

**THE THORNBURY BUSINESS
IMPROVEMENT AREA**

Year ended December 31, 2018

Thornbury Business Improvement Area

Financial Statements

Year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of The Thornbury Business Improvement Area

We have audited the financial statements of The Thornbury Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(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, 2018, and its results of operations, its changes in net financial assets 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 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 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 conclusions are 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 3, 2019

Thornbury Business Improvement Area

Statement of Financial Position

Year ended December 31, 2018

	Actual 2018	Actual 2017
Financial assets		
Cash	\$ 70,964	\$ 65,132
Net financial assets	70,964	65,132
Non-financial assets		
Tangible capital assets (note 2)	14,758	2,763
Accumulated Surplus (note 3)	\$ 85,722	\$ 67,895

Thornbury Business Improvement Area

Statement of Operations

Year ended December 31, 2018

	Budget 2018	Actual 2018	Actual 2017
Revenue:			
BIA Levy	\$ 108,000	\$ 108,000	\$ 100,000
Grants From Town	5,000	5,404	7,950
Federal Grant	950	1,750	1,600
Other	20,000	816	-
	<u>133,950</u>	<u>115,970</u>	<u>109,550</u>
Expenses:			
Administration	30,000	15,372	21,148
Amortization	-	9,079	2,733
Beautification	45,000	16,304	20,254
Conferences & Memberships	5,200	2,236	4,321
Professional Fees	2,750	2,275	2,782
Promotion - Special Events	51,000	52,877	63,871
	<u>133,950</u>	<u>98,143</u>	<u>115,109</u>
Annual surplus/(deficit)	-	17,827	(5,559)
Accumulated surplus, beginning of the year	67,895	67,895	73,454
Accumulated surplus, end of the year	\$ 67,895	\$ 85,722	\$ 67,895

Thornbury Business Improvement Area

Statement of Net Financial Assets

Year ended December 31, 2018

	Budget 2018	Actual 2018	Actual 2017
Annual Surplus (Deficit)	\$ -	\$ 17,827	\$ (5,559)
Acquisition of tangible capital assets	-	(21,074)	(2,100)
Amortization of tangible capital assets	-	9,079	2,733
	-	(11,995)	633
Change in net financial assets	-	5,832	(4,926)
Net financial assets, beginning of year	65,132	65,132	70,058
Net financial assets, end of year	\$ 65,132	\$ 70,964	\$ 65,132

Thornbury Business Improvement Area

Statement of Cash Flows

Year ended December 31, 2018

	Actual 2018	Actual 2017
Increase (decrease) in cash		
Operating Activities		
Annual surplus/(deficit)	\$ 17,827	\$ (5,559)
Amortization	9,079	2,733
	26,906	(2,826)
Investing Activities		
Purchase of tangible capital assets	(21,074)	(2,100)
Net increase(decrease) in cash	5,832	(4,926)
Cash and cash equivalents, beginning of year	65,132	70,058
Cash, end of year	\$ 70,964	\$ 65,132

Thornbury Business Improvement Area

Notes to the Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

The Thornbury Business Improvement Area Board of Management (the Board or the BIA) was established and approved by the Corporation of The Town of The Blue Mountains By-law No. 25-1981 on December 14, 1981. The Board's mandate is to improve and beautify the Thornbury business area.

(a) Basis of accounting:

The financial statements of the Board are the representations of management. They have been prepared in accordance with the Canadian Public Sector Accounting Board of the Chartered Professional Accountants Canada.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measureable; expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates 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. Estimates are used when accounting for items such as tangible capital assets. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

(c) Cash and cash equivalents:

Cash and cash equivalents are included in the cash balances consolidated with the Town of The Blue Mountains (the Town) cash balances segregated for the BIA.

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by the BIA. The following rates are used:

Amortization is charged in the year of acquisition and in the year of disposal.

Asset	Useful Life - Years
Fixtures	3 to 5

Thornbury Business Improvement Area

Notes to the Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued)

(e) Revenue recognition:

Revenues are recognized as follows:

- a. The BIA Levy revenue is recorded on an annual basis using the proportionate share of the total number of businesses for the year and an annually established rate per business. Revenue is recognized when levied.
- b. Municipal transfers are recognized in the year the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Municipal grants are recognized when approved to the extent that the related expenses have been incurred and collection can be reasonably assured.
- c. Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

2. Tangible capital assets:

	2018	2017
	Fixtures	Fixtures
Cost		
Balance, beginning of year	\$ 21,205	\$ 19,105
Additions	21,074	2,100
Balance, end of year	42,279	21,205
Accumulated amortization		
Balance, beginning of year	18,442	15,709
Amortization	9,079	2,733
Balance, end of year	27,521	18,442
Net Book Value	\$ 14,758	\$ 2,763

Thornbury Business Improvement Area

Notes to the Financial Statements

Year ended December 31, 2018

3. Accumulated surplus:

	2018	2017
Investment in tangible capital assets	\$ 14,758	\$ 2,763
Reserves	70,964	65,132
Balance, end of year	\$ 85,722	\$ 67,895

The investment in tangible capital assets represents amounts already spent and invested in fixtures. Reserves represent funds set aside by by-law or resolution for specific purposes.

4. Related Party Transaction

The BIA was established as a board of management by the Town. The Town is considered to be a related party.

During the year, the BIA in its normal course of operations had the following transactions with the Town:

	2018	2017
Grants From Town	\$ 5,404	\$ 7,950
	\$ 5,404	\$ 7,950

Thornbury Business Improvement Area

Notes to the Financial Statements

Year ended December 31, 2018

5. Budget

Membership levies are collected from businesses operating within designated areas of the Town. Budgeted membership levies for 2018 of \$108,000 (2017 - \$100,000) reflect the total levies expected to be collected for the year 2018.

The Budget adopted by Council of the Town on May 7, 2018 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards requires the full accrual basis. The budget expenses all tangible capital expenditures rather than capitalising additions and including amortization expense. Amortization was not contemplated on development of the BIA budget and, as such, has not been included. As a result, the budget figures presented in the Statement of Operations represent the Financial Plan adopted by Council on May 7, 2018.

6. Segment disclosure

Since the BIA's operations are not considered diverse and operations are managed as one department, no segment disclosure has been provided.