



QUINTE CONSERVATION AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

QUINTE CONSERVATION AUTHORITY
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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2018

MANAGEMENT REPORT

The accompanying consolidated financial statements of Quinte Conservation Authority are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Authority maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Authority's assets are appropriately accounted for and adequately safeguarded.

The Authority's Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

The Board of Directors reviews and approves the Authority's financial statements for issuance to the members of Quinte Conservation Authority. The Board of Directors meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Authority. Baker Tilly KDN LLP has full and free access to the Authority.

Chair

Date

CAO

Date

Baker Tilly KDN LLP
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INDEPENDENT AUDITOR'S REPORT

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To the Members of Quinte Conservation Authority

Opinion

We have audited the consolidated financial statements of Quinte Conservation Authority and its local board (the Authority), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets/(liabilities) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at December 31, 2018, and the results of its consolidated operation and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Matter

The financial statements of the Authority as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Authority'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 Authority'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 consolidated 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
April 18, 2019

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2018

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash	874,658	1,156,674
Accounts receivable	548,001	397,466
Funds held in trust (note 5)	499,852	476,310
TOTAL FINANCIAL ASSETS	1,922,511	2,030,450
LIABILITIES		
Bank indebtedness (note 4)	51,655	310,000
Accounts payable	268,910	307,958
Deferred revenue (note 6)	1,041,664	927,858
Long term debt (note 5)	2,318,502	2,480,709
TOTAL LIABILITIES	3,680,731	4,026,525
NET FINANCIAL ASSETS/(LIABILITIES)	(1,758,220)	(1,996,075)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	13,989,716	14,101,416
Prepaid expenses	16,416	1,221
TOTAL NON-FINANCIAL ASSETS	14,006,132	14,102,637
ACCUMULATED SURPLUS (note 7)	12,247,912	12,106,562

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Provincial grants (note 8)	889,091	733,463	748,635
Federal grants	21,224	62,148	27,882
Municipal levies - general	1,434,517	1,434,519	1,348,543
- special	672,975	472,866	510,312
Rentals and leases	28,000	29,023	29,586
Interest earned	10,612	33,495	14,893
Donations	19,245	3,078	10,302
Sales and refunds	15,306	11,935	8,099
Fees	369,685	217,057	261,873
Tree planting and reforestation	30,000	53,303	5,717
Environmental day camps	-	1,713	2,195
Gate receipts	111,500	131,652	109,007
Hydro power generation	-	352,367	510,928
Big Island rehabilitation	174,381	168,631	-
Other programs	880,800	492,059	483,233
Gain on sale of tangible capital assets	-	12,410	-
TOTAL REVENUES	4,657,336	4,209,719	4,071,205
EXPENSES			
Administration (note 9)	341,589	227,388	322,698
Program operations (note 10)	1,870,208	1,738,346	1,621,648
Vehicles and equipment (note 11)	(34,542)	4,166	(1,229)
Maintenance - conservation areas	182,876	194,108	182,412
Other projects (note 12)	2,069,448	1,595,478	1,293,068
Amortization	286,747	308,883	300,141
Loss on sale of tangible capital assets	-	-	1,323
TOTAL EXPENSES	4,716,326	4,068,369	3,720,061
ANNUAL SURPLUS/(DEFICIT)	<u>(58,990)</u>	141,350	351,144
ACCUMULATED SURPLUS - beginning of year		12,106,562	11,755,418
ACCUMULATED SURPLUS - end of year		12,247,912	12,106,562

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES) For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS/(DEFICIT)	(58,990)	141,350	351,144
Amortization of tangible capital assets	286,747	308,883	300,141
Purchase of tangible capital assets	(227,757)	(204,773)	(353,800)
Loss/(gain) on disposal of tangible capital assets	-	(12,410)	1,323
Proceeds on sale of tangible capital assets	-	20,000	525
Change in prepaid expenses	-	(15,195)	10,070
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	-	237,855	309,403
NET FINANCIAL ASSETS/(LIABILITIES) - beginning of year	(1,996,075)	(1,996,075)	(2,305,478)
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(1,996,075)	(1,758,220)	(1,996,075)

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

	2018 \$	2017 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	141,350	351,144
Items not involving cash		
Amortization of tangible capital assets	308,883	300,141
Loss/(gain) on disposal of tangible capital assets	(12,410)	1,323
Change in non-cash working capital		
Accounts receivable	(150,535)	143,138
Funds held in trust	(23,542)	(39,158)
Prepaid expenses	(15,195)	10,070
Accounts payable	(39,048)	(261,339)
Deferred revenue	113,806	(10,280)
Net change in cash from operating activities	323,309	495,039
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(204,773)	(353,800)
Proceeds on disposal of tangible capital assets	20,000	525
Net change in cash from capital activities	(184,773)	(353,275)
FINANCING ACTIVITIES		
Debt principal repayments	(162,207)	(152,158)
Bank indebtedness repayments	(258,345)	(75,000)
Net change in cash from financing activities	(420,552)	(227,158)
NET CHANGE IN CASH	(282,016)	(85,394)
CASH - beginning of year	1,156,674	1,242,068
CASH - end of year	874,658	1,156,674

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. NATURE OF OPERATIONS

During 2009 the Province of Ontario approved the legal formation of the Quinte Conservation Authority that amalgamated the Moira River Conservation Authority (MRCA), Napanee Region Conservation Authority (NRCA) and Prince Edward Region Conservation Authority (PERCA). The purpose of the organization is to fulfil the requirements of Conservation Authorities as prescribed by the Province of Ontario's Conservation Authorities Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated 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) Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, programs and services administered by the Authority and projects for which the Authority is contractually obligated as the sponsoring agency and accountable for the administration, financial affairs and resources of the project and all organizations that are controlled by the Authority. These financial statements include:

- Quinte Conservation Association

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) 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:

Buildings	20-60 years
Machinery and equipment	5-10 years
Vehicles	10 years
Dams and weirs	10-100 years

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

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) 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.

Grant funding

Grant funding, including federal, provincial, and other grants and levies from member municipalities, is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Other revenue

Fees, gate receipts, rentals and leases, hydro power generation revenues and other program revenues, are recognized as revenue in the year the goods and services are provided.

Investment income is recorded when earned.

Restricted donations are recorded in the period in which the related expenses are incurred. Unrestricted donations are recorded as revenue when received or as a receivable when collection is reasonably assured.

(d) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the Authority because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Authority unless they are sold.

(e) Reserves and Reserve Funds

Certain amounts, as approved by the Board of Directors, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

(f) Deferred revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Use of estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Authority's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Authority's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

3. TANGIBLE CAPITAL ASSETS

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

	2018	2017
	\$	\$
General		
Land	2,887,838	2,895,428
Buildings	640,432	660,070
Machinery and equipment	649,691	673,585
Vehicles	185,607	159,715
Infrastructure		
Dams and weirs	9,460,513	9,594,592
	13,824,081	13,983,390
Assets under construction	165,635	118,026
	13,989,716	14,101,416

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2017 - \$Nil) and no interest capitalized (2017 - \$Nil).

4. BANK INDEBTEDNESS

The Authority has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. The Authority's Executive Committee authorized the temporary borrowing limit on February 12, 2007. At December 31, 2018 there was a balance outstanding of \$51,655 (2017 - \$310,000). Included in bank indebtedness in 2018 is an overdrawn bank account of \$16,655 due to outstanding cheques of \$17,574.

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

5. LONG TERM DEBT

- (a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018	2017
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$25,625 with interest at 6.412% (2017 - 6.412%), due November 1, 2028	2,318,502	2,480,709

- (b) Interest paid during the year on long term debt amounted to \$154,351 (2017 - \$164,399).

- (c) The funds held in trust of \$499,852 (2017 - \$476,310) reported on the Consolidated Statement of Financial Position is comprised of \$328,038 (2017 - \$323,979) debt service reserve fund described in (d) below plus \$171,813 (2017 - \$152,331) maintenance reserve fund.

- (d) The loan is secured by a general security agreement over all assets of the McLeod Dam Hydroelectric Generating Facility operating as Quinte Conservation Association. As part of the loan agreement with Corpfinance, the Association is required to provide for a debt service reserve fund account in the amount of \$316,558, representing 12 months of debt payments. The loan agreement requires a minimum debt service coverage ratio of 1.05:1 as well as a minimum amount of working capital as defined by the agreement. As of December 31, 2018, the Association is not in compliance with neither the debt service coverage requirement nor the working capital requirement. However, subsequent to the year-end Corpfinance confirmed their intention not to call the loan early and to proceed with the agreed payment schedule reflected in these financial statements.

- (e) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2019	172,919	143,639	316,558
2020	184,338	132,220	316,558
2021	196,511	120,047	316,558
2022	209,489	107,069	316,558
2023	223,323	93,235	316,558
	986,580	596,210	1,582,790
2024 to 2028	1,331,922	224,488	1,556,410
	2,318,502	820,698	3,139,200

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

6. DEFERRED REVENUE

Deferred revenue consists of the following:

	2018 \$	2017 \$
Source water protection planning	25,373	21,164
Dam studies matching funds projects	203,840	271,676
Second Depot Lake seasonal camping fees	46,857	42,908
Bay of Quinte Remedial Action Plan programs	36,596	39,091
Frink Centre projects	87,771	149,633
Restricted donations	350,000	150,000
Storm water management	87,131	36,650
Other	204,096	216,736
	1,041,664	927,858

The continuity of deferred revenue is as follows:

	2018 \$	2017 \$
Balance - beginning of year	927,858	938,138
Add amounts received/(repaid):		
Source water protection planning funding	219,016	162,663
Dam studies matching funds projects funding	194,455	308,048
Second Depot Lake seasonal camping fees	70,421	41,106
Bay of Quinte Remedial Action Plan programs funding	59,887	158,268
Frink Centre projects funding (repaid)	650	(63,976)
Restricted donations	200,000	150,000
Storm water management funding	145,000	127,500
Other funding	400,681	196,941
	1,290,110	1,080,550
Less transfer to operations:		
Source water protection planning	214,807	223,895
Dam studies matching funds projects	262,291	319,147
Second Depot Lake seasonal camping fees	66,472	42,885
Bay of Quinte Remedial Action Plan programs	62,382	148,002
Frink Centre projects	62,512	118,026
Storm water management	94,519	101,121
Other	413,321	137,754
	1,176,304	1,090,830
Balance - end of year	1,041,664	927,858

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

7. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018 \$	2017 \$
Surplus/(Deficit)		
Operating	145,233	29,737
Quinte Conservation Association	(378,851)	(268,241)
	(233,618)	(238,504)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	13,989,716	14,101,416
Long term debt	(2,318,502)	(2,480,709)
Unfunded capital	(49,671)	-
	11,621,543	11,620,707
Surplus	11,387,925	11,382,203
Reserves		
Working funds	351,333	301,333
Green energy	57,839	53,168
Legal	26,078	14,517
Napanee River Buoys	30,724	28,618
Bay of Quinte Stewardship	1,380	1,380
Flinton Dam	22,500	30,000
Wishart Dam	12,986	12,986
Springside Dam	8,120	8,120
Arden Dam	25,917	20,083
Demorestville Dam	25,000	15,000
James Lazier Dam	13,722	13,722
Deerock Dam	17,174	17,174
Climate Change	96,612	39,906
Ice Boom	39,558	39,558
Bay of Quinte equipment replacement	22,624	20,374
Source Water	108,420	108,420
Total Reserves	859,987	724,359
	12,247,912	12,106,562

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

8. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Operations	321,779	321,779	321,779
Source water protection planning 2018/2019	250,430	160,102	-
Source water protection planning 2017/2018	61,926	54,704	153,661
Source water protection planning 2016/2017	-	-	70,234
Belleville ice booms	-	-	64,479
Storm water management	36,650	44,520	58,350
Ontario low water response	6,000	-	22,402
Dam inspections and capital asset management	58,762	58,762	21,238
Public Safety Measures	62,500	12,635	-
Employment program	-	10,993	-
Ackerman property project	21,044	-	-
Third Depot Lake Dam	-	-	12,620
Lingham Lake Dam	10,000	9,968	23,872
Second Depot Lake Dam	25,000	25,000	-
Laraby Dam	17,500	17,500	-
Demorestville Dam	10,000	10,000	-
Flinton Dam	7,500	7,500	-
	889,091	733,463	748,635

9. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Wages and benefits	153,948	127,621	118,182
Member costs	15,300	13,286	10,757
Office operations	214,491	200,849	232,559
Administration recovery	(42,150)	(114,368)	(38,800)
	341,589	227,388	322,698

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

10. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Operation and maintenance of water control structures	587,001	644,111	573,925
Flood forecasting	656,196	503,140	470,672
Plan Input	320,331	301,079	274,922
Information and interpretation	129,180	143,704	152,212
Taxes and insurance	161,500	141,873	133,171
Legal	16,000	4,439	16,746
	1,870,208	1,738,346	1,621,648

11. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Expenses			
Fuel, maintenance and repairs	81,138	76,656	62,623
Small equipment purchases	-	33,536	33,209
	81,138	110,192	95,832
Charges based on usage			
Administration	2,000	1,017	1,029
Program operations	76,180	69,411	71,981
Conservation area maintenance	25,000	17,146	16,953
Source water protection planning	12,500	18,452	7,098
	115,680	106,026	97,061
Net charges (recovery) to operations	(34,542)	4,166	(1,229)

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

12. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Other programs	1,650,207	1,021,312	726,348
Source water protection planning	380,449	241,100	266,151
Hydro power generation	-	306,761	256,744
Forest operations	33,792	20,547	36,365
Environmental day camps	5,000	5,758	7,460
	2,069,448	1,595,478	1,293,068

13. ECONOMIC DEPENDENCE

The major sources of revenue are in the form of grants from the Province of Ontario and levies from the participating municipalities. The nature and extent of these revenues is of such significance as to affect the viability of the organization and accordingly, it can be said that the organization is economically dependent upon the Province of Ontario and the participating municipalities.

14. BUDGET FIGURES

The budget, approved by the Authority, for 2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Liabilities. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

15. COMMITMENT

The Authority is committed to lease obligations for equipment and software. The anticipated lease payments over the term of the leases are as follows:

2019	\$13,247
2020	7,944
2021	2,683

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

16. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Salaries and benefits	2,192,404	1,806,144	1,597,326
Interest charges	-	154,351	164,399
Materials	2,062,424	1,607,328	1,523,726
Contracted services	255,341	317,485	176,260
Rents and financial	47,950	65,227	63,283
External transfers	29,290	29,345	29,464
Amortization	286,747	308,883	300,141
Internal charges	(157,830)	(220,394)	(135,861)
Loss on disposal of tangible capital assets	-	-	1,323
	4,716,326	4,068,369	3,720,061

17. PENSION AGREEMENTS

Certain employees of the Authority are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2018 Annual Report disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets of \$95,890 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Authority does not recognize any share of the OMERS pension surplus or deficit.

The Authority's required contributions to OMERS in 2018 were \$136,690 (2017 - \$142,135).

QUINTE CONSERVATION AUTHORITY



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2018

18. CHANGES IN ACCOUNTING POLICIES

The Authority has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Authority's financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the public-sector entity having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Authority's financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. These sections have been applied prospectively. The adoption of these standards did not have an impact on the Authority's financial statements.

19. CONTINGENT LIABILITIES

The Authority has been named in a dispute the outcome of which is indeterminable at this time. No amounts in connection with this item has been reflected in these financial statements.

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2018

	General				Infrastructure	Assets Under Construction	Totals
	Land	Buildings	Machinery and Equipment	Vehicles	Dams and Weirs		
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	2,895,428	1,236,269	819,571	586,417	14,507,474	118,026	20,163,185
Add: additions during the year	-	-	13,681	62,605	80,878	47,609	204,773
Less: disposals during the year	7,590	-	-	-	-	-	7,590
Balance, end of year	2,887,838	1,236,269	833,252	649,022	14,588,352	165,635	20,360,368
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	576,199	145,986	426,702	4,912,882	-	6,061,769
Add: additions during the year	-	19,638	37,575	36,713	214,957	-	308,883
Balance, end of year	-	595,837	183,561	463,415	5,127,839	-	6,370,652
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,887,838	640,432	649,691	185,607	9,460,513	165,635	13,989,716

**QUINTE CONSERVATION AUTHORITY
QUINTE CONSERVATION ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Quinte Conservation Association

Opinion

We have audited the financial statements of the Quinte Conservation Association (the Association), which comprise the statement of financial position as at December 31, 2018, the statements of operations and accumulated surplus, change in net financial liabilities 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 Association as at December 31, 2018, and the results of its operations and 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 Association 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.

Other Matter

The financial statements of the Association as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

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Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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 Association'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 Association'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 Association 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
April 18, 2019

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	-	2,559
Accounts receivable	84,372	40,712
Funds held in trust (note 8)	499,852	476,310
TOTAL FINANCIAL ASSETS	584,224	519,581
LIABILITIES		
Bank indebtedness (note 3)	51,655	310,000
Accounts payable	170,677	27,079
Due to Quinte Conservation Authority (note 4)	740,743	450,743
Long term debt (note 8)	2,318,502	2,480,709
TOTAL LIABILITIES	3,281,577	3,268,531
NET FINANCIAL LIABILITIES	(2,697,353)	(2,748,950)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	4,147,599	4,211,372
ACCUMULATED SURPLUS (note 6)	1,450,246	1,462,422

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2018

	Actual 2018 \$	Actual 2017 \$
REVENUES		
Hydro generation	352,367	510,928
Investment income	5,991	2,892
TOTAL REVENUES	358,358	513,820
EXPENSES		
Interest on long term debt	154,351	164,399
Maintenance and repairs	64,702	18,622
Amortization	63,773	63,772
Contract wages	66,107	50,155
Professional fees	9,424	9,008
Administration	8,558	10,742
Insurance	3,619	3,820
TOTAL EXPENSES	370,534	320,518
ANNUAL SURPLUS/(DEFICIT)	(12,176)	193,302
ACCUMULATED SURPLUS - beginning of year	1,462,422	1,269,120
ACCUMULATED SURPLUS - end of year	1,450,246	1,462,422

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES For the Year Ended December 31, 2018

	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS/(DEFICIT)	(12,176)	193,302
<u>Amortization of tangible capital assets</u>	<u>63,773</u>	<u>63,772</u>
CHANGE IN NET FINANCIAL LIABILITIES	51,597	257,074
NET FINANCIAL LIABILITIES - beginning of year	(2,748,950)	(3,006,024)
NET FINANCIAL LIABILITIES - end of year	(2,697,353)	(2,748,950)

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

	2018 \$	2017 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(12,176)	193,302
Items not involving cash		
Amortization of tangible capital assets	63,773	63,772
Change in non-cash working capital		
Accounts receivable	(43,660)	7,691
Funds held in trust	(23,542)	(39,158)
Accounts payable	143,598	3,613
Due to Quinte Conservation Authority	290,000	(4,295)
Net change in cash from operating activities	417,993	224,925
FINANCING ACTIVITIES		
Debt principal repayments	(162,207)	(152,158)
Bank indebtedness repayments	(258,345)	(75,000)
Net change in cash from financing activities	(420,552)	(227,158)
NET CHANGE IN CASH	(2,559)	(2,233)
CASH - beginning of year	2,559	4,792
CASH - end of year	-	2,559

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. NATURE OF ORGANIZATION

Quinte Conservation Association was incorporated without share capital, on October 13, 1998. During 2009 the Association assumed the construction and operations of the McLeod Dam hydroelectric generating facility. The purpose of the Association is to operate and maintain the McLeod Dam hydroelectricity generation for green energy which is used locally.

2. 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 adopted by the Association are as follows:

(a) Recognition of revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of 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.

Hydro generation revenues are recognized as revenue in the year the generation occurs.

(b) Use of estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Association's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Association's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

(c) 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:

Dams and weirs	75 years
Machinery and equipment	75 years

(d) Non-financial assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Association because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Association unless they are sold.

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Inter-Entity Transactions

The Quinte Conservation Association is controlled by Quinte Conservation Authority and is consolidated with the Authority's financial statements.

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

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

Assets and/or liabilities transferred between the Association and Authority are measured at the carrying amount.

3. BANK INDEBTEDNESS

The Association has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. The Association authorized the temporary borrowing limit on February 12, 2007. At December 31, 2018 there was a balance outstanding of \$35,000 (2017 - \$310,000). Included in bank indebtedness in 2018 is an overdrawn bank account of \$16,655 due to outstanding cheques of \$17,574.

4. INTER-ENTITY TRANSACTIONS

During the year, the Association entered into transactions with Quinte Conservation Authority.

Advances received from Quinte Conservation Authority, a related party, were to fund operations. Quinte Conservation Authority is a related party due to common control. The advances are non-interest bearing with no specific terms of repayment.

In addition, Quinte Conservation Authority provides accounting and administrative services to the Association at no cost.

5. ECONOMIC DEPENDENCE

The major source of revenue is in the form of hydro generation sales to Veridian Connections Inc. The nature and extent of this revenue is of such significance as to affect the viability of the organization and accordingly, it can be said that the organization is economically dependent upon Veridian Connections Inc.

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018 \$	2017 \$
Deficit		
Operating	(378,851)	(268,241)
Invested In Capital Assets		
Tangible capital assets - net book value	4,147,599	4,211,372
Long term debt	(2,318,502)	(2,480,709)
	1,829,097	1,730,663
	1,450,246	1,462,422

7. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & Equipment \$	2018 Totals \$	2017 Totals \$
COST				
Balance, beginning of year	4,723,727	59,230	4,782,957	4,782,957
Balance, end of year	4,723,727	59,230	4,782,957	4,782,957
ACCUMULATED AMORTIZATION				
Balance, beginning of year	566,846	4,739	571,585	507,813
Add: additions during the year	62,983	790	63,773	63,772
Balance, end of year	629,829	5,529	635,358	571,585
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,093,898	53,701	4,147,599	4,211,372

During the year there were no write-downs of assets (2017 - \$Nil) and no interest capitalized (2017 - \$Nil).

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

8. LONG TERM DEBT

(a) Long term debt consists of the following:

	2018 \$	2017 \$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2017 - 6.412%), due November 1, 2028	2,318,502	2,480,709

(b) Interest paid during the year on long term debt amounted to \$154,351 (2017 - \$164,399).

(c) The funds held in trust of \$499,852 (2017 - \$476,310) reported on the Statement of Financial Position is comprised of \$328,038 (2017 - \$323,979) debt service reserve fund described in (d) below plus \$171,814 (2017 - \$152,331) maintenance reserve fund.

(d) The loan is secured by a general security agreement over all assets of the McLeod Dam Hydroelectric Generating Facility operating as Quinte Conservation Association. As part of the loan agreement with Corpfinance, the Association is required to provide for a debt service reserve fund account in the amount of \$316,558, representing 12 months of debt payments. The loan agreement requires a minimum debt service coverage ratio of 1.05:1 as well as a minimum amount of working capital as defined by the agreement. As of December 31, 2018, the Association is not in compliance with the debt service coverage ratio requirement, nor the working capital requirement. However, subsequent to the year-end Corpfinance confirmed their intention not to call the loan early and to proceed with the agreed payment schedule reflected in these financial statements.

(e) The long term debt reported in (a) of this note is repayable as follows:

	Principal \$	Interest \$	Total \$
2019	172,919	143,639	316,558
2020	184,338	132,220	316,558
2021	196,511	120,047	316,558
2022	209,489	107,069	316,558
2023	223,323	93,235	316,558
2024 and subsequent years	1,331,922	224,488	1,556,410
	2,318,502	820,698	3,139,200

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

9. CHANGES IN ACCOUNTING POLICIES

The Association has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Association's financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the municipality having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Association's financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. This section has been applied retroactively without restatement of prior periods. The adoption of these standards resulted in additional note disclosures in the Association's financial statements.