



4

May 9, 2001

The following report was reviewed by the Finance & Audit Committee at its meeting of May 17, 2001 and is recommended to the Board of Governors for APPROVAL.

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Year – End Settlement with the City of Toronto for 2000

Recommendation:

It is recommended that Exhibition Place pay the City of Toronto the amount of \$886,821 as the year 2000 settlement.

Background/Discussion:

Each year after the audited financial statements for Exhibition Place have been reviewed and accepted by the Board, the amount identified as the consolidated net income or loss for the year is either paid over to, or in the case of a loss, recovered from the City of Toronto.

The agreement in place between the City of Toronto and Exhibition Place does not specifically identify how to calculate the amount to be paid to or recovered from the City of Toronto. In the year 2000, because of the change in financial reporting format, the issue of the year-end financial settlement between Exhibition Place and the City of Toronto needed to be examined in more detail.

Calculation of Amount Payable to the City of Toronto

The Draft Audited Statement of Operations for Exhibition Place, which includes the annual results for the Canadian National Exhibition Association, Exhibition Place, and the National Trade Centre, indicates a net income of \$1,053,383. Because of the change in financial reporting format for 2000, this calculation of net income incorporates the following non-cash items:

- Removal of the cost of capital assets acquired in the year 2000
- Addition of amortization for capital assets held in 2000
- Expense for employee-related liabilities for sick leave, vacation pay, post-retirement benefits and Workplace Safety and Insurance Board benefits

In April, 2000, City of Toronto Council approved an operating budget for Exhibition Place that was expressed in actual cash payments to be made or cash revenues to be received. Since the budget reviewed and approved by the City of Toronto was on a cash transaction basis, it is

THE BOARD OF GOVERNORS OF EXHIBITION PLACE

recommended that the 2000 audited operating results for Exhibition Place be adjusted to remove the non-cash items that are presently incorporated in the statements. The net result of the following adjustments will be to decrease the amount payable to Toronto by \$166,562 and is calculated in the following manner:

Audited Net Income for 2000 for Exhibition Place	\$ 1,053,383
<u>Adjustments to Income:</u>	
Capital Assets Purchased in 2000	(297,653)
Eliminate year 2000 Amortization	134,933
Future Cost – Sick Leave	n/c
Future Cost – Vacation Pay	(20,501)
Future Cost – Post-Retirement Benefits	200,000
Future Cost – WSIB	<u>(183,341)</u>
Total Adjustments	(166,562)
Net Payable to Toronto	\$ 886,821

This method of settlement has been discussed with the City Auditor, the external auditor, Ernst & Young LLP, and City Finance and it was determined that this is a reasonable basis upon which to make the year 2000 settlement and payment to the City. Also it should be noted that this settlement to the City exceeds the 2000 budget target of \$629,100 by \$257,721 or 41.0%.

Conclusion

This report outlines the recommended year 2000 settlement with the City of Toronto by using a method that is consistent with the basis upon which the 2000 budget was prepared and with the actual cash transactions that occurred during the year.

Contact:

Paul Egli, Director of Finance
 Telephone: 416 263-3612
 Fax: 416 263-3690
 e-mail: PEgli@Explace.on.ca

Submitted by:


 Dianne Young
 General Manager & CEO