Information Protection

- 20 The City hereby acknowledges and agrees that: (1) the City shall only provide PwC with access to, and PwC will otherwise collect, use and disclose, personal information (as defined in the applicable law) about the City and/or individuals in respect to whom the City collects, uses, holds or discloses personal information, as required to provide the services and deliverables hereunder (the Purposes); (2) the City has obtained all required consents, if any, for such activities, and shall otherwise disclose, transfer or grant access to such personal information only in compliance with applicable legislation regarding the protection of personal information; and (3) in addition to any other liability for breach of these Standard Terms and Conditions, the City shall indemnify and hold PwC, its partners, employees, authorized representatives and associated entities, harmless for any claim, demand, debt,

APPENDIX

TERMS AND CONDITIONS

action, or liability to any third party, including legal costs and disbursements, arising out of or in respect of any breach of the City's obligations under this paragraph. Subject to (2) above, PwC agrees that it will receive, collect, use, hold and disclose such personal information in compliance with all applicable legislation regarding the protection of personal information. Further, PricewaterhouseCoopers shall, upon demand, indemnify the City and its employees for any damages finally awarded as a result of any claim, demand, debt, action or liability to City or any City employee arising out of or in respect of any breach by PricewaterhouseCoopers of this Section with respect to personal information of the City's employees in connection with the Purposes, other than to the extent resulting from a breach by the City of this Section. The City further recognizes that PwC may send personal information outside of the country for the Purposes, including for process and storage by service providers, and that to the extent that any personal information is out of the country, it is subject to access by the regulatory authorities in, and to the laws of, those other jurisdictions

Fees and Payment

- 21 Fees quoted by PricewaterhouseCoopers are based on the assumption that there are:
- no significant new accounting issues that require a significant additional amount of time to resolve, other than as contemplated in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP;
 - no significant changes in accounting policies or practices from those used in prior years, that could significantly impact the audit scope other than as contemplated in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP ;
 - no significant changes or transactions that will occur prior to issuance of our report and that could significantly impact the audit scope assumed in the original fee estimate and outlined in 3.0, Scope of Work, of the RFP; and
 - no material delays in providing PricewaterhouseCoopers with the information, assistance or resources required under this Agreement.
- 22 PricewaterhouseCoopers will render invoices as the work progresses. All invoices will be due for payment upon receipt.
- 23 In addition to its fees payable pursuant to this Agreement, PricewaterhouseCoopers will bill the City for all applicable taxes, whether presently in force or imposed in the future.

Indemnification for Misrepresentation by Management

- 24 The City hereby agrees to release and indemnify PricewaterhouseCoopers and its agents, partners and employees, and hold them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a misrepresentation by a member of the City's management, regardless of whether such person was acting in the City's interest. This release and indemnification and holding harmless will not operate where PricewaterhouseCoopers ought to have uncovered such misrepresentation but failed to, due to the negligence, wilful misconduct or dishonesty of PricewaterhouseCoopers, its partners and/or employees.

Working Papers

- 25 All working papers and files, methodologies, software, other materials, reports and work created, developed or performed by or for PricewaterhouseCoopers either before or during the course of performance of the Services, are the property of PricewaterhouseCoopers.

Reproduction of Financial Statements

- 26 With the exception of the publication requirements outlined in Sections 232,233,234, and 235 of the City of Toronto Act 2006, if the City intends to publish or reproduce, in printed form or electronically (e.g. on an internet web site), our Audit Reports together with these financial statements or otherwise make reference to PricewaterhouseCoopers in a document that contains other information, the City agrees to (a) provide us with a draft of such document to read, and (b) obtain our approval for inclusion of our Audit Reports, before the document is finalized and distributed. Where our Audit Reports are reproduced in any medium, the complete financial statements, including notes, must also be presented.

Confidential Information

- 27 PricewaterhouseCoopers agrees that all information received from the City, or otherwise learned by PricewaterhouseCoopers, during the course of the engagement is confidential information (Confidential Information). PricewaterhouseCoopers shall use the City's Confidential Information only for the purposes contemplated under the Agreement and shall not disclose such Confidential Information to any party without the City's prior written consent, provided that PricewaterhouseCoopers may disclose the City's Confidential Information to its partners, authorized representatives, subcontractors and employees (collectively, the PwC Authorized Personnel) on a need-to-know basis in connection with this Agreement as well as to those referred to in paragraphs 34, 35 and 37 of the Terms and Conditions of this Agreement. PricewaterhouseCoopers agrees to take measures to protect the confidentiality of the City's Confidential Information that, in the aggregate, are no less protective than those measures it uses to protect the confidentiality of its own confidential information. PricewaterhouseCoopers agrees to keep the City's Confidential Information in a reasonably secure location.

APPENDIX

TERMS AND CONDITIONS

- 28 Notwithstanding anything to the contrary contained in this Agreement, PricewaterhouseCoopers shall not be obligated to treat as confidential, or otherwise be subject to the restrictions on use, disclosure or treatment contained in this Agreement, any information disclosed by the City which:
- is rightfully known to PricewaterhouseCoopers on a non-confidential basis prior to its disclosure by the City;
 - is independently developed by PricewaterhouseCoopers without any reference to, use of, or reliance on, Confidential Information;
 - is or later becomes publicly available without violation of this Agreement; or
 - is lawfully obtained by PricewaterhouseCoopers from another party.

Assisting Firms

- 29 PricewaterhouseCoopers is member of a worldwide network of individual partnerships and companies, each of which is a separate legal entity. This Agreement is between the City and PricewaterhouseCoopers only. In the course of providing our Services we may, at our discretion, draw on the resources of another entity (whether or not incorporated) which carries on business under a name which includes all or part of the PricewaterhouseCoopers name or is otherwise within (or associated or connected with an entity within) or is a correspondent firm of the worldwide network of PricewaterhouseCoopers firms (together, including such entities' partners, members and employees, "PwC Affiliates").
- 30 Unless a PwC Affiliate is contracted by you or a group entity to provide any of the Services which are subject to this Agreement, provision of the Services remains the responsibility of PricewaterhouseCoopers alone and you will not bring any claim, whether in contract, tort (including negligence) or otherwise against any PwC Affiliate in respect of this Agreement or the Services. In these circumstances any PwC Affiliate who deals with you in the course of providing the Services does so on behalf of PricewaterhouseCoopers alone. The provisions of this clause have been stipulated by PricewaterhouseCoopers expressly for the benefit of PwC Affiliates. PwC Affiliates will have the right to rely on this clause as if they were parties to this Agreement and will have the right (subject to the discretion of the courts) to a stay in proceedings if you bring any claim against any PwC Affiliate in breach of this clause.

Consent to Production

- 31 PricewaterhouseCoopers, like other auditing and accounting firms, must, in conducting audits, meet professional standards and, as such, is regulated or overseen by various professional bodies, including various provincial Institutes of Chartered Accountants and the Ordre des comptables agréés du Québec. In addition, other regulatory or professional authorities (both in Canada and abroad), including the Office of the Superintendent of Financial Institutions and the Investment Industry Regulatory Organization of Canada, among others, have the right to inspect our files, including working papers and other work product relating to the Services (the Documents), to determine if professional standards have been met. The City hereby acknowledges that PricewaterhouseCoopers may from time to time, and in connection with such inspections of PricewaterhouseCoopers, receive requests or orders from such bodies to provide them with information and copies of such Documents. The City hereby consents to PricewaterhouseCoopers providing these Documents without further reference to, or authority from, the City.
- 32 These bodies, among others, may also have the right to conduct investigations of the City, including the Services provided. To the extent practicable, PricewaterhouseCoopers will advise management, the Auditor General and the Audit Committee of the City of any such investigation request or order prior to production of the Documents, except where prohibited by law from doing so. The City will reimburse PricewaterhouseCoopers for its professional time and expenses, as well as the fees and expenses of its counsel, incurred in responding to such an investigation relating to the City.
- 33 Except where production of the Documents is required by the laws of any jurisdiction that govern over the City or PricewaterhouseCoopers, PricewaterhouseCoopers will use all reasonable efforts to refuse access to any document over which the City has expressly informed PricewaterhouseCoopers that the City asserts privilege. The City must mark any document over which the City asserts privilege as "PRIVILEGED". Any legal or other out-of-pocket expense incurred by PricewaterhouseCoopers in asserting privilege on the City's behalf will be charged to the City.
- 34 In the event PricewaterhouseCoopers is requested or authorized by the City or required by government regulation, subpoena or other legal process to produce its Documents or its personnel as witnesses with respect to the Services for the City, the City will, so long as PricewaterhouseCoopers is not a party to the proceeding in which the Documents are sought, reimburse PricewaterhouseCoopers for its professional time and expenses, as well as the fees and expenses of its counsel, incurred in responding to such a request.

Governing Law

- 35 The Agreement shall be governed and construed in accordance with the laws of the Province of Ontario and shall be deemed in all respects to be an Ontario contract. The parties hereby agree to the jurisdiction of the courts of the Province of Ontario with respect to all matters arising under or by virtue of this Agreement.

Severability

- 36 If any of the provisions of this Agreement are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

APPENDIX

TERMS AND CONDITIONS

Other Matters

- 37 The failure of either party to insist on strict performance of the Agreement, or to exercise any option herein, shall not act as a waiver of any right, promise or option, but the same shall continue to be in full force and effect. No waiver of any term or provision or of any breach or default shall be valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any other term or provision or any subsequent breach or default of the same or similar nature.
- 38 The Agreement constitutes the entire agreement of the City and PricewaterhouseCoopers with respect to its subject matter and supersedes and replaces all other prior agreements and understandings, whether written or oral, between the City and PricewaterhouseCoopers, relating to the subject matter. On the termination of this Agreement for any reason including normal expiration, the provisions of this Agreement relating to indemnification shall survive the expiration and termination of this Agreement in addition to any other provision that survives by operation of law or which by its nature is intended to survive. This Agreement may not be modified, amended or superseded except by the City and PricewaterhouseCoopers in writing.
- 39 The City agrees that each engagement with PricewaterhouseCoopers for additional services will be subject to a separate engagement letter and the approval of the City's Audit Committee and City Council.

Appendix B: Draft auditor's report and draft financial statements

Appendix C: Management representation letter

[Client Letterhead]

PricewaterhouseCoopers LLP
5700 Yonge Street, Suite 1900
Toronto, ON M2M 4K7

April 19, 2011

We are providing this letter in connection with your audit of the financial statements of Toronto Parking Authority (“the TPA”) as of December 31, 2010 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, the results of operations and the cash flows of the TPA in accordance with Canadian generally accepted accounting principles.

Management’s responsibilities

We have fulfilled our responsibilities¹, as set out in the terms of the audit engagement dated November 1, 2010. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles;
- We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information in accordance with Canadian generally accepted accounting principles;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

The financial statements include all disclosures necessary for fair presentation in accordance with Canadian generally accepted accounting principles and disclosures otherwise required to be included therein by the laws and regulations to which the TPA is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa.

Accounting policies

We confirm that we have reviewed the TPA's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the TPA's particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles.

Internal controls over financial reporting

We have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the TPA is made known to us by others particularly.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside of the normal course of business;
 - Minutes of the meetings of shareholders, management, directors and committees of directors. The most recent meetings held were Board of Director meetings on December 14, 2010;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by the TPA with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting the TPA involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the TPA's financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We are not aware of any illegal or possibly illegal acts committed by the TPA's directors, officers or employees acting on the TPA's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by the TPA in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- the measurement methods are appropriate and consistently applied;
- the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- the significant assumptions used in determining fair value measurements are consistent with the TPA's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 1508, Measurement Uncertainty, have been appropriately disclosed.

Related parties

We confirm the completeness of information provided to you regarding the identification of related parties as defined by CICA Handbook Section 3840, Related Party Transactions, which include, but are not limited to directors, officers, senior members of management, or immediate family members of such individuals, or entities over which these individuals are able to exert significant influence. We also confirm the completeness of information provided to you regarding the nature of the TPA's relationships with and transactions involving those entities.

The identity and relationship of and balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements, as required by Canadian generally accepted accounting principles.

Going concern

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. All liens or encumbrances on the TPA's assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements.

Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian generally accepted accounting principles. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the TPA is contingently liable in accordance with Accounting Guideline 14, *Disclosure of Guarantees*, or CICA Handbook Section 3290, *Contingencies*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian generally accepted accounting principles, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the financial statements, as summarized in the accompanying schedule (Appendix A), are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix A.

Events after balance sheet date

We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Yours truly,

The Toronto Parking Authority

Gerry Daigle, Vice-President of Finance & Administration

Appendix D: Independence letter

April 14, 2011

The Board of Directors
Toronto Parking Authority
33 Queen Street East
Toronto, Ontario M5C 1R5

To the Members of the Board of Directors

We have been engaged to audit the financial statements of Toronto Parking Authority (the TPA) for the year ended December 31, 2010.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the TPA, its management and us that may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Ontario, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) serving as an officer or director of a client;
- (c) performance of management functions for a review client;
- (d) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (e) economic dependence on a client;
- (f) long association of senior personnel with a listed entity review client;
- (g) audit committee approval of services to a listed entity review client; and
- (h) provision of services in addition to the review engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the TPA or its management and PricewaterhouseCoopers LLP that may reasonably be thought to bear on our independence, that have occurred from November 1, 2010 to April 14, 2011.



We hereby confirm that we are independent with respect to the TPA within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 14, 2011.

This report is intended solely for the use of the Board of Directors, management, and others within the TPA and should not be used for any other purposes.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

www.pwc.com/ca

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