

FINANCIAL STATEMENTS
For
COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
For the year ended
DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND
THE COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA**

Opinion

We have audited the accompanying financial statements of the Committee of Management of Ted Reeve Community Arena (the "Arena"), which comprise the statement of financial position as at December 31, 2018, statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Arena as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Arena in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Arena's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Arena or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Arena's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Arena's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arena's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Arena to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 28, 2020.

Welch LLP

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 417,722	\$ 118,893
Accounts receivable	120,876	97,347
Due from City of Toronto - operating deficit (note 3)	<u>-</u>	<u>39,499</u>
	<u>538,598</u>	<u>255,739</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (note 4)	231,157	149,736
Deferred revenue	237,510	50,590
Due to City of Toronto - operating surplus (note 3)	30,688	-
Due to City of Toronto - other	31,720	50,519
Due to City of Toronto - working capital advance (note 5)	<u>15,000</u>	<u>15,000</u>
	<u>546,075</u>	<u>265,845</u>
NET DEBT	(7,477)	(10,106)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	119,869	91,300
Inventories	<u>7,477</u>	<u>10,106</u>
	<u>127,346</u>	<u>101,406</u>
ACCUMULATED SURPLUS	<u>\$ 119,869</u>	<u>\$ 91,300</u>

Approved by the Board:

..... Chair

28 Jan 20

..... Member

Jan 28/20

(See accompanying notes)

Welch LLP

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COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018

	Budget 2018 (unaudited)	2018	2017
Revenue			
Ice rentals	\$ 626,000	\$ 910,119	\$ 601,968
Snack bar and vending machine operations (Schedule A)	11,000	25,774	26,356
Contracted services - outdoor rink (Schedule B)	40,000	15,625	30,125
Lacross rentals	35,000	29,089	26,780
Meeting room rentals	78,000	77,000	30,138
Other	<u>19,600</u>	<u>28,648</u>	<u>30,989</u>
	<u>809,600</u>	<u>1,086,255</u>	<u>746,356</u>
Expenses			
Salaries and wages	366,100	425,620	345,375
Employee benefits (note 8)	88,700	112,245	88,026
Utilities	172,000	145,311	149,995
Maintenance and repairs	106,600	126,917	86,301
General administration	39,000	65,429	41,573
Insurance	11,750	12,606	11,785
Professional fees	15,250	34,252	11,565
Amortization	-	20,816	18,347
Bad debt (note 9)	<u>-</u>	<u>25,903</u>	<u>50,821</u>
	<u>799,400</u>	<u>969,099</u>	<u>803,788</u>
Excess revenue over expenses (expenses over revenue) before Items below	10,200	117,156	(57,432)
Vehicle and equipment reserve contribution (note 7)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Operating surplus (deficit)	<u>\$ 200</u>	107,156	(67,432)
Net expenditure receivable from (revenue payable to) the City of Toronto (note 3)		<u>(78,587)</u>	<u>49,085</u>
Annual surplus (deficit)		28,569	(18,347)
Accumulated surplus, beginning of year		<u>91,300</u>	<u>109,647</u>
Accumulated surplus, end of year		<u>\$ 119,869</u>	<u>\$ 91,300</u>

(See accompanying notes)

Welch LLP

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	\$ 28,569	\$ (18,347)
Acquisition of tangible capital assets	(49,385)	-
Amortization of tangible capital assets	20,816	18,347
Purchase of inventories, net	<u>(2,629)</u>	<u>3,283</u>
Change in net debt	(2,629)	3,283
Net debt, beginning of year	<u>10,106</u>	<u>6,823</u>
Net debt, end of year	<u>\$ 7,477</u>	<u>\$ 10,106</u>

(See accompanying notes)

Welch LLP

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 28,569	\$ (18,347)
Adjustments:		
Amortization of tangible capital assets	<u>20,816</u>	<u>18,347</u>
	49,385	-
Non-cash changes to operations:		
Accounts receivable	(23,529)	(8,046)
Due from City of Toronto - operating deficit	39,499	(49,085)
Inventories	2,629	(3,283)
Accounts payable and accrued liabilities	81,421	(11,416)
Deferred revenue	186,920	3,834
Due to City of Toronto - operating surplus	30,688	20,493
Due to City of Toronto - other	<u>(18,799)</u>	<u>-</u>
	<u>348,214</u>	<u>(47,503)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(49,385)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	298,829	(47,503)
CASH, BEGINNING OF YEAR	<u>118,893</u>	<u>166,396</u>
CASH, END OF YEAR	<u>\$ 417,722</u>	<u>\$ 118,893</u>

(See accompanying notes)

Welch LLP

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. NATURE OF OPERATIONS

The Toronto East Arena Gardens Incorporated operating as the Committee of Management of Ted Reeve Community Arena (the "Arena") was established as a community recreation centre under the Community Recreation Centres Act, pursuant to Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code, By-Law No. 19484, as amended. The Committee of Management operates and manages the Arena on behalf of the City of Toronto.

Under the By-Law, the Committee of Management, at the end of each fiscal year, shall pay to the City all revenue received by the Committee over and above that necessary to pay all the charges, costs and expenses resulting from or incidental to the management and control of the premises.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board (PSAB).

Revenue recognition

Revenues and expenditures are recorded on an accrual basis, when the service has been provided, evidence of an arrangement exists, the fee is fixed or determinable and the amount is collectible.

Ice rentals paid in advance are recorded as deferred revenue.

Financial instruments

The Arena initially measures its financial assets and financial liabilities at fair value. The Arena subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable and amounts due from City of Toronto.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, deferred revenue and amounts due to City of Toronto.

Inventories

Inventories held for resale are initially valued at cost and subsequently at the lower of cost and net realizable value. The cost is determined on a first-in, first-out basis.

Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	4 - 15 years
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Contributed materials and services

Major capital expenditures are financed by the City of Toronto, which owns the facility, and are not recorded in these financial statements. Services provided without charge by the City are not recorded in these financial statements.

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Employee related costs

The Arena has adopted the following policy with respect to employee benefit plans:

The City of Toronto offers a multi-employer defined benefit pension plan to the Arena's eligible employees. Due to the nature of the Plan, the Arena does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining useful life of its tangible capital assets, assessing the allowance of doubtful accounts, and significant accrued liabilities. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

3. DUE FROM (TO) THE CITY OF TORONTO - OPERATING SURPLUS (DEFICIT)

The amount due from the City of Toronto consists of the following:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 39,499	\$ 3,622
Operating (surplus) deficit	(107,156)	67,432
Tangible capital asset purchases	49,385	-
Amortization of tangible capital assets	<u>(20,816)</u>	<u>(18,347)</u>
Net payable (receivable) to the City of Toronto	(78,587)	49,085
 Paid (received) during the year	 <u>8,400</u>	 <u>(13,208)</u>
Balance, end of year	\$ <u>(30,688)</u>	\$ <u>39,499</u>
The balance at the end of 2018 is comprised of the following:		
2016 operating surplus	\$ (1,186)	
2017 operating deficit	49,085	
2018 operating surplus	<u>(78,587)</u>	
	\$ <u>(30,688)</u>	

4. GOVERNMENT REMITTANCES PAYABLE

Accounts payable and accrued liabilities includes government remittances of \$30,152 (2017 - \$30,249) collected and outstanding to be remitted by the Arena.

5. DUE TO CITY OF TORONTO - WORKING CAPITAL ADVANCE

The Committee of Management retains a working capital advance of \$15,000 (2017 - \$15,000) provided by the City, for the management and control of the premises, to be returned to the City upon the Committee of Management ceasing to function for any reason.

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2018

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment - cost	\$ 229,782	\$ 180,397
Less: accumulated amortization	<u>(109,913)</u>	<u>(89,097)</u>
	<u>\$ 119,869</u>	<u>\$ 91,300</u>

7. VEHICLE AND EQUIPMENT RESERVE CONTRIBUTIONS

These contributions are for the financing of replacement ice resurface machines required by the Arenas in future years. In the year, the contribution was were \$10,000 (2017 - \$10,000).

8. EMPLOYEE-RELATED COSTS

The Arena makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of its eligible employees. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rate of pay. Employer contributions to this pension plan amounted to \$35,264 (2017 - \$28,510).

The most recent actuarial valuation of the OMERS plan as at December 31, 2018 indicates the Plan is in a deficit position and the Plan's December 31, 2018 financial statements indicate a deficit of \$2.79 billion (a deficit of \$4.191 billion netted against unrecognized investment returns of \$1.401 billion that will be recognized over the next four years). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan assets and future investment earnings will be sufficient to provide for all future benefits. The Arena's contributions accounted for an insignificant portion of the Plan's total employer contributions. Additional contributions, if any, required to address the Arena's proportionate share of the deficit will be expensed during the period incurred.

9. OUTDOOR RINK

In 2003, the City of Toronto in conjunction with the Arena signed an agreement with Sports Centre Design & Management (the "Sports Centre") to operate and manage a permanent outdoor ice rink. The Committee provides the services of certain management, administrative, maintenance and operation staff members. Monthly the Sports Centre is required to reimburse the Arena for utility costs and the wage and employee benefits costs for maintenance and operation staff members. In addition, the Sports Centre is also required to pay to the Committee \$15,625 (2017 - \$30,125) for administration and the General Manager's services, which is adjusted annually. The agreement expired on March 31, 2018 and the Arena assumed the operation of the outdoor ice rink at that time.

Included in bad debt expense is \$25,903 (2017 - \$50,821) that was due from the Sports Centre related to reimbursable expenses. Due to financial difficulties with the Sports Centre, the Arena does not expect to collect any outstanding amount from the Sports Centre and has therefore written off all outstanding amounts in the year.

10. CONTINGENT LIABILITIES

A legal claim for \$300,000 was filed during the year against the Arena and the City of Toronto. At this time, the outcome of this claim cannot be determined and consequently no liability has been accrued in these financial statements.

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2018

11. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Arena's financial instruments.

Credit risk

The Arena is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Arena's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and amounts due from City of Toronto. The Arena's cash is with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management believes that the Arena's credit risk with respect to accounts receivable and amounts due from City of Toronto is limited. The Arena manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Arena will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities and amounts due to City of Toronto. The Arena manages liquidity risk by monitoring its cash flow requirements on a regular basis. Management believes its overall liquidity risk to be minimal as the Arena's financial assets are considered to be highly liquid.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Arena's financial instruments are denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. As a result, management does not believe the Arena is exposed to interest rate risk as the Centre does not currently have any interest bearing debt.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market prices (other than those arising from currency risk or interest rate risk), whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. As a result, management does not believe the Arena is exposed to significant other price risks.

Changes in risk

There have been no significant changes in the Arena's risk exposures from the prior year.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as necessary to conform to the current year's presentation.

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
SNACK BAR AND VENDING OPERATIONS
YEAR ENDED DECEMBER 31, 2018

	Budget 2018 (unaudited)	2018	2017
Sales			
Snack bar and vending	\$ 77,000	\$ 84,463	\$ 79,289
Vending machine	<u>16,000</u>	<u>13,625</u>	<u>13,722</u>
	93,000	98,088	93,011
Cost of goods sold	<u>51,000</u>	<u>40,866</u>	<u>39,098</u>
Gross profit	42,000	57,222	53,913
Expenses			
Wages - snack bar	<u>31,000</u>	<u>31,448</u>	<u>27,557</u>
Net revenue	<u>\$ 11,000</u>	<u>\$ 25,774</u>	<u>\$ 26,356</u>

COMMITTEE OF MANAGEMENT OF TED REEVE COMMUNITY ARENA
CONTRACTED SERVICES - OUTDOOR RINK
YEAR ENDED DECEMBER 31, 2018

	Budget <u>2018</u> (unaudited)	<u>2018</u>	<u>2017</u>
Revenue			
Recovery of expenses	\$ 196,910	\$ 72,793	\$ 208,291
Administration (note 8)	<u>40,000</u>	<u>15,625</u>	<u>30,125</u>
	<u>236,910</u>	<u>88,418</u>	<u>238,416</u>
Expenses			
Wages	88,600	34,032	89,773
Employee benefits	16,560	4,565	14,759
Utilities	72,250	22,312	68,424
Maintenance and repairs	18,600	4,240	15,088
Miscellaneous	<u>900</u>	<u>7,644</u>	<u>20,247</u>
	<u>196,910</u>	<u>72,793</u>	<u>208,291</u>
Net revenue	<u>\$ 40,000</u>	<u>\$ 15,625</u>	<u>\$ 30,125</u>



TED REEVE COMMUNITY ARENA

January 29, 2020

Welch LLP - Chartered Professional Accountants
36 Toronto Street, Suite 1070
Toronto ON
M5C 2C5

Re: Audit of the December 31, 2018 Financial Statements

Please find attached your communication dated January 20, 2020, that includes the Board approved (January 28, 2020 Board meeting) Arena Responses to recommendations, in *Italics*.

Michael Haughton
Facility Manager

January 20, 2020

Committee of Management of Ted Reeve Community Arena
175 Main Street
Toronto, Ontario
M4E 2W2

PRIVATE AND CONFIDENTIAL

Attention: Mr. Michael Haughton

Dear Sir:

Re: Audit of the December 31, 2018 Financial Statements

During the course of our audit of the financial statements of the Committee of Management of Ted Reeve Arena ("the Arena") for the year ended December 31, 2018, we identified some matters which may be of interest to management.

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. In addition, an audit cannot be expected to disclose defalcations and other irregularities and it is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result of our observations, we have outlined matters below along with some suggestions for your consideration.

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff.

DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Cash Receipts/Ice rental revenue

As part of our testing of the ice rental revenue recognized, it was observed there were instances where ice rental revenue paid for with cash was not immediately deposited into the Arena's bank accounts. In one instance, the cash received was not deposited for several weeks.

The delay of ice rental deposits leads to a higher risk of theft of the cash if it is not in a secured location.

Arena Response

If cash is not deposited immediately, it is stored in an 800 lb. safe. Arena will implement a system to deposit cash a minimum of once per week with the intent being twice weekly and at times when cash on hand exceeds \$2,000.

It was also observed that the current system of tracking ice usage utilizes a spreadsheet with little access control. As part of our testing of ice rental revenue, we noted instances whereby the schedule did not tie into ice rental revenue recognized and did not tie into receipts provided to ice rental customers. In addition, the documented rates associated with the ice rental on the worksheet did not tie into the posted or receipted ice rental revenue.

The ice rental schedule represents the list of "inventories" which the Arena is selling, and is the primary source of revenue for the organization. An accurate schedule leads to more accurate reporting of revenue and, by reconciling the ice rental schedule with receipts and to revenue recognized, reduces the risk of lost revenue and fraud.

To reduce these risks, as well as increase the strength of the financial reporting process, we recommend the following process:

Arena Response

The Arena has a Daily Rental Sheet system that records the hourly rentals and Client.

Will now utilize a spreadsheet and reconcile rentals to the spreadsheet.

The spreadsheet will be implemented as the Management tool to record and reconcile rental revenue going forward.

1. Ice booking

The ice booking schedule should be as accurate as possible with respect to the customer and associated rate. In addition, an employee's ability to book the ice should be limited - only the general manager and/or an operations manager should be allowed to book ice. In no instance should an employee in finance be allowed to book the ice.

Arena Response

The Arena has a Daily Rental Sheet, for each ice pad, that lists time, Renter and price. Very rarely will an employee book ice time and if so, during a weekend or weeknight, to extend an existing time slot, in the absence of Manager on the Premises, Employee will call the Manager for approval.

2. Receipts

The majority of ice time bookings are currently paid for by cheque. All other payments should be made by cheque or wire transfer. Cash should no longer be accepted as a form of payment for ice bookings. Technology currently allows customers to make payments through smart phones to other individuals and businesses on the same day. Receipts for payments should be made once payment has been received and should be issued by an

individual in finance. The individual responsible for booking ice should not also be collecting payment and should not also be issuing receipts for payments.

Arena Response

The Arena currently encourages Clients to pay electronically.

In 2019 the Arena has added an electronic booking app.

On rare occasions, the Person booking the ice collect the monies, however, the Finance Staff, works Monday to Friday, 6 hours per day, she collects over 90% of rentals. Pre-booked ice payments that occur outside of scheduled hours of Finance Staff are in most instances processed by Arena Staff, a pre-printed triplicate numbered receipt is issued, and monies deposited into a drop safe.

In rare instances, the Manager will accept payments, in absence of Finance and Arena Staff. There are adequate internal controls in place to ensure that all rental revenue is properly accounted for.

3. Reconciliation

On a weekly basis, finance personnel should be reconciling the ice rental schedule to ice rental receipts provided to customers, and to revenue recognized within the financial records.

Arena Response

Arena has a reconciliation procedure in place and will undertake to continue this practice.

Issue – Employee files

It was noted that employee files are not being kept up to date with employee's current wage rates.

An important aspect of employment files is that they document appropriate approvals of the Board of Directors and senior management regarding salaries and wage rates, roles and responsibilities, and employment start and end dates. This accurate documentation is necessary should disagreements in those areas arise in the future between employees and the Arena.

We recommend that management document the current wage rate for each staff member and that the board review and approve the current wage rates. Employee files should then be updated with the reviewed and approved wage rates.

Arena Response

Annually, with Board approval of wages and salary rates, all employee files will be updated immediately.

Issue – Supporting schedule preparation

During the course of our 2018 audit, we noted that a number of the supporting schedules did not tie to the Trial Balance. Examples include schedules supporting accounts payable and accrued liabilities, and the fixed asset schedule supporting the cost of fixed or capital assets, and the associated accumulated amortization.

In order to facilitate the audit process and improve efficiency, we recommend that management prepare schedules consistent with the Trial Balance and General Ledger. We also recommend that management review schedules before providing schedules to Welch.

Arena Response

All schedules will be consistent with the Trial Balance and Financial Statements before providing to Auditors.

Issue – Outstanding cheques

On the December 31, 2018 bank reconciliation there were 56 cheques dated December 31, 2018 listed as outstanding. We understand from our discussion with you that these cheques were more than likely not mailed before the end of the year. As such, in order for the financial statements to be in accordance with Canadian public sector accounting standards, we adjusted the cash and accounts payable balances to reflect the unreleased cheques in the amount of \$157,253.

In order to reflect the accurate book balance of bank account and reduce the risk of lost cheques, we recommend that cheques are mailed on the same day that they are prepared and signed.

Furthermore, while cheques are still an acceptable form of payment, we recommend that, where possible, the Arena settle balances electronically, either through electronic fund transfers (EFTs) or wire payments. There are a number of reasons to make this change:

- | | |
|-----------------|--|
| Security | Cheques have a higher chance of being lost or stolen, increasing the risk of payment fraud through the physical manipulation of the cheque. While management may have the appropriate controls over handling of the cheque while in their possession, once the cheque is released for payment management has lost control and is now relying on the controls of the delivery service and the customer. |
| Ease | Electronic payments can be made quickly and easily utilizing the features offered by your financial institution, without losing the security features of a cheque. Two step ID verification and dual authorization over the internet to initiate and complete payments will actually (a) increase security over the payment and (b) increase employee and management efficiency. |

You will find that many of your suppliers and creditors will prefer electronic payments over physical cheques for the same reasons noted above.

Arena Response

For several years, it was Arena policy to issues cheques to suppliers as of December 31, in order to minimize recording of accounts payable.

As suggested by the Auditor, the Arena has stopped this policy effective immediately.

All unpaid supplier invoices are recorded as accounts payable.

The Arena is relying more on payment to Suppliers through EFT's and will reach out to the those that are not embracing the modern method and ask for their participation in this safer and more secure transaction process.

Payroll moved to Automatic deposit mid-2018.

Issue – Payment authorization

As part of our audit of the financial statements, we investigate outstanding cheques. One cheque we reviewed was a payment to Cherrywood Consulting Inc. for the amount of \$42,827 for work associated with repair to the roof. Upon inquiry, management and staff were unable to provide an invoice for the services. It was further determined that the work associated with the cheque was not actually completed as of December 31, 2018 due to weather-related delays.

Our documentation of the payment process for the Arena indicates that cheques are only prepared for approved invoices and these invoices are presented with the cheque when it is to be signed. It appears that this cheque did not follow this process. As such, we increased our testing of the outstanding cheques to ensure that no other issues existed.

To avoid potential instances of fraud or errors in cash management, we recommend that the Arena follow its existing payment policy with no exceptions.

Arena Response

The Arena will follow its existing payment policy with no exceptions.

Issue – Cut-off of advertising revenue

It was observed that advertising revenue is not recorded on accrual basis. Advertising revenues received for services that relate to the next fiscal year were not properly deferred at year end. Typically, advertising revenue is received for services to be provided over a period of time. We recommend that management prepare a schedule of advertising revenue which details out the recognition of this revenue over a straight-line period of time that agrees to the advertising contract. The recognition of the revenue within the financial records should correspond to this schedule.

Arena Response

For several years, deferred advertising was not significant. For this reason, no deferral was recorded. As recommended by the Auditor, Arena will record the deferred revenue regardless of materiality.

Arena Response-Board Approved January 28, 2020



Michael Haughton
Facility Manager