

Financial Statements of

**KERR VILLAGE BUSINESS
IMPROVEMENT AREA**

Year ended December 31, 2019

Draft



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INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of Management of the Kerr Village Business Improvement Area, Members of Council, Inhabitants and Ratepayers of the Town of Oakville

Opinion

We have audited the accompanying financial statements of the Kerr Village Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019,
- the statements of operations for the year then ended,
- the statement of changes in net financial assets (net debt) for the year then ended,
- the statement of cash flows for the year then ended,
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets (net debt) 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity 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.
- 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

Hamilton, Ontario
March 24, 2020

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Financial Statements

Year ended December 31, 2019

Financial Statements

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KERR VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 25,737	\$ 116,433
Accounts receivable	29,951	20,595
	55,688	137,028
Liabilities		
Accounts payable	15,797	12,731
Due to Town of Oakville	57,244	56,580
	73,041	69,311
Net financial assets (debt)	(17,353)	67,717
Non-Financial Assets		
Tangible capital assets (note 2)	30,390	19,750
Prepaid expenses	2,922	2,635
Commitments (note 3)		
Accumulated surplus (note 4)	\$ 15,959	\$ 90,102

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 5)	2019	2018
Revenue:			
Town of Oakville			
Special tax levy	\$ 412,511	\$ 412,512	\$ 402,449
Supplementary Taxes	-	8,638	75,441
Write-off special tax levy	(12,000)	(5,153)	(789)
Net tax revenue	400,511	415,997	477,101
Sponsorships	71,000	122,743	141,044
Canada summer job	-	7,840	-
Other	-	384	3,551
Total revenue	471,511	546,964	621,696
Expenses - schedule:			
Administrative	144,061	174,417	177,121
Promotions	177,450	316,273	255,921
Advertising	50,000	32,967	9,374
Beautification	100,000	79,917	79,420
Amortization of tangible capital assets	-	17,533	10,136
Total expenses	471,511	621,107	531,972
Annual surplus (deficit)	-	(74,143)	89,724
Accumulated surplus, beginning of year	90,102	90,102	378
Accumulated surplus, end of year	\$ 90,102	\$ 15,959	\$ 90,102

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Changes in Net Financial Assets (Net Debt)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus (deficit)	\$ (74,143)	\$ 89,724
Acquisition of tangible capital assets	(28,173)	(795)
Amortization of tangible capital assets	17,533	10,136
	(84,783)	99,065
Acquisition of prepaid expenses	(2,922)	(2,635)
Use of prepaid expenses	2,635	1,960
	(287)	(675)
Change in net financial assets	(85,070)	98,390
Net financial assets, beginning of year	67,717	(30,673)
Net financial assets (debt), end of year	\$ (17,353)	\$ 67,717

See accompanying notes to financial statements.

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (74,143)	\$ 89,724
Item not involving cash:		
Amortization of tangible capital assets	17,533	10,136
Change in non-cash assets and liabilities:		
Accounts receivable	(9,356)	2,190
Accounts payable	3,067	2,829
Due to Town of Oakville	664	(32,386)
Prepaid expenses	(287)	(675)
Net change in cash from operating activities	(62,523)	71,818
Capital activities:		
Cash used to acquire tangible capital assets	(28,173)	(795)
Net change in cash	(90,696)	71,023
Cash, beginning of year	116,433	45,410
Cash, end of year	\$ 25,737	\$ 116,433

See accompanying notes to financial statements.

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2019

The Kerr Village Business Improvement Area (the "Business Improvement Area") was established February 7, 2005 in accordance with Section 220 of the Municipal Act, (R.S.O 1990) for the purpose of providing improvement, beautification and maintenance of lands, buildings and structures in the improvement area and the promotion of Kerr Village as a business and shopping area. The Business Improvement Area is financed by a special levy charged upon businesses in the improvement area.

1. Significant accounting policies:

The financial statements of the Business Improvement Area are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Business Improvement Area are as follows:

(a) Basis of accounting:

The Business Improvement Area follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Other income:

Other income is reported as revenue in the period earned.

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Streetscape improvements	3 - 20
Office furniture and equipment	3 - 15

Annual amortization is charged in the year of acquisition.

(ii) Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31 2019
Streetscape improvements	\$ 42,142	\$ 21,125	\$ -	\$ 63,267
Office furniture and equipment	20,213	7,048	-	27,261
Total	\$ 62,355	\$ 28,173	\$ -	\$ 90,528

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31 2019
Streetscape improvements	\$ 28,047	\$ -	\$ 13,775	\$ 41,823
Office furniture and equipment	14,558	-	3,758	18,315
Total	\$ 42,605	\$ -	\$ 17,533	\$ 60,138

	Net book value December 31, 2018	Net book value December 31, 2019
Streetscape improvements	\$ 14,095	\$ 21,444
Office furniture and equipment	5,655	8,946
Total	\$ 19,750	\$ 30,390

(a) Contributed tangible capital assets:

The Business Improvement Area received no contributed tangible capital assets in 2019 nor 2018.

(b) Tangible capital assets disclosed at nominal values:

There are no tangible capital assets recognized at a nominal value.

(c) Write-down of tangible capital assets:

The Business Improvement Area has not recorded write-downs of tangible capital assets in 2019 nor 2018.

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Commitments:

The Business Improvement Area is obligated under an operating lease over the next two years as follow:

2020	\$	24,290
2021		6,087

4. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 30,390	\$ 19,750
Operating surplus (deficit)	(14,431)	70,352
	<hr/> \$ 15,959	<hr/> \$ 90,102

5. Budget data:

The budget data presented in these financial statements is based upon the 2019 budget approved by the Board on March 19, 2019. Amortization and acquisitions of tangible capital assets were not contemplated on development of the budget and, as such, were not provided on the statement of changes in net financial assets.

KERR VILLAGE BUSINESS IMPROVEMENT AREA

Schedule of Expenses

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Administration:		
General	\$ 122,112	\$ 118,507
Office costs	45,997	52,317
Audit	6,308	6,297
	<u>174,417</u>	<u>177,121</u>
Promotions:		
Fall Festival	268,315	230,683
Santa Claus parade and tree lighting	22,512	14,389
Handmade & Vintage market	19,446	9,531
Fall Social	5,875	1,318
Summer Celebration	125	-
	<u>316,273</u>	<u>255,921</u>
Advertising	32,967	9,374
Beautification:		
Lights and plants	-	46,219
Street improvement	79,917	33,201
	<u>79,917</u>	<u>79,420</u>
Amortization	17,533	10,136
Total expenses	<u>\$ 621,107</u>	<u>\$ 531,972</u>