

May 12, 2008

REPORT FOR INFORMATION

To: Audit Committee
City of Toronto

From: Dianne Young
Chief Executive Officer

**Subject: Audit Results for the Consolidated Financial Statements
for Exhibition Place for the Year Ended December 31, 2007**

Summary:

This report presents the audit results for The Board of Governors of Exhibition Place for the year ended December 31, 2007. The auditor of record for the Board, Ernst & Young LLP, reviews the financial statements in accordance with generally accepted auditing standards; summarizes issues of audit significance and provides the communications required by their professional standards; and makes recommendations, based on audit findings, to improve the accounting and internal control procedures. As noted in the full Audit Results attached, during the 2007 audit, the auditors did not find any significant opportunities for improvements in the current control environment. This report summarizes the auditor's comments which can be found in full in Attachment 1.

Recommendation:

The Chief Executive Officer of Exhibition Place recommends that City Council receive the audit results from the external auditors attached as Appendix "A" to this report and pertaining to the year ended December 31, 2007", be received for information.

Financial Impact:

There are no financial implications to this report.

Decision History:

At its meeting of May 2, 2008, The Board of Governors of Exhibition Place reviewed the audit results for Exhibition Place for the year ended December 31, 2006 and referred subject report to City Council for its information and review.

Issue Background:

As a local board of the City of Toronto, the Board of Governors is required to approve its year-end financial statements and related communications from the auditors for submission to the City.

Comments:

As part of their audit engagement for the Board, Ernst and Young LLP, the external auditors, provide a comprehensive reporting document to The Board of Governors Finance and Audit Committee. This document summarizes the scope of the audit work, describes the audit objectives, identifies issues of audit significance discussed with management and provides the communications required by Canadian professional accounting standards and is designed to express an opinion on the financial statements of the Board.

The Audit Results report from Ernst & Young LLP is divided into various sections and these are described in the balance of this report.

Required Communications

This section covers a wide variety of topics such as the auditors' responsibilities, accounting estimates, discussions with management, auditors' independence and fees charged on this engagement. Some of the key communications in this section are that:

- There were no significant changes in 2007 overall audit approach compared to the one outlined in the audit planning document.
- There were no significant unusual transactions related to the current year.
- There were no significant audit adjustments for the Board except for classification adjustments.
- There were two unrecorded audit differences; one for the BMO Field operations in the amount of \$92,733 for overstatement of ticket surcharge revenue, which if recorded in the financial statements would reduce revenue. The other unrecorded audit difference is for Exhibition Place program in the amount of \$115,000 recorded as a potential liability owned to a third party which may be invoiced in 2008. The last issue is considered by the auditor to be judgmental difference. However, if these two matters were recorded in the financial statements the increase in revenue would be \$22,267 (\$92,733 - \$115,000) which is minor to the Board's overall operations.
- There were no disagreements with management on financial accounting and reporting matters
- No material weaknesses in internal control were identified in the current environment

Items of Audit Significance Discussed with Management

The following issues were discussed with management:

- (i) National Soccer Stadium (BMO Field)

The auditors noted that 2007 marked the first year of operations for BMO Field and a new agreement governing the relationship between the City, Board and Maple Leaf Sports and Entertainment Limited (MLSE). The BMO Field operation is accounted for on a separate accounting system under the agreement through MLSE and is consolidated into the Board's records for budget and financial statement reporting purposes.

(ii) Energy Retrofitting Program

Commencing in August 2006 and continuing during 2007, the Board completed retrofitting work within various building on the Exhibition grounds including the Direct Energy Centre. The projects are part of a City wide program called the "Energy Retrofit Program" where the City initially funded the costs through their own capital program. The arrangement with the City provides that any energy savings realized from the retrofitting program will be transferred back to the City to repay its capital costs. The auditor concurs with the Board's accounting and reporting treatment for these repayments within the 2007 financial statements.

(ii) Employee Future Benefits

In the new actuarial projections developed by Mercer Human Resources Consulting to estimate the future costs of employee benefits, there is no distinction made between employees of the CNEA and the Board of Governors. The auditors agree with the accounting and recording approach used by management in presenting this information on the Exhibition Place financial statements as an expenditure and confirmed that the assumptions used by Mercer's in its valuation is reasonable and all disclosures are appropriate for financial statement purposes.

(iii) Changes to Financial Statements in 2007

The auditors are bringing to the reader's attention that there have been changes and updates in the notes to the financial statements for 2007 and that they agree to these changes in the notes.

(iv) Contingencies – 2005 Injured Workers

In August 2005, prior to the CNE, two electricians were involved in a serious workplace accident; charges were laid by the Ontario Court of Justice and the Board was charged in 2007 for violations under the Ontario Health and Safety Act and the Board was fined. As a result of this verdict WSIB assessed the Board for amounts payable to the workers which represents damages for medical costs and non-economic losses associated with their injuries. The auditors communicated with City Legal on this matter to verify the circumstances and agrees with the accounting and reporting treatment used to record the potential costs.

Summary of Audit Differences

- There were no significant audit adjustments for the Board except for classification adjustments.
- There were two unrecorded audit differences; one for the BMO Field operations in the amount of \$92,733 for overstatement of ticket surcharge revenue, which if recorded in the financial statements would reduce revenue. The other unrecorded audit difference is for Exhibition Place program in the amount of \$115,000 recorded as a potential liability which is considered by the auditor to be a judgmental difference, which if recorded in the financial statements would increase revenue. Therefore, the net unrecorded audit difference is \$22,267 (\$92,733 - \$115,000) which is minor to the Board's overall operations.

Independence Letter from Ernst & Young

Ernst & Young confirm their independence as required by Canadian generally accepted auditing standards with respect to this audit engagement and state that there are no personal or business relationships that could impair this independence.

Memorandum/Letter of Recommendations

This is the section of the audit results where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures. During the 2007 audit, the auditors did not discover any significant opportunities for improvements in the current control environment.

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Contact

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ATTACHMENTS

2007 Audit Results for Exhibition Place