

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2022

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.

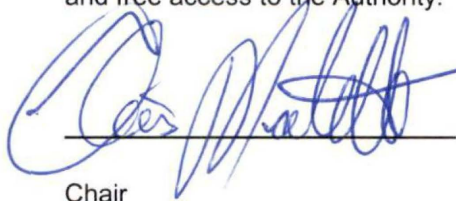
The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen 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

June 15, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Quintet 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, 2022, 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, 2022, 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.

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
June 27, 2023



QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2022

	2022 \$	2021 \$
FINANCIAL ASSETS		
Cash	45,209	984,493
Accounts receivable	1,076,440	257,075
Funds held in trust (note 4)	444,868	418,789
TOTAL FINANCIAL ASSETS	1,566,517	1,660,357
LIABILITIES		
Bank indebtedness (note 14)	174,924	-
Accounts payable	367,473	311,987
Deferred revenue (note 5)	922,342	722,314
Long term debt (note 4)	1,555,245	1,764,734
TOTAL LIABILITIES	3,019,984	2,799,035
NET DEBT	(1,453,467)	(1,138,678)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	14,676,507	13,664,334
Prepaid expenses	87,952	-
TOTAL NON-FINANCIAL ASSETS	14,764,459	13,664,334
ACCUMULATED SURPLUS (note 6)	13,310,992	12,525,656

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, 2022

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
REVENUES			
Provincial grants (note 7)	1,479,690	1,016,721	540,711
Federal grants	30,000	42,253	150,857
Municipal levies - general	1,890,744	1,915,747	1,821,289
- special	1,100,119	555,616	349,260
Rentals and leases	29,148	32,409	32,100
Interest earned	15,000	31,421	13,798
Donations	39,000	47,221	8,654
Sales and refunds	15,000	25,980	18,437
Fees	656,016	677,330	682,304
Tree planting and reforestation	305,000	305,171	206,148
Gate receipts	160,359	115,553	139,137
Hydro power generation	-	404,550	437,705
Big Island rehabilitation	4,845	4,845	26,840
Other programs	1,633,810	871,905	664,376
TOTAL REVENUES	7,358,731	6,046,722	5,091,616
EXPENSES			
Administration (note 8)	421,505	358,801	360,853
Program operations (note 9)	2,191,584	2,182,431	1,702,925
Vehicles and equipment (note 10)	(9,801)	(26,915)	24,645
Maintenance - conservation areas	198,699	265,574	243,601
Other projects (note 11)	2,972,247	2,077,713	2,101,419
Amortization	347,427	403,782	347,427
TOTAL EXPENSES	6,121,661	5,261,386	4,780,870
ANNUAL SURPLUS	<u>1,237,070</u>	785,336	310,746
ACCUMULATED SURPLUS - beginning of year		12,525,656	12,214,910
ACCUMULATED SURPLUS - end of year		13,310,992	12,525,656

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, 2022

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
ANNUAL SURPLUS	1,237,070	785,336	310,746
Amortization of tangible capital assets	347,427	403,782	347,427
Purchase of tangible capital assets	(1,584,497)	(1,415,955)	(348,033)
Change in prepaid expenses	-	(87,952)	15,011
CHANGE IN NET DEBT	-	(314,789)	325,151
NET DEBT - beginning of year	(1,138,678)	(1,138,678)	(1,463,829)
NET DEBT - end of year	(1,138,678)	(1,453,467)	(1,138,678)

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, 2022

	2022 \$	2021 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	785,336	310,746
Items not involving cash		
Amortization of tangible capital assets	403,782	347,427
Change in non-cash working capital		
Accounts receivable	(819,365)	340,079
Funds held in trust	(26,079)	(19,348)
Prepaid expenses	(87,952)	15,011
Accounts payable	55,486	(64,744)
Deferred revenue	200,028	(99,156)
Net change in cash from operating activities	511,236	830,015
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,415,955)	(348,033)
FINANCING ACTIVITIES		
Debt principal repayments	(209,489)	(196,511)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,114,208)	285,471
CASH AND CASH EQUIVALENTS - beginning of year	984,493	699,022
CASH AND CASH EQUIVALENTS - end of year	(129,715)	984,493
Comprised of:		
Cash	45,209	984,493
Bank Indebtedness	(174,924)	-
	(129,715)	984,493

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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.

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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, tree planting and reforestation, 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

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 of tangible capital assets are based on estimates of useful life and residual values.

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

3. TANGIBLE CAPITAL ASSETS

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

	2022	2021
	\$	\$
General		
Land	2,918,416	2,918,416
Buildings	688,343	582,499
Machinery and equipment	680,187	621,093
Vehicles	96,815	114,316
Trails and boardwalks	696,266	561,919
Infrastructure		
Dams and weirs	9,574,267	8,843,878
	14,654,294	13,642,121
Assets under construction	22,213	22,213
	14,676,507	13,664,334

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

During the year there were no write-downs of assets (2021 - \$Nil) and no interest capitalized (2021 - \$Nil).

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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:

	2022	2021
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2021 - 6.412%), due November 1, 2028	1,555,245	1,764,734

- (b) Interest paid during the year on long term debt amounted to \$107,069 (2021 - \$120,084).
- (c) The funds held in trust of \$444,868 (2021 - \$418,789) reported on the Consolidated Statement of Financial Position is comprised of \$340,326 (2021 - \$335,543) debt service reserve fund described in (d) below plus \$104,542 (2021 - \$83,246) 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 \$158,279, representing 6 months of debt payments plus accumulated interest on the reserve. 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. Since the Association has been in non-compliance with the debt service coverage requirement and the working capital requirement in the past, Corpfinance considers the Association to be in non-compliance for the entire term of the loan. 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
	\$	\$	\$
2023	223,323	93,235	316,558
2024	238,071	78,487	316,558
2025	253,793	62,765	316,558
2026	270,553	46,005	316,558
2027	288,420	28,138	316,558
2028	281,085	9,092	290,177
	1,555,245	317,722	1,872,967

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2022	2021
	\$	\$
Source water protection planning	-	38,891
Dam studies matching funds projects	129,460	92,486
Second Depot Lake seasonal camping fees	61,552	-
Bay of Quinte Remedial Action Plan programs	7,354	7,530
Frink Centre projects	13,635	35,471
Restricted donations	418,053	323,305
Storm water management	106,787	106,787
Other	185,501	117,844
	922,342	722,314

The continuity of deferred revenue is as follows:

	2022	2021
	\$	\$
Balance - beginning of year	722,314	821,470
Add amounts received:		
Source water protection planning funding	-	275,916
Dam studies matching funds projects funding	430,447	324,735
Second Depot Lake seasonal camping fees	70,000	-
Bay of Quinte Remedial Action Plan programs funding	17,150	19,731
Frink Centre projects funding	30,000	11,994
Restricted donations	100,000	-
Storm water management funding	-	80,000
Other funding	178,742	61,139
	826,339	773,515
Less transfer to operations:		
Source water protection planning	38,890	246,238
Dam studies matching funds projects	393,474	380,002
Second Depot Lake seasonal camping fees	8,448	4,000
Bay of Quinte Remedial Action Plan programs	17,326	49,953
Frink Centre projects	51,836	3,799
Restricted donations earned	5,252	24,152
Storm water management	-	92,555
Other	111,085	71,972
	626,311	872,671
Balance - end of year	922,342	722,314

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2022 \$	2021 \$
Surplus/(Deficit)		
Operating	282,655	328,409
Quinte Conservation Association	(713,979)	(705,594)
	(431,324)	(377,185)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	14,676,507	13,664,334
Long term debt	(1,555,245)	(1,764,734)
Unfunded capital - boat	(40,926)	(52,217)
Unfunded capital - WECl projects	(205,676)	-
	12,874,660	11,847,383
Surplus	12,443,336	11,470,198
Reserves		
Working funds	402,335	402,334
Green energy	57,835	57,835
Legal	26,078	26,078
Napanee River Buoys	-	35,156
Bay of Quinte Stewardship	1,380	1,380
Future projects	2,221	2,221
Flinton Dam	22,500	22,500
Soda Hub Connection	24,091	30,017
Wishart Dam	18	12,986
Springside Dam	8,120	8,120
Arden Dam	25,917	25,917
Demorestville Dam	16,243	16,243
James Lazier Dam	8,221	8,221
Climate Change	7,500	7,500
Ice Boom	-	39,558
Bay of Quinte equipment replacement	16,782	22,303
Source water	138,958	138,958
Tangible capital asset management	-	88,674
Reforestation	109,457	109,457
Total Reserves	867,656	1,055,458
	13,310,992	12,525,656

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

7. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
Operations	166,117	166,117	166,117
Source water protection planning 2021/2022	-	59,044	163,283
Source water protection planning 2020/2021	441,229	213,406	54,273
Dam Safety Review	22,281	22,281	86,087
Storm water management	135,173	-	29,508
Dam inspections and capital asset management	699,890	540,215	26,278
Skootamatta operation agreement	15,000	15,000	15,000
Ackerman property project	-	657	165
	1,479,690	1,016,720	540,711

8. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
Wages and benefits	193,826	122,862	139,469
Member costs	8,000	9,485	9,847
Office operations	219,679	226,454	212,470
Administration recovery	-	-	(933)
	421,505	358,801	360,853

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

9. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
Operation and maintenance of water control structures	600,604	505,020	456,088
Flood forecasting	718,699	730,360	516,219
Plan input	574,956	578,021	401,499
Information and interpretation	99,935	155,403	123,804
Taxes and insurance	181,390	195,751	193,293
Legal	16,000	17,876	12,022
	2,191,584	2,182,431	1,702,925

10. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
Expenses			
Fuel, maintenance and repairs	56,234	45,012	64,150
Small equipment purchases	60,000	1,555	44,185
	116,234	46,567	108,335
Charges based on usage			
Program operations	126,035	73,482	83,690
Net charges (recovery) to operations	(9,801)	(26,915)	24,645

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

11. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
Other programs	2,196,067	1,398,019	1,517,102
Source water protection planning	511,902	245,735	219,364
Hydro power generation	-	256,801	241,421
Forest operations	198,663	107,520	96,050
Environmental day camps	65,615	69,638	27,482
	2,972,247	2,077,713	2,101,419

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 2022 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. 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, 2022 there was a balance outstanding of \$120,000 (2021 - \$Nil).

Included in bank indebtedness in 2022 are outstanding cheques which exceeded the bank balance at December 31, 2022 by \$54,924.

QUINTE CONSERVATION AUTHORITY

TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2022

15. EXPENSES BY OBJECT

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

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
Salaries and benefits	2,529,256	2,224,265	1,852,626
Interest charges	-	107,069	120,084
Materials	2,252,545	1,804,099	2,008,005
Contracted services	1,048,490	647,563	409,770
Rents and financial	45,500	124,898	103,428
External transfers	24,478	23,192	24,162
Amortization	347,427	403,782	347,427
Internal charges	(126,035)	(73,482)	(84,632)
	6,121,661	5,261,386	4,780,870

16. 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 2022 Annual Report disclosed total actuarial liabilities of \$130,306 million in respect of benefits accrued for service with actuarial assets of \$123,628 million indicating an actuarial deficit of \$6,678 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 2022 were \$191,672 (2021 - \$159,733).

17. COMPARATIVE FIGURES

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

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2022

	General					Infrastructure		
	Land	Buildings	Machinery and Equipment	Vehicles	Trails and Boardwalks	Dams and Weirs	Assets Under Construction	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year	2,918,416	1,236,269	939,272	627,860	622,119	14,614,657	22,213	20,980,806
Add: additions during the year	-	132,332	135,012	10,252	174,161	964,198	-	1,415,955
Balance, end of year	2,918,416	1,368,601	1,074,284	638,112	796,280	15,578,855	22,213	22,396,761
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	653,770	318,179	513,544	60,200	5,770,779	-	7,316,472
Add: additions during the year	-	26,488	75,918	27,753	39,814	233,809	-	403,782
Balance, end of year	-	680,258	394,097	541,297	100,014	6,004,588	-	7,720,254
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,918,416	688,343	680,187	96,815	696,266	9,574,267	22,213	14,676,507

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Baker Tilly KDN LLP

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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, 2022, 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, 2022, 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
June 27, 2023

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2022

	2022 \$	2021 \$
FINANCIAL ASSETS		
Cash	25,407	177,709
Accounts receivable	65,309	17,393
Funds held in trust (note 7)	444,868	418,789
TOTAL FINANCIAL ASSETS	535,584	613,891
LIABILITIES		
Accounts payable	12,825	20,937
Due to Quinte Conservation Authority (note 2)	1,236,738	1,298,548
Long term debt (note 7)	1,555,245	1,764,734
TOTAL LIABILITIES	2,804,808	3,084,219
NET DEBT	(2,269,224)	(2,470,328)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	3,892,508	3,956,281
ACCUMULATED SURPLUS (note 5)	1,623,284	1,485,953

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, 2022

	Actual 2022 \$	Actual 2021 \$
REVENUES		
Hydro generation	404,550	437,705
Investment income	11,831	3,150
Other recoveries	41,524	-
TOTAL REVENUES	457,905	440,855
EXPENSES		
Interest on long term debt	107,069	120,084
Maintenance and repairs	80,698	48,488
Amortization	63,773	63,772
Contract wages	55,594	58,365
Professional fees	6,705	7,988
Administration	23	591
Insurance	6,712	5,904
TOTAL EXPENSES	320,574	305,192
ANNUAL SURPLUS	137,331	135,663
ACCUMULATED SURPLUS - beginning of year	1,485,953	1,350,290
ACCUMULATED SURPLUS - end of year	1,623,284	1,485,953

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, 2022

	Actual 2022 \$	Actual 2021 \$
ANNUAL SURPLUS	137,331	135,663
Amortization of tangible capital assets	63,773	63,772
CHANGE IN NET DEBT	201,104	199,435
NET DEBT - beginning of year	(2,470,328)	(2,669,763)
NET DEBT - end of year	(2,269,224)	(2,470,328)

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, 2022

	2022 \$	2021 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	137,331	135,663
Items not involving cash		
Amortization of tangible capital assets	63,773	63,772
Change in non-cash working capital		
Accounts receivable	(47,916)	45,561
Funds held in trust	(26,079)	(19,348)
Accounts payable	(8,112)	6,517
Due to Quinte Conservation Authority	(61,810)	136,365
Net change in cash from operating activities	57,187	368,530
FINANCING ACTIVITIES		
Debt principal repayments	(209,489)	(196,511)
NET CHANGE IN CASH	(152,302)	172,019
CASH - beginning of year	177,709	5,690
CASH - end of year	25,407	177,709

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, 2022

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.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies 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 of tangible capital assets are based on estimates of useful life and residual values.

(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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Inter-entity transactions

The Quinte Conservation Association is controlled by Quinte Conservation Authority's Board of Directors 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.

2. 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.

3. 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.

4. 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 payments monthly.

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2022

5. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2022 \$	2021 \$
Deficit		
Operating	(713,979)	(705,594)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	3,892,508	3,956,281
Long term debt	(1,555,245)	(1,764,734)
	2,337,263	2,191,547
	1,623,284	1,485,953

6. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & equipment \$	2022 Totals \$	2021 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	818,777	7,899	826,676	762,904
Add: additions during the year	62,983	790	63,773	63,772
Balance, end of year	881,760	8,689	890,449	826,676
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,841,967	50,541	3,892,508	3,956,281

During the year there were no write-downs of assets (2021 - \$Nil) and no interest capitalized (2021 - \$Nil).

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2022

7. LONG TERM DEBT

(a) Long term debt consists of the following:

	2022	2021
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2021 - 6.412%), due November 1, 2028	1,555,245	1,764,734

(b) Interest paid during the year on long term debt amounted to \$107,069 (2021 - \$120,084).

(c) The funds held in trust of \$444,868 (2021 - \$418,789) reported on the Statement of Financial Position is comprised of \$340,326 (2021 - \$335,543) debt service reserve fund described in (d) below plus \$104,542 (2021 - \$83,246) 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 \$158,279, representing 12 months of debt payments plus accumulated interest on the reserve. 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. Since the Association has been in non-compliance with the debt service coverage requirement and the working capital requirement in the past, Corpfinance considers the Association to be in non-compliance for the entire term of the loan. 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
	\$	\$	\$
2023	223,323	93,235	316,558
2024	238,071	78,487	316,558
2025	253,793	62,765	316,558
2026	270,553	46,005	316,558
2027	288,420	28,138	316,558
2028	281,085	9,092	290,177
	1,555,245	317,722	1,872,967