

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2019

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
General Manager/ Secretary-
Treasurer

September 17, 2020

Baker Tilly KDN LLP
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INDEPENDENT AUDITOR'S REPORT

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, 2019, the consolidated statements of operations and accumulated surplus, change in net debt 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, 2019, and the results of its consolidated operations and its consolidated 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 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.

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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Peterborough

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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
September 22, 2020

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2019

	2019 \$	2018 \$
FINANCIAL ASSETS		
Cash	842,915	874,658
Accounts receivable	414,252	548,001
Funds held in trust (note 4)	507,655	499,852
TOTAL FINANCIAL ASSETS	1,764,822	1,922,511
LIABILITIES		
Bank indebtedness (note 15)	150,000	51,655
Accounts payable	350,138	268,910
Deferred revenue (note 5)	941,765	1,041,664
Long term debt (note 4)	2,145,583	2,318,502
TOTAL LIABILITIES	3,587,486	3,680,731
NET DEBT	(1,822,664)	(1,758,220)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	13,766,580	13,989,716
Prepaid expenses	-	16,416
TOTAL NON-FINANCIAL ASSETS	13,766,580	14,006,132
ACCUMULATED SURPLUS (note 6)	11,943,916	12,247,912

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, 2019

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
REVENUES			
Provincial grants (note 7)	586,588	522,022	688,943
Federal grants	58,732	79,028	106,668
Municipal levies - general	1,416,753	1,416,753	1,434,519
- special	549,235	402,562	472,866
Rentals and leases	28,000	28,888	29,023
Interest earned	10,612	36,047	33,495
Donations	19,416	11,268	3,078
Sales and refunds	22,007	13,144	11,935
Fees	418,811	320,192	217,057
Tree planting and reforestation	30,000	48,570	53,303
Environmental day camps	17,000	13,008	1,713
Gate receipts	111,500	132,160	131,652
Hydro power generation	-	300,113	352,367
Big Island rehabilitation	156,853	156,853	168,631
Other programs	1,186,784	650,374	492,059
Gain/(loss) on sale of tangible capital assets	-	(37,646)	12,410
TOTAL REVENUES	4,612,291	4,093,336	4,209,719
EXPENSES			
Administration (note 8)	692,953	331,467	227,388
Program operations (note 9)	1,890,672	1,734,565	1,738,346
Vehicles and equipment (note 10)	(34,806)	(18,320)	4,166
Maintenance - conservation areas	172,129	175,513	194,108
Other projects (note 11)	1,844,392	1,863,257	1,595,478
Amortization	308,883	310,850	308,883
TOTAL EXPENSES	4,874,223	4,397,332	4,068,369
ANNUAL SURPLUS/(DEFICIT)	<u>(261,932)</u>	(303,996)	141,350
ACCUMULATED SURPLUS - beginning of year		12,247,912	12,106,562
ACCUMULATED SURPLUS - end of year		11,943,916	12,247,912

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT For the Year Ended December 31, 2019

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS/(DEFICIT)	(261,932)	(303,996)	141,350
Amortization of tangible capital assets	308,883	310,850	308,883
Purchase of tangible capital assets	-	(144,060)	(204,773)
Loss/(gain) on disposal of tangible capital assets	-	37,646	(12,410)
Proceeds on sale of tangible capital assets	-	18,700	20,000
Change in prepaid expenses	-	16,416	(15,195)
CHANGE IN NET DEBT	46,951	(64,444)	237,855
NET DEBT - beginning of year	(1,758,220)	(1,758,220)	(1,996,075)
NET DEBT - end of year	(1,711,269)	(1,822,664)	(1,758,220)

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, 2019

	2019 \$	2018 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(303,996)	141,350
Items not involving cash		
Amortization of tangible capital assets	310,850	308,883
Loss/(gain) on disposal of tangible capital assets	37,646	(12,410)
Change in non-cash working capital		
Accounts receivable	133,749	(150,535)
Funds held in trust	(7,803)	(23,542)
Prepaid expenses	16,416	(15,195)
Accounts payable	81,228	(39,048)
Deferred revenue	(99,899)	113,806
Net change in cash from operating activities	168,191	323,309
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(144,060)	(204,773)
Proceeds on disposal of tangible capital assets	18,700	20,000
Net change in cash from capital activities	(125,360)	(184,773)
FINANCING ACTIVITIES		
Debt principal repayments	(172,919)	(162,207)
Bank indebtedness advances/(repayments)	98,345	(258,345)
Net change in cash from financing activities	(74,574)	(420,552)
NET CHANGE IN CASH	(31,743)	(282,016)
CASH - beginning of year	874,658	1,156,674
CASH - end of year	842,915	874,658

The accompanying notes are an integral part of these financial statements

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

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, committees and local boards accountable for the administration of their financial affairs and resources to the Authority and which are owned and controlled by the Authority. These consolidated 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
Trails and boardwalks	20 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, 2019

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.

Government Funding

Government funding, including grants and levies, 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.

(g) Use of estimates

Certain items recognized in the consolidated 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 consolidated financial statements or 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.

QUINTE CONSERVATION AUTHORITY



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

3. TANGIBLE CAPITAL ASSETS

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

	2019	2018
	\$	\$
General		
Land	2,918,416	2,887,838
Buildings	621,044	640,432
Machinery and equipment	612,116	649,691
Vehicles	149,284	185,607
Trails and boardwalks	210,682	-
Infrastructure		
Dams and weirs	9,249,564	9,460,513
	13,761,106	13,824,081
Assets under construction	5,474	165,635
	13,766,580	13,989,716

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

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

QUINTE CONSERVATION AUTHORITY



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

4. LONG TERM DEBT

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

	2019	2018
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$25,625 with interest at 6.412% (2018 - 6.412%), due November 1, 2028	2,145,583	2,318,502

- (b) Interest paid during the year on long term debt amounted to \$143,829 (2018 - \$154,351).
- (c) The funds held in trust of \$507,655 (2018 - \$499,852) reported on the Consolidated Statement of Financial Position is comprised of \$333,159 (2018 - \$328,038) debt service reserve fund described in (d) below plus \$174,496 (2018 - \$171,814) 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, 2019, 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 consolidated financial statements.
- (e) The long term debt reported in (a) of this note is repayable as follows:

	Principal \$	Interest \$	Total \$
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	238,071	78,487	316,558
	1,051,732	531,058	1,582,790
2025 to 2028	1,093,851	146,001	1,239,852
	2,145,583	677,059	2,822,642

QUINTE CONSERVATION AUTHORITY



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

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2019	2018
	\$	\$
Source water protection planning	66,069	25,373
Dam studies matching funds projects	212,128	203,840
Second Depot Lake seasonal camping fees	1,000	46,857
Bay of Quinte Remedial Action Plan programs	44,073	36,596
Frink Centre projects	32,807	87,771
Restricted donations	350,000	350,000
Storm water management	78,657	87,131
Other	157,031	204,096
	941,765	1,041,664

The continuity of deferred revenue is as follows:

	2019	2018
	\$	\$
Balance - beginning of year	1,041,664	927,858
Add amounts received:		
Source water protection planning funding	289,405	219,016
Dam studies matching funds projects funding	140,625	194,455
Second Depot Lake seasonal camping fees	3,091	70,421
Bay of Quinte Remedial Action Plan programs funding	27,217	59,887
Frink Centre projects funding	2,000	650
Restricted donations	-	200,000
Storm water management funding	110,000	145,000
Other funding	572,120	400,681
	1,144,458	1,290,110
Less transfer to operations:		
Source water protection planning	248,710	214,807
Dam studies matching funds projects	140,433	262,291
Second Depot Lake seasonal camping fees	48,948	66,472
Bay of Quinte Remedial Action Plan programs	19,740	62,382
Frink Centre projects	56,965	62,512
Storm water management	118,473	94,519
Other	611,088	413,321
	1,244,357	1,176,304
Balance - end of year	941,765	1,041,664

QUINTE CONSERVATION AUTHORITY



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

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2019 \$	2018 \$
Surplus/(Deficit)		
Operating	138,740	145,233
Quinte Conservation Association	(651,537)	(378,851)
	(512,797)	(233,618)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	13,766,580	13,989,716
Long term debt	(2,145,583)	(2,318,502)
Unfunded capital	(85,619)	(49,671)
	11,535,378	11,621,543
Surplus	11,022,581	11,387,925
Reserves		
Working funds	351,333	351,333
Green energy	57,835	57,839
Legal	26,078	26,078
Napanee River Buoys	30,786	30,724
Bay of Quinte Stewardship	1,380	1,380
Future projects	148,686	-
Flinton Dam	22,500	22,500
Wishart Dam	12,986	12,986
Springside Dam	8,120	8,120
Arden Dam	25,917	25,917
Demorestville Dam	20,000	25,000
James Lazier Dam	13,722	13,722
Deerock Dam	17,174	17,174
Climate Change	7,778	96,612
Ice Boom	39,558	39,558
Bay of Quinte equipment replacement	22,624	22,624
Source water	114,858	108,420
Total Reserves	921,335	859,987
	11,943,916	12,247,912

QUINTE CONSERVATION AUTHORITY



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

7. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Operations	166,067	166,117	321,779
Source water protection planning 2018/2019	90,328	89,054	160,102
Source water protection planning 2017/2018	-	-	54,704
Source water protection planning 2019/2020	222,284	159,656	-
Ontario low water response	7,000	7,000	-
Dam inspections and capital asset management	-	-	58,762
Public safety measures	59,865	61,115	12,635
James Lazier Dam	5,000	5,000	-
Employment program	-	-	10,993
Ackerman property project	21,044	838	-
Lingham Lake Dam	10,000	5,741	9,968
Second Depot Lake Dam	-	23,751	25,000
Laraby Dam	-	-	17,500
Demorestville Dam	5,000	3,750	10,000
Flinton Dam	-	-	7,500
	586,588	522,022	688,943

8. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Wages and benefits	172,323	141,602	127,621
Member costs	15,300	14,374	13,286
Office operations	560,991	217,200	200,849
Administration recovery	(55,661)	(41,709)	(114,368)
	692,953	331,467	227,388

QUINTE CONSERVATION AUTHORITY



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

9. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Operation and maintenance of water control structures	596,550	614,460	644,111
Flood forecasting	673,032	465,884	503,140
Plan input	329,120	323,819	301,079
Information and interpretation	115,870	168,882	143,704
Taxes and insurance	160,100	150,138	141,873
Legal	16,000	11,382	4,439
	1,890,672	1,734,565	1,738,346

10. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Expenses			
Fuel, maintenance and repairs	43,220	60,498	76,656
Small equipment purchases	40,000	33,927	33,536
	83,220	94,425	110,192
Charges based on usage			
Administration	2,000	2,041	1,017
Program operations	78,526	91,587	69,411
Conservation area maintenance	25,000	18,582	17,146
Source water protection planning	12,500	535	18,452
	118,026	112,745	106,026
Net charges (recovery) to operations	(34,806)	(18,320)	4,166

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

11. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Other programs	1,461,280	1,171,213	1,021,312
Source water protection planning	339,612	251,697	241,100
Hydro power generation	-	407,732	306,761
Forest operations	20,000	25,845	20,547
Environmental day camps	23,500	6,770	5,758
	1,844,392	1,863,257	1,595,478

12. 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 Authority and accordingly, it can be said that the Authority is economically dependent upon the Province of Ontario and the participating municipalities.

13. BUDGET FIGURES

The budget, approved by the Authority, for 2019 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Debt. 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.

14. 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:

2020	\$11,912
2021	2,684

15. 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, 2019 there was a balance outstanding of \$150,000 (2018 - \$51,655).

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

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 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Salaries and benefits	2,062,741	1,803,308	1,806,144
Interest charges	-	143,829	154,351
Materials	2,511,657	2,013,951	1,607,328
Contracted services	89,989	199,635	317,485
Rents and financial	45,350	51,286	65,227
External transfers	29,290	28,928	29,345
Amortization	308,883	310,850	308,883
Internal charges	(173,687)	(154,455)	(220,394)
	4,874,223	4,397,332	4,068,369

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 2019 Annual Report disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets of \$104,290 million indicating an actuarial deficit of \$3,397 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 2019 were \$158,834 (2018 - \$136,690).

18. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

19. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Authority'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 Authority's operations. The extent of the impact of this outbreak and related containment measures on the Authority's operations cannot be reliably estimated at this time.

The extent of the impact of this outbreak and related containment measures on the Authority's operations could be significant. Expenses could increase because of the current measures enforced by the Provincial government. Donations, sales, fees and receipts could decrease as the Province mandated a closure of some of the Authority's facilities. The Authority has applied for government assistance subsidies. In the year 2020, management expects the Authority will have adequate cash flow to fund its operations following the crisis.

The Authority 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 Authority's results in fiscal 2020. The Authority is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.

QUINTE CONSERVATION AUTHORITY



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2019

	General					Infrastructure		
	Land	Buildings	Machinery and Equipment	Vehicles	Trails and Boardwalks	Dams and Weirs	Assets Under Construction	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year	2,887,838	1,236,269	833,252	649,022	-	14,588,352	165,635	20,360,368
Add: additions during the year	30,578	-	-	51,873	-	-	61,609	144,060
Less: disposals during the year	-	-	-	97,903	-	-	-	97,903
Internal transfers	-	-	-	-	221,770	-	(221,770)	-
Balance, end of year	2,918,416	1,236,269	833,252	602,992	221,770	14,588,352	5,474	20,406,525
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	595,837	183,561	463,415	-	5,127,839	-	6,370,652
Add: additions during the year	-	19,388	37,575	31,850	11,088	210,949	-	310,850
Less: disposals during the year	-	-	-	41,557	-	-	-	41,557
Balance, end of year	-	615,225	221,136	453,708	11,088	5,338,788	-	6,639,945
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,918,416	621,044	612,116	149,284	210,682	9,249,564	5,474	13,766,580

**QUINTE CONSERVATION AUTHORITY
QUINTE CONSERVATION ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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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 of Quinte Conservation Authority (the Association), which comprise the statement of financial position as at December 31, 2019, the statements of operations and accumulated surplus, change in net debt 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, 2019, and the results of its operations and 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 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.

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.

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
September 22, 2020

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2019

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash	4,189	-
Accounts receivable	59,953	84,372
Funds held in trust (note 9)	507,655	499,852
TOTAL FINANCIAL ASSETS	571,797	584,224
LIABILITIES		
Bank indebtedness (note 3)	150,000	51,655
Accounts payable	69,472	13,629
Due to Quinte Conservation Authority (note 4)	1,003,862	897,791
Long term debt (note 9)	2,145,583	2,318,502
TOTAL LIABILITIES	3,368,917	3,281,577
NET DEBT	(2,797,120)	(2,697,353)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	4,083,826	4,147,599
ACCUMULATED SURPLUS (note 7)	1,286,706	1,450,246

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, 2019

	Actual 2019 \$	Actual 2018 \$
REVENUES		
Hydro generation	300,113	352,367
Investment income	7,852	5,991
TOTAL REVENUES	307,965	358,358
EXPENSES		
Interest on long term debt	143,829	154,351
Maintenance and repairs	182,002	64,702
Amortization	63,773	63,773
Contract wages	66,747	66,107
Professional fees	7,809	9,424
Administration	3,280	8,558
Insurance	4,065	3,619
TOTAL EXPENSES	471,505	370,534
ANNUAL DEFICIT	(163,540)	(12,176)
ACCUMULATED SURPLUS - beginning of year	1,450,246	1,462,422
ACCUMULATED SURPLUS - end of year	1,286,706	1,450,246

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY



QUINTE CONSERVATION ASSOCIATION STATEMENT OF CHANGE IN NET DEBT For the Year Ended December 31, 2019

	Actual 2019 \$	Actual 2018 \$
ANNUAL DEFICIT	(163,540)	(12,176)
Amortization of tangible capital assets	63,773	63,773
CHANGE IN NET DEBT	(99,767)	51,597
NET DEBT - beginning of year	(2,697,353)	(2,748,950)
NET DEBT - end of year	(2,797,120)	(2,697,353)

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, 2019

	2019	2018
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	(163,540)	(12,176)
Items not involving cash		
Amortization of tangible capital assets	63,773	63,773
Change in non-cash working capital		
Accounts receivable	24,419	(43,660)
Funds held in trust	(7,803)	(23,542)
Accounts payable	55,843	143,598
Due to Quinte Conservation Authority	106,071	290,000
Net change in cash from operating activities	78,763	417,993
FINANCING ACTIVITIES		
Debt principal repayments	(172,919)	(162,207)
Bank indebtedness advances/(repayments)	98,345	(258,345)
Net change in cash from financing activities	(74,574)	(420,552)
NET CHANGE IN CASH	4,189	(2,559)
CASH - beginning of year	-	2,559
CASH - end of year	4,189	-

The accompanying notes are an integral part of these financial statements

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

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

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, 2019 there was a balance outstanding of \$150,000 (2018 - \$51,655).

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 Association and accordingly, it can be said that the Association is economically dependent upon Veridian Connections Inc.

6. CONTRACTUAL RIGHTS

The Association has entered into an agreement with Veridian Connections Inc. to earn revenues for the electricity generated from the hydro electric dam which expires in 2028. The amount of revenue earned is dependent on the quantity of electrical energy supplied and the rate per kWh set by the Ontario Energy Board. The Association receives payment monthly.

QUINTE CONSERVATION AUTHORITY



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

7. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2019 \$	2018 \$
Deficit		
Operating	(651,537)	(378,851)
Invested In Capital Assets		
Tangible capital assets - net book value	4,083,826	4,147,599
Long term debt	(2,145,583)	(2,318,502)
	1,938,243	1,829,097
	1,286,706	1,450,246

8. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & equipment \$	2019 Totals \$	2018 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	629,829	5,529	635,358	571,585
Add: additions during the year	62,983	790	63,773	63,773
Balance, end of year	692,812	6,319	699,131	635,358
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,030,915	52,911	4,083,826	4,147,599

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

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

9. LONG TERM DEBT

(a) Long term debt consists of the following:

	2019	2018
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2018 - 6.412%), due November 1, 2028	2,145,583	2,318,502

(b) Interest paid during the year on long term debt amounted to \$143,639 (2018 - \$154,351).

(c) The funds held in trust of \$507,655 (2018 - \$499,852) reported on the Statement of Financial Position is comprised of \$333,159 (2018 - \$328,038) debt service reserve fund described in (d) below plus \$174,496 (2018 - \$171,814) 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 \$333,159, 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, 2019, 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
	\$	\$	\$
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	238,071	78,487	316,558
2025 and subsequent years	1,093,851	146,001	1,239,852
	2,145,583	677,059	2,822,642

10. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

**QUINTE CONSERVATION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

11. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Association'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 Association's operations. The extent of the impact of this outbreak and related containment measures on the Association's operations cannot be reliably estimated at this time.

The extent of the impact of this outbreak and related containment measures on the Association's operations could be significant. Expenses could increase because of the current measures enforced by the Provincial government. In the year 2020, management expects the Association will have adequate cash flow to fund its operations.

The Association 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 Association's results in fiscal 2020. The Association is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available, and will continue to respond accordingly.