

**PETERBOROUGH DOWNTOWN BUSINESS
IMPROVEMENT AREA**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Management of the Peterborough Downtown Business Improvement Area

Opinion

We have audited the financial statements of the Peterborough Downtown Business Improvement Area (the Improvement Area), which comprise the statement of financial position as at December 31, 2019, the statements of operations and accumulated surplus, change in net financial assets 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 respects, the financial position of the Improvement Area as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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

Those charged with governance are responsible for overseeing the Improvement Area'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 Improvement Area'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 Improvement Area'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 Improvement Area 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
May 27, 2020

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



STATEMENT OF FINANCIAL POSITION At December 31, 2019

	2019 \$	2018 \$
FINANCIAL ASSETS		
Cash	228,626	215,910
Short-term investments (note 3)	5,683	5,607
Accounts receivable	20,451	41,994
TOTAL FINANCIAL ASSETS	254,760	263,511
LIABILITIES		
Accounts payable and accrued liabilities	9,674	23,576
Deferred revenue (note 5)	8,726	11,782
TOTAL LIABILITIES	18,400	35,358
NET FINANCIAL ASSETS	236,360	228,153
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	41,699	53,359
Prepaid expenses	-	5,000
TOTAL NON-FINANCIAL ASSETS	41,699	58,359
ACCUMULATED SURPLUS (note 9)	278,059	286,512

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2019

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
REVENUES			
Requisition from City of Peterborough	319,935	319,935	304,700
Other grants from City of Peterborough (note 6)	246,400	246,400	256,400
City of Peterborough contributed services (note 8)	27,500	27,500	28,907
Special events	76,700	64,863	93,740
Other	12,450	54,836	69,019
TOTAL REVENUES	682,985	713,534	752,766
EXPENSES			
Administration	211,785	237,962	196,019
Promotion	62,700	69,785	77,836
Communications	21,250	48,136	31,662
Streetscape	93,780	96,939	114,162
Special events	143,400	193,235	209,760
Amortization	9,738	11,660	9,738
Security	100,000	64,270	114,116
TOTAL EXPENSES	642,653	721,987	753,293
ANNUAL SURPLUS/(DEFICIT)	<u>40,332</u>	(8,453)	(527)
ACCUMULATED SURPLUS - beginning of year		286,512	287,039
ACCUMULATED SURPLUS - end of year		278,059	286,512

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2019

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS/(DEFICIT)	40,332	(8,453)	(527)
Amortization of tangible capital assets	9,738	11,660	9,738
Purchase of tangible capital assets	(50,000)	-	(24,466)
Change in prepaid expenses	-	5,000	(5,000)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	70	8,207	(20,255)
NET FINANCIAL ASSETS - beginning of year	228,153	228,153	248,408
NET FINANCIAL ASSETS - end of year	228,223	236,360	228,153

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



STATEMENT OF CASH FLOWS For the Year Ended December 31, 2019

	2019 \$	2018 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	(8,453)	(527)
Items not involving cash		
Amortization of tangible capital assets	11,660	9,738
Change in non-cash assets and liabilities		
Accounts receivable	21,543	1,059
Prepaid expenses	5,000	(5,000)
Accounts payable and accrued liabilities	(13,902)	(447)
Deferred revenue	(3,056)	(18,986)
Net change in cash from operating activities	12,792	(14,163)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	-	(24,466)
INVESTING ACTIVITIES		
Increase in short-term investments	(76)	(57)
NET CHANGE IN CASH	12,716	(38,686)
CASH - beginning of year	215,910	254,596
CASH - end of year	228,626	215,910

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

The Peterborough Downtown Business Improvement Area ("Improvement Area"), comprising those lands as described in City of Peterborough By-Law 1980-142, was established for the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the area, beyond that provided at the expense of the City, and for the promotion of the area as a business and shopping area.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Tangible Capital Assets

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

Pole Banners	5 years
Decorations	5 years
Wi-Fi and Other Equipment	5-7 years

Amortization is recorded at one half of the above rate in the year of acquisition.

(b) Non-Financial Assets

Non-financial assets are accounted for as assets by the Improvement Area because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Improvement Area unless they are sold.

(c) Deferred Revenue

Deferred revenue includes gift certificates sold but not redeemed and unspent restricted funding that will be spent in future periods.

(d) 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 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.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include the amounts recorded for amortization of tangible capital assets which are based on estimates of useful lives and residual values.

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Taxation

Revenue is raised for the Improvement Area by City Council through special levy upon designated ratepayers. The Board of Management for the Improvement Area requisitions funds from the City from time to time and accounts for these revenues on the accrual basis. Interest revenue is recognized when it is earned. Special events revenue is earned once the event has taken place.

Grants and other revenue are recognized in the financial statements as revenue in the period in which the transactions or events occurred that give rise to the revenue.

(f) Inter-Entity Transactions

The Improvement Area is a Board of the City of Peterborough and is consolidated with the City financial statements.

Allocated costs and recovery costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the City.

2. COMMITMENT

In 2014, the Improvement Area committed \$50,000 to the City of Peterborough as a contribution towards the construction of the new Louis Street Urban Park. As at December 31, 2019, \$50,618 of the cash balance has been designated for this purpose and is held in a separate bank account. Construction on the Park is expected to commence during 2020.

3. SHORT-TERM INVESTMENTS

Short-term investments consist of treasury bills and are recorded at a cost of \$5,683 (2018 - \$5,607).

4. BUDGET FIGURES

The budget, approved by the Board of Management, for 2019 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. Budget figures are not subject to audit.

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

5. DEFERRED REVENUE

Included in deferred revenue are the following amounts:

	2019	2018
	\$	\$
Gift certificates	8,726	11,782

The continuity of deferred revenue is as follows:

	2019	2018
	\$	\$
Balance - beginning of year	11,782	30,768
Add amounts received:		
Gift certificate sales	9,109	9,739
Less transfer to operations:		
Reimbursements to participating businesses	12,165	16,975
Win This Space payments	-	11,750
	12,165	28,725
Balance - end of year	8,726	11,782

6. CONTRACTUAL RIGHTS

The Improvement Area has an agreement with the City of Peterborough to receive funding of \$150,000 annually. This agreement will expire in 2036. This funding is included in other grants from City of Peterborough on the statement of operations and accumulated surplus and is in addition to the requisition received from the City through a special levy from designated ratepayers.

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

7. TANGIBLE CAPITAL ASSETS

The net book value of the improvement area's tangible capital assets are:

	Pole Banners \$	Decorations \$	Equipment \$	2019 Totals \$	2018 Totals \$
COST					
Balance, beginning of year	13,314	54,035	60,990	128,339	103,873
Add: additions during the year	-	-	-	-	24,466
Less: disposals during the year	-	54,035	-	54,035	-
Balance, end of year	13,314	-	60,990	74,304	128,339
ACCUMULATED AMORTIZATION					
Balance, beginning of year	5,405	54,035	15,540	74,980	65,242
Add: additions during the year	2,663	-	8,997	11,660	9,738
Less: disposals during the year	-	54,035	-	54,035	-
Balance, end of year	8,068	-	24,537	32,605	74,980
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	5,246	-	36,453	41,699	53,359

During the year there were no write-downs of assets (2018 - \$Nil) and no interest capitalized (2018 - \$Nil).

8. INTER-ENTITY TRANSACTIONS

The City provides security, public works services, insurance and other services for many of the special events of the Improvement Area totalling \$27,500. This contribution is shown separately as revenue and the costs are included in the special events expense on the Statement of Operations and Accumulated Surplus.

All funding received from the City of Peterborough has been identified on the Statement of Operations and Accumulated Surplus. There are no balances outstanding between the City and the Improvement Area at December 31, 2019 (2018 - \$ NIL).

PETERBOROUGH DOWNTOWN BUSINESS IMPROVEMENT AREA



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

9. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2019	2018
	\$	\$
Surplus		
Operating fund	31,343	124,448
Invested In Capital Assets		
Net book value of tangible capital assets	41,699	53,359
Surplus	73,042	177,807
Reserve		
Casino settlement	155,017	108,705
Urban park	50,000	-
Total Reserves	205,017	108,705
	278,059	286,512

10. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Improvement Area's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Improvement Area's operations.

The extent of the impact of this outbreak and related containment measures on the Improvement Area's operations could be significant. Expenses are expected to increase because of the current measures enforced by the Provincial government on the membership of the Improvement Area. In the year 2020, management expects the Improvement Area will have adequate cash flow to fund its operations following the crisis through control over operating expenses, particularly the required cancellation of certain special events.

The Improvement Area can not estimate the length and gravity of the COVID-19 outbreak. If the pandemic continues, it may have a material adverse effect on the Improvement Area's results in fiscal 2020. The Improvement Area is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.