



# INFORMATION REPORT

<b>TO:</b> Chair and Members Emergency & Community Services Committee	<b>WARD(S) AFFECTED:</b> WARD 6
<b>COMMITTEE DATE:</b> November 12, 2012	
<b>SUBJECT/REPORT NO:</b> Mohawk 4Ice Centre Annual Reports 2010 & 2011 (CS12036) (Ward 6)	
<b>SUBMITTED BY:</b> Joe-Anne Priel General Manager Community Services Department	<b>PREPARED BY:</b> Steve Sevor 905-546-2424 ext.4645
<b>SIGNATURE:</b>	

**Council Direction:**

As per the Mohawk 4Ice Centre’s Operational Maintenance Agreement, staff are required to report to Council on an annual basis as to the financial operations of the Mohawk 4Ice Centre. This report contains information pertaining to the 2010 and 2011 operating years.

**Information:**

The 2010 and 2011 Audited Financial Reports for the Mohawk 4Ice Centre are attached as Appendix A and Appendix B to Report CS12036. They outline the Financial Operations of the arena over the 2010 and 2011 calendar years.

The overall operation of the Mohawk 4Ice Centre finished the 2010 year with a surplus of \$176,496<sup>1</sup> while the 2011 year ended with a surplus of \$120,718.<sup>1</sup> The results present the third year in which surpluses have been generated.

As per the operating agreement, deficits are to be shared 50/50 between the City and the operator. In the event of a surplus, the first \$30,000 of the operating surplus is applied to the Four Pad Stabilization Reserve. The remaining surplus is to be distributed to the City of Hamilton (70%) and Hamilton Arena Partners (HAP) (30%).

<sup>1</sup> Includes \$30k to Four Pad Stabilization Reserve, net profit split 2010 - \$146,496; 2011 – \$90,718

**SUBJECT: Mohawk 4Ice Centre Annual Reports 2010 & 2011 (CS12036) (City Wide) – Page 2 of 3**

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The surplus figures from the 2010 and 2011 years were split as follows:

	<b>2010</b>	<b>2011</b>
Four Pad Stabilization	\$ 30,000	\$30,000
City of Hamilton	\$102,547	\$63,503
Hamilton Arena Partners	\$ 43,949	\$27,215
<b>Total</b>	<b>\$176,496</b>	<b>\$120,718</b>

In January 2005, the Mohawk 4Ice Centre was officially opened to the public. The facility was a public/private partnership between the City of Hamilton and Hamilton Arena Partners Inc.

Development Agreements were put in place for the construction of the facility and an Operational Maintenance Agreement was reached, whereby Nustadia Recreation Inc. was responsible for the ongoing operation of the Mohawk 4Ice Centre on behalf of the City.

As per the agreement, a Facility Management Review Team (FMRT) was formed to oversee the operation of the facility. FMRT consist of three representatives from the City of Hamilton, and two representatives from Nustadia Recreation Inc. The FMRT meets on a monthly basis. Any issues or concerns are identified at the meetings and recorded in the meeting minutes for follow-up.

The office of the City Treasurer is also represented at the FMRT meeting and has reviewed the audited reports from 2010 and 2011. The City Auditor has also reviewed the 2010 and 2011 Audited Reports. No concerns have been expressed as a result of these reviews.

The Operational Maintenance Agreement has been developed to safeguard the long term sustainability of the facility. The agreement ensures that the City is collecting revenue from HAP which will ultimately decrease the balance owing to the city for the construction of the facility. Original loan under the agreement was \$12M, payable over 20 years with a 5.45% rate. The first payment was made in May 2004; the principle remaining after their August 2012 payment is \$8.4M.

The consecutive years of financial surpluses is a positive result for the partnership considering that overall demand for ice rentals in many parts of the City has decreased in recent years.

Nustadia Recreation Inc. has managed to generate surpluses by successfully selling its ice throughout the year and by controlling and closely monitoring operating costs.

**APPENDICES / SCHEDULES**

Appendix A to Report CS12036: 2010 Mohawk 4Ice Centre Audited Financial Report

Appendix B to Report CS12036: 2011 Mohawk 4Ice Centre Audited Financial Report



Financial Statements

Mohawk 4Ice Centre

December 31, 2010



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# Independent Auditors' Report

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To the Members of Council, Inhabitants and Ratepayers  
of the City of Hamilton

We have audited the accompanying financial statements of Mohawk 4Ice Centre (the Centre), which comprise the statement of financial position as at December 31, 2010 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared to comply with the operating agreement between the City of Hamilton and Hamilton Arena Partners Inc. ("the agreement").

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the agreement 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.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Centre's preparation and fair presentation 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 the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements of the Mohawk 4Ice Centre for the year ended December 31, 2010 are prepared, in all material respects, in accordance with the accounting principles as set out in Note 2 applied on a basis consistent with that of the preceding year.

**Basis of accounting and restriction on distribution and use**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Mohawk 4Ice Centre to comply with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the City of Hamilton and Hamilton Arena Partners Inc. and should not be distributed or used by parties other than the City of Hamilton and Hamilton Arena Partners Inc.

Hamilton, Ontario  
March 22, 2011

*Grant Thornton LLP*

Chartered Accountants  
Licensed Public Accountants

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**Mohawk 4Ice Centre**  
**Statement of Financial Position**

December 31	2010	2009
<b>Financial assets</b>		
Cash and cash equivalents	\$ 179,881	\$ 39,389
Accounts receivable	229,545	316,883
Due from City of Hamilton (Note 4)	<u>28,542</u>	<u>32,836</u>
	<u>437,968</u>	<u>389,108</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	196,790	166,507
Deferred revenue	<u>225,566</u>	<u>234,856</u>
	<u>422,356</u>	<u>401,363</u>
<b>Net financial assets (debt)</b>	<b>15,612</b>	<b>(12,255)</b>
<b>Non-financial assets</b>		
Prepaid expenses	<u>44,391</u>	<u>42,256</u>
<b>Accumulated surplus</b>	<b>\$ <u>60,003</u></b>	<b>\$ <u>30,001</u></b>

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See accompanying notes to the financial statements.



## Mohawk 4Ice Centre Statement of Operations

Year Ended December 31	Budget (unaudited)	2010	2009
<b>Revenue</b>			
Ice rentals (Note 3)	\$ 2,517,980	\$ 2,572,267	\$ 2,533,178
Food, beverage and concessions	176,640	185,194	174,808
Advertising	146,400	148,329	147,834
Other	10,200	8,682	8,123
	<u>2,851,220</u>	<u>2,914,472</u>	<u>2,863,943</u>
<b>Expenditures</b>			
Bad debt expense	-	7,373	123
Bank charges and interest	26,196	15,973	19,480
City arena guide	-	21,330	-
Insurance	60,000	54,618	51,961
Investigate revenue source	25,000	3,750	-
Management fees (Note 3)	198,012	198,103	194,156
Marketing and sales	22,800	14,904	13,090
Office	28,296	23,446	12,707
Professional fees	13,740	10,885	14,230
Repairs and maintenance	195,000	210,932	210,153
Salaries and benefits	713,500	694,564	708,443
Telephone	12,996	11,557	11,190
Travel	6,960	3,433	3,699
Training	13,800	2,292	5,768
Utilities	465,000	394,890	408,694
	<u>1,781,300</u>	<u>1,668,050</u>	<u>1,653,694</u>
	1,069,920	1,246,422	1,210,249
Transfer to City of Hamilton's Reserve for Capital Projects (Note 3)	(99,996)	(100,000)	(100,000)
Transfer to City of Hamilton for debt repayment	<u>(969,924)</u>	<u>(969,924)</u>	<u>(969,924)</u>
Net revenues	-	176,498	140,325
Profit share expense (Notes 3, 4)	-	(146,496)	(73,628)
Annual surplus	-	30,002	66,697
Accumulated surplus (deficit), beginning of year	<u>30,001</u>	<u>30,001</u>	<u>(36,696)</u>
Accumulated surplus, end of year	\$ <u>30,001</u>	\$ <u>60,003</u>	\$ <u>30,001</u>

See accompanying notes to the financial statements.

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**Mohawk 4Ice Centre**  
**Statement of Changes in Net Financial Assets (Debt)**

Year Ended December 31	2010	2009
Annual surplus	\$ 30,002	\$ 66,697
Increase in prepaid expenses	<u>(2,135)</u>	<u>(1,145)</u>
Change in net financial assets	27,867	65,282
Net debt, beginning of year	<u>(12,255)</u>	<u>(77,537)</u>
Net financial assets (debt), end of year	\$ <u>15,612</u>	\$ <u>(12,255)</u>

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See accompanying notes to the financial statements.

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**Mohawk 4Ice Centre**  
**Statement of Cash Flow**

Year Ended December 31	2010	2009
Increase (decrease) in cash and cash equivalents		
<b>Operating activities</b>		
Annual surplus	\$ 30,002	\$ 66,697
Non-cash changes to operations		
Accounts receivable	87,338	162,768
Prepaid expenses	(2,135)	(1,415)
Accounts payable and accrued liabilities	30,283	52,269
Deferred revenue	(9,290)	36,602
Due to City of Hamilton	<u>4,294</u>	<u>(263,503)</u>
Net change in cash and cash equivalents	<b>140,492</b>	(19,786)
Cash and cash equivalents,		
Beginning of year	<u>39,389</u>	<u>59,175</u>
End of year	<b>\$ <u>179,881</u></b>	<b>\$ <u>39,389</u></b>

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See accompanying notes to the financial statements.

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## **Mohawk 4Ice Centre**

### **Notes to the Financial Statements**

December 31, 2010

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#### **1. Nature of operations**

The Mohawk 4Ice Centre is a four pad arena complex owned by The Corporation of the City of Hamilton (City of Hamilton). The City of Hamilton entered into a 10 year partnership agreement with Hamilton Arena Partners Inc. (HAP) to maintain and operate the Centre.

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#### **2. Significant accounting policies**

##### **Basis of accounting**

The Centre follows accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants except that it does not present any operating, capital, reserves and reserve funds which are set aside by Council for use by the Centre on the statement of financial position or statement of financial activities. This basis of accounting is considered appropriate as the Centre's financial information is included with the consolidated financial statements of the City of Hamilton for the Members of Council, Inhabitants and Ratepayers. These financial statements reflect the operating arrangement between the City of Hamilton and HAP, whereby the City owns the capital assets and arranges with HAP to operate the facilities on the City's behalf.

The financial statements presented herewith are required under the operating agreement between the City of Hamilton and HAP. As these financial statements have not been prepared for general purposes, some users may require further information.

##### **Revenue recognition**

Revenues are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Expenditures are reported on the accrual basis of accounting which recognizes expenditures as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

##### **Budget figures**

Budgets are prepared for operating revenues and expenses only.

##### **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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## Mohawk 4Ice Centre

### Notes to the Financial Statements

December 31, 2010

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#### 3. Transactions with the City of Hamilton

##### (a) Bank account

HAP has established a bank account in its own name pursuant to the operating agreement between the City and HAP. This bank account is to be a trust account for the benefit of the City of Hamilton. The City of Hamilton may at any time require that all monies held in the trust bank account be transferred to another separate account maintained by the City of Hamilton.

##### (b) Ice rentals

The City of Hamilton shall have available 3,620 hours of prime-time ice at the Centre. The City of Hamilton is responsible for scheduling, invoicing and collecting the revenue for this ice time. During the year, ice rental revenue in the amount of \$448,518 (2009 - \$440,138) with respect to City of Hamilton ice time was included in revenue for the year.

##### (c) Management fees

Pursuant to the agreement between the Centre and HAP, the City of Hamilton has agreed to pay HAP an annual management fee of \$150,000 for managing the facility on behalf of the City of Hamilton. In addition HAP is entitled to an annual commission equal to 10% of the gross revenues from sponsorship, advertising, vending, leasing, and pouring and naming rights. During the year, the City of Hamilton paid HAP \$198,103 (2009 - \$194,429) with respect to these management fees.

##### (d) Reserves

The City of Hamilton holds a capital fund reserve for the Centre in the amount of \$528,871 (2009 - \$611,980) to be used primarily to finance major capital repairs to the facility. The capital fund has not been included in the Centre's Statement of Financial Position nor has its operations been included in the Statements of Financial Activities and Changes in Financial Position.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 611,980	\$ 556,523
Expenditures made on capital projects	(183,109)	(44,543)
Amounts owing at year end to fund future capital projects	<u>100,000</u>	<u>100,000</u>
Balance, end of year	<u>\$ 528,871</u>	<u>\$ 611,980</u>

##### (e) Operating Stabilization Account

The City of Hamilton will establish and control a stabilization account to help offset the City of Hamilton's cash requirements in dealing with future operating deficits of the Centre. The account is to be funded from the operating surplus to a maximum of \$30,000 per year. Deposits to the account will continue until the account balance is \$250,000. During the year, \$30,000 was contributed to the operating stabilization account.

##### (f) Operating Deficits and Surplus

Subsequent to the first year of operation the City of Hamilton and HAP have agreed to each fund 50% of any operating deficit. HAP's obligation to fund an operating deficit in any year is limited to the annual commission income for the year plus \$30,000. The first \$30,000 of the operating surplus is to fund the operating stabilization account. The remaining surplus is to be distributed to the City of Hamilton (70%) and HAP (30%).

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## Mohawk 4Ice Centre

### Notes to the Financial Statements

December 31, 2010

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#### 3. Transactions with the City of Hamilton (continued)

##### (g) Debt repayment

The construction of the Mohawk 4Ice Centre was financed through development charges of \$5 million and internal debt of \$12 million. The internal debt charges bear interest at 5.245% and are repayable in blended monthly installments of \$80,828. The debt is held by the City of Hamilton and the Centre receives an internal debt charge allocation for its repayment.

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#### 4. Related party transactions

	<u>2010</u>	<u>2009</u>
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These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accounts receivable include receivables, in the normal course of business, from related parties in the following amounts:

Hamilton Arena Partners Inc.	\$ -	\$ -
Nustadia Recreation	17,641	12,529

Payables and accruals include trade payables, in the normal course of business, to related companies, in the following amounts:

Hamilton Arena Partners Inc.	\$ 95,368	\$ 19,947
Nustadia Recreation	7,845	4,675
Advertising revenues paid to Nustadia Recreation	27,299	29,445
Wage recovery received from Nustadia Recreation	33,888	78,961

In accordance with the terms of the partnership agreement disclosed in Note 3(f), the 2010 operating surplus has been allocated as follows:

City of Hamilton	\$ 102,547	\$ 51,540
Hamilton Arena Partners	43,949	22,088

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**Mohawk 4Ice Centre**  
**Notes to the Financial Statements**

December 31, 2010

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**5. Financial instruments**

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.



Financial Statements

Mohawk 4Ice Centre

December 31, 2011





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To the Members of Council, Inhabitants and Ratepayers  
of the City of Hamilton

We have audited the accompanying financial statements of Mohawk 4Ice Centre (“the Centre”), which comprise the statement of financial position as at December 31, 2011 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared to comply with the operating agreement between the City of Hamilton and Hamilton Arena Partners Inc. (“the agreement”).

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the agreement 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Centre's preparation and fair presentation 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 the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements of the Mohawk 4Ice Centre for the year ended December 31, 2011 are prepared, in all material respects, in accordance with the accounting principles as set out in Note 2 applied on a basis consistent with that of the preceding year.

**Basis of accounting and restriction on distribution and use**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Mohawk 4Ice Centre to comply with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the City of Hamilton and Hamilton Arena Partners Inc. and should not be distributed or used by parties other than the City of Hamilton and Hamilton Arena Partners Inc.

**Other matter**

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Hamilton, Canada  
March 12, 2012

*Grant Thornton LLP*

Chartered Accountants  
Licensed Public Accountants

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**Mohawk 4Ice Centre**  
**Statement of Financial Position**

December 31	2011	2010
<b>Financial assets</b>		
Cash and cash equivalents	\$ 144,402	\$ 179,881
Accounts receivable	212,432	229,545
Due from City of Hamilton (Note 4)	<u>99,521</u>	<u>28,542</u>
	<u>456,355</u>	<u>437,968</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	183,431	196,790
Deferred revenue	<u>228,576</u>	<u>225,566</u>
	<u>412,007</u>	<u>422,356</u>
<b>Net financial assets</b>	44,348	15,612
<b>Non-financial assets</b>		
Prepaid expenses	<u>45,654</u>	<u>44,391</u>
<b>Accumulated surplus</b>	<u>\$ 90,002</u>	<u>\$ 60,003</u>

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See accompanying notes to the financial statements.

## Mohawk 4Ice Centre Statement of Operations

Year Ended December 31	Budget (unaudited)	2011	2010
<b>Revenue</b>			
Ice rentals (Note 3)	\$ 2,545,620	\$ 2,538,661	\$ 2,572,267
Food, beverage and concessions	183,240	182,994	185,194
Advertising	145,200	121,453	148,329
Other	17,900	20,120	8,682
	<u>2,891,960</u>	<u>2,863,228</u>	<u>2,914,472</u>
<b>Expenditures</b>			
Bad debt expense	-	(373)	7,373
Bank charges and interest	20,400	18,292	15,973
City arena guide	15,420	2,699	21,330
Insurance	61,200	56,405	54,618
Investigate revenue source	25,000	8,750	3,750
Management fees (Note 3)	201,336	195,589	198,103
Marketing and sales	21,600	24,398	14,904
Office	23,552	11,967	23,446
Professional fees	17,700	12,730	10,885
Repairs and maintenance	218,000	176,842	210,932
Salaries and benefits	719,880	702,037	694,564
Telephone	11,248	9,543	11,557
Travel	6,000	2,346	3,433
Training	8,700	8,353	2,292
Utilities	447,000	418,005	394,890
	<u>1,797,036</u>	<u>1,647,583</u>	<u>1,668,050</u>
	1,094,924	1,215,645	1,246,422
Transfer to City of Hamilton's Reserve for Capital Projects (Note 3)	(125,000)	(125,004)	(100,000)
Transfer to City of Hamilton for debt repayment	<u>(969,924)</u>	<u>(969,924)</u>	<u>(969,924)</u>
Net revenues	-	120,717	176,498
Profit share expense (Notes 3, 4)	-	(90,718)	(146,496)
Annual surplus	-	29,999	30,002
Accumulated surplus, beginning of year	<u>60,003</u>	<u>60,003</u>	<u>30,001</u>
Accumulated surplus, end of year	<u>\$ 60,003</u>	<u>\$ 90,002</u>	<u>\$ 60,003</u>

See accompanying notes to the financial statements.

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**Mohawk 4Ice Centre**  
**Statement of Changes in Net Financial Assets**

Year Ended December 31	2011	2010
Annual surplus	\$ 29,999	\$ 30,002
Increase in prepaid expenses	<u>(1,263)</u>	<u>(2,135)</u>
Change in net financial assets	28,736	27,867
Net financial assets (debt), beginning of year	<u>15,612</u>	<u>(12,255)</u>
Net financial assets, end of year	<u>\$ 44,348</u>	<u>\$ 15,612</u>

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See accompanying notes to the financial statements.

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**Mohawk 4Ice Centre**  
**Statement of Cash Flow**

Year Ended December 31	2011	2010
Increase (decrease) in cash and cash equivalents		
<b>Operating activities</b>		
Annual surplus	\$ 29,999	\$ 30,002
Non-cash changes to operations		
Accounts receivable	17,113	87,338
Prepaid expenses	(1,263)	(2,135)
Accounts payable and accrued liabilities	(13,359)	30,283
Deferred revenue	3,010	(9,290)
Due to City of Hamilton	<u>(70,979)</u>	<u>4,294</u>
Net change in cash and cash equivalents	(35,479)	140,492
Cash and cash equivalents,		
Beginning of year	<u>179,881</u>	<u>39,389</u>
End of year	<u>\$ 144,402</u>	<u>\$ 179,881</u>

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See accompanying notes to the financial statements.



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## **Mohawk 4Ice Centre**

### **Notes to the Financial Statements**

December 31, 2011

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#### **1. Nature of operations**

The Mohawk 4Ice Centre is a four pad arena complex owned by The Corporation of the City of Hamilton (City of Hamilton). The City of Hamilton entered into a 10 year partnership agreement with Hamilton Arena Partners Inc. (HAP) to maintain and operate the Centre.

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#### **2. Significant accounting policies**

##### **Basis of accounting**

The Centre follows accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants except that it does not present any operating, capital, reserves and reserve funds which are set aside by Council for use by the Centre on the statement of financial position or statement of financial activities. This basis of accounting is considered appropriate as the Centre's financial information is included with the consolidated financial statements of the City of Hamilton for the Members of Council, Inhabitants and Ratepayers. These financial statements reflect the operating arrangement between the City of Hamilton and HAP, whereby the City owns the capital assets and arranges with HAP to operate the facilities on the City's behalf.

The financial statements presented herewith are required under the operating agreement between the City of Hamilton and HAP. As these financial statements have not been prepared for general purposes, some users may require further information.

##### **Revenue recognition**

Revenues are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Expenditures are reported on the accrual basis of accounting which recognizes expenditures as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

##### **Budget figures**

Budgets are prepared for operating revenues and expenses only.

##### **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.



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**Mohawk 4Ice Centre**  
**Notes to the Financial Statements**

December 31, 2011

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**3. Transactions with the City of Hamilton**

**(a) Bank account**

HAP has established a bank account in its own name pursuant to the operating agreement between the City and HAP. This bank account is to be a trust account for the benefit of the City of Hamilton. The City of Hamilton may at any time require that all monies held in the trust bank account be transferred to another separate account maintained by the City of Hamilton.

**(b) Ice rentals**

The City of Hamilton shall have available 3,620 hours of prime-time ice at the Centre. The City of Hamilton is responsible for scheduling, invoicing and collecting the revenue for this ice time. During the year, ice rental revenue in the amount of \$448,518 (2010 - \$448,518) with respect to City of Hamilton ice time was included in revenue for the year.

**(c) Management fees**

Pursuant to the agreement between the Centre and HAP, the City of Hamilton has agreed to pay HAP an annual management fee of \$150,000 for managing the facility on behalf of the City of Hamilton. In addition HAP is entitled to an annual commission equal to 10% of the gross revenues from sponsorship, advertising, vending, leasing, and pouring and naming rights. During the year, the City of Hamilton paid HAP \$195,589 (2010 - \$198,103) with respect to these management fees.

**(d) Reserves**

The City of Hamilton holds a capital fund reserve for the Centre in the amount of \$613,794 (2010 - \$528,871) to be used primarily to finance major capital repairs to the facility. The capital fund has not been included in the Centre's Statement of Financial Position nor has its operations been included in the Statements of Financial Activities and Changes in Financial Position.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 528,871	\$ 611,980
Expenditures made on capital projects	(40,077)	(183,109)
Amounts owing at year end to fund future capital projects	<u>125,000</u>	<u>100,000</u>
Balance, end of year	<u>\$ 613,794</u>	<u>\$ 528,871</u>

**(e) Operating stabilization account**

The City of Hamilton will establish and control a stabilization account to help offset the City of Hamilton's cash requirements in dealing with future operating deficits of the Centre. The account is to be funded from the operating surplus to a maximum of \$30,000 per year. Deposits to the account will continue until the account balance is \$250,000. During the year, \$30,000 was contributed to the operating stabilization account.

**(f) Operating deficits and surplus**

Subsequent to the first year of operation the City of Hamilton and HAP have agreed to each fund 50% of any operating deficit. HAP's obligation to fund an operating deficit in any year is limited to the annual commission income for the year plus \$30,000. The first \$30,000 of the operating surplus is to fund the operating stabilization account. The remaining surplus is to be distributed to the City of Hamilton (70%) and HAP (30%).

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## Mohawk 4Ice Centre Notes to the Financial Statements

December 31, 2011

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### 3. Transactions with the City of Hamilton (continued)

#### (g) Debt repayment

The construction of the Mohawk 4Ice Centre was financed through development charges of \$5 million and internal debt of \$12 million. The internal debt charges bear interest at 5.245% and are repayable in blended monthly installments of \$80,828. The debt is held by the City of Hamilton and the Centre receives an internal debt charge allocation for its repayment.

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### 4. Related party transactions

	<u>2011</u>	<u>2010</u>
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These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accounts receivable include receivables, in the normal course of business, from related parties in the following amounts:

Hamilton Arena Partners Inc.	\$ -	\$ -
Nustadia Recreation	32,216	17,641

Payables and accruals include trade payables, in the normal course of business, to related companies, in the following amounts:

Hamilton Arena Partners Inc.	\$ 68,007	\$ 95,368
Nustadia Recreation	7,618	7,845
Advertising revenues paid to Nustadia Recreation	24,813	27,299
Wage recovery received from Nustadia Recreation	37,482	33,888

In accordance with the terms of the partnership agreement disclosed in Note 3(f), the 2011 operating surplus has been allocated as follows:

City of Hamilton	\$ 63,503	\$ 102,547
Hamilton Arena Partners	27,215	43,949

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**Mohawk 4Ice Centre**  
**Notes to the Financial Statements**  
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**5. Financial instruments**

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.