

**QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2017

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 Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the Authority. Collins Barrow Kawarthas LLP has full and free access to the Authority.

Chair

Date

April 19/18

General Manager/
Secretary-Treasurer

Date

April 19/18

INDEPENDENT AUDITOR'S REPORT

To the Members of the Quinte Conservation Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Quinte Conservation Association of Quinte Conservation Authority, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Quinte Conservation Association as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
May 30, 2018

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash	1,156,674	1,242,068
Accounts receivable	397,466	540,604
Funds held in trust (note 6)	476,310	437,152
TOTAL FINANCIAL ASSETS	2,030,450	2,219,824
LIABILITIES		
Bank indebtedness (note 4)	310,000	385,000
Accounts payable	307,958	569,297
Deferred revenue (note 7)	927,858	938,138
Long term debt (note 6)	2,480,709	2,632,867
TOTAL LIABILITIES	4,026,525	4,525,302
NET FINANCIAL ASSETS/(LIABILITIES)	(1,996,075)	(2,305,478)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	14,101,416	14,049,605
Prepaid expenses	1,221	11,291
TOTAL NON-FINANCIAL ASSETS	14,102,637	14,060,896
ACCUMULATED SURPLUS (note 8)	12,106,562	11,755,418

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, 2017

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
REVENUES			
Provincial grants (note 9)	1,146,269	748,635	914,761
Federal grants	36,224	27,882	54,321
Municipal levies - general	1,348,543	1,348,543	1,285,919
- special	986,244	510,312	494,874
Rentals and leases	28,000	29,586	28,335
Interest earned	10,612	14,893	14,238
Donations	19,245	10,302	1,534
Sales and refunds	10,306	8,099	10,096
Fees	364,685	261,873	185,028
Tree planting and reforestation	30,000	5,717	32,796
Environmental day camps	10,000	2,195	21,961
Gate receipts	108,500	109,007	104,834
Hydro power generation	-	510,928	273,946
Big Island rehabilitation	-	-	14,516
Other programs	976,664	483,233	401,517
Contributed tangible capital assets	-	-	25,000
TOTAL REVENUES	5,075,292	4,071,205	3,863,676
EXPENSES			
Administration (note 10)	345,432	322,698	249,565
Program operations (note 11)	1,807,347	1,621,648	1,552,179
Vehicles and equipment (note 12)	(32,305)	(1,229)	(36,147)
Maintenance - conservation areas	173,523	182,412	176,121
Other projects (note 13)	1,779,692	1,293,068	1,584,647
Amortization	286,747	300,141	286,747
Loss on disposal of tangible capital assets	-	1,323	2,175
TOTAL EXPENSES	4,360,436	3,720,061	3,815,287
ANNUAL SURPLUS	<u>714,856</u>	351,144	48,389
ACCUMULATED SURPLUS - beginning of year		11,755,418	11,707,029
ACCUMULATED SURPLUS - end of year		12,106,562	11,755,418

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES) For the Year Ended December 31, 2017

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
ANNUAL SURPLUS	714,856	351,144	48,389
Amortization of tangible capital assets	286,747	300,141	286,747
Purchase of tangible capital assets	(1,006,605)	(353,800)	(501,493)
Loss on disposal of tangible capital assets	-	1,323	2,175
Proceeds on sale of tangible capital assets	-	525	2,625
Contributed capital assets	-	-	(25,000)
Change in prepaid expenses	-	10,070	(10,070)
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	(5,002)	309,403	(196,627)
NET FINANCIAL ASSETS/(LIABILITIES) - beginning of year	(2,305,478)	(2,305,478)	(2,108,851)
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(2,310,480)	(1,996,075)	(2,305,478)

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, 2017

	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	351,144	48,389
Items not involving cash		
Amortization of tangible capital assets	300,141	286,747
Loss on disposal of tangible capital assets	1,323	2,175
Contributed tangible capital assets	-	(25,000)
Change in non-cash assets and liabilities		
Accounts receivable	143,138	23,654
Funds held in trust	(39,158)	(2,525)
Prepaid expenses	10,070	(10,070)
Accounts payable	(261,339)	280,553
Deferred revenue	(10,280)	228,499
Net change in cash from operating activities	495,039	832,422
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(353,800)	(501,493)
Proceeds on disposal of tangible capital assets	525	2,625
Net change in cash from capital activities	(353,275)	(498,868)
FINANCING ACTIVITIES		
Debt principal repayments	(152,158)	(146,317)
Change in bank indebtedness	(75,000)	165,000
Net change in cash from financing activities	(227,158)	18,683
NET CHANGE IN CASH	(85,394)	352,237
CASH - beginning of year	1,242,068	889,831
CASH - end of year	1,156,674	1,242,068

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting entity

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

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

- Quinte Conservation Association

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

(b) Tangible capital assets

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

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

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

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

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Recognition of revenues and expenses

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

Grant funding

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

Other revenue

Fees, gate receipts, rentals, 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 using the deferral method of accounting and are recognized in the period in which the related expenditures are incurred.

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

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

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2017

3. TANGIBLE CAPITAL ASSETS

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

	2017	2016
	\$	\$
General		
Land	2,895,428	2,895,428
Buildings	660,070	679,708
Machinery and equipment	673,585	592,079
Vehicles	159,715	142,548
Infrastructure		
Dams and weirs	9,594,592	9,739,842
	13,983,390	14,049,605
Assets under construction	118,026	-
	14,101,416	14,049,605

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

During the year there were no write-downs of assets (2016 - \$Nil) and no interest capitalized (2016 - \$Nil).

4. BANK INDEBTEDNESS

The Authority has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. The Authority's Executive Committee authorized the temporary borrowing limit on February 12, 2007. At December 31, 2017 there was a balance outstanding of \$310,000 (2016 - \$385,000).

5. 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 2017 Annual Report disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets of \$89,028 million indicating an actuarial deficit of \$5,403 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 2017 were \$142,135 (2016 - \$136,798).

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

6. LONG TERM DEBT

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

	2017	2016
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$25,625 with interest at 6.412% (2016 - 6.412%), due November 1, 2028	2,480,709	2,632,867

- (b) Interest paid during the year on long term debt amounted to \$164,399 (2016 - \$173,825).

(c) Funds Held In Trust

- (i) The funds held in trust of \$476,310 (2016 - \$437,152) reported on the Consolidated Statement of Financial Position is comprised of \$323,979 (2016 - \$321,904) debt service reserve fund described in (d) below plus \$152,331 (2016 - \$115,248) 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 1.20:1 as well as a minimum amount of working capital as defined by the agreement. As of December 31, 2017, the Association is not in compliance with 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 \$
2018	162,207	154,351	316,558
2019	172,919	143,639	316,558
2020	184,338	132,220	316,558
2021	196,511	120,047	316,558
2022	209,489	107,069	316,558
2023 to 2027	925,464	657,326	1,582,790
2028 and subsequent years	1,274,159	308,631	1,582,790
	281,086	9,092	290,178
	2,480,709	975,049	3,455,758

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2017

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	2017	2016
	\$	\$
Source water protection planning	21,164	82,396
Dam studies matching funds projects	271,676	282,775
2nd Lake seasonal camping fees	42,908	44,687
Bay of Quinte Remedial Action Plan programs	39,091	28,825
Frink Centre projects	149,633	331,635
Restricted donations	150,000	-
Storm Water Management	36,650	10,271
Other	216,736	157,549
	927,858	938,138

The continuity of deferred revenue is as follows:

	2017	2016
	\$	\$
Balance - beginning of year	938,138	709,639
Add amounts received:		
Source water protection planning funding	162,663	299,177
Dam studies matching funds projects funding	308,048	625,782
2nd Lake seasonal camping fees	41,106	69,028
Bay of Quinte Remedial Action Plan programs funding	158,268	56,900
Frink Centre projects funding (repaid)	(63,976)	83,930
Restricted donations	150,000	-
Storm Water Management funding	127,500	30,000
Other funding	196,941	189,027
	1,080,550	1,353,844
Less transfer to operations:		
Source water protection planning funding earned	223,895	281,777
Dam studies matching funds projects funding earned	319,147	580,557
2nd Lake seasonal camping fees earned	42,885	43,841
Bay of Quinte Remedial Action Plan programs funding earned	148,002	46,945
Frink Centre projects funding earned	118,026	21,971
Storm Water Management funding earned	101,121	19,729
Other funding earned	137,754	130,525
	1,090,830	1,125,345
Balance - end of year	927,858	938,138

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2017

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Surplus/(Deficit)		
Operating	29,737	50,381
Quinte Conservation Association	(268,241)	(373,157)
	(238,504)	(322,776)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	14,101,416	14,049,605
Long term debt	(2,480,709)	(2,632,867)
	11,620,707	11,416,738
Surplus	11,382,203	11,093,962
Reserves		
Working funds	301,333	301,333
Green energy	53,168	102,432
Legal	14,517	14,514
Napanee River Buoys	28,618	26,543
Bay of Quinte Stewardship	1,380	1,380
Flinton Dam	30,000	30,000
Wishart Dam	12,986	12,986
Springside Dam	8,120	8,120
Arden Dam	20,083	20,083
Demorestville Dam	15,000	15,000
James Lazier Dam	13,722	13,722
Deerock Dam	17,174	17,174
Climate Change	39,906	39,906
Ice Boom	39,558	39,558
Bay of Quinte equipment replacement	20,374	18,705
Source Water	108,420	-
Total Reserves	724,359	661,456
	12,106,562	11,755,418

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2017

9. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Operations	321,779	321,779	321,779
Source water protection planning 2017/2018	205,237	153,661	-
Source water protection planning 2016/2017	70,234	70,234	214,343
Belleville ice booms	64,479	64,479	45,000
Storm water management	95,000	58,350	-
Lingham Lake Dam	45,000	23,872	21,160
Ontario low water response	-	22,402	-
Dam inspections	61,564	21,238	-
Third Depot Lake Dam	191,932	12,620	188,749
Source water protection planning 2015/2016	-	-	67,434
Colebrook Dam	-	-	33,244
Harry Smith Dam	-	-	16,890
Employment grants	-	-	5,406
Ackerman property project	21,044	-	756
Second Lake Dam	25,000	-	-
Laraby Dam	17,500	-	-
Demorestville Dam	10,000	-	-
Lingham Dam	10,000	-	-
Flinton Dam	7,500	-	-
	1,146,269	748,635	914,761

10. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Wages and benefits	169,675	118,182	102,926
Member costs	15,300	10,757	10,434
Office operations	214,421	232,559	189,555
Administration recovery	(53,964)	(38,800)	(53,350)
	345,432	322,698	249,565

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2017

11. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Operation and maintenance of water control structures	594,382	573,925	563,937
Flood forecasting	630,103	470,672	390,160
Plan Input	291,389	274,922	281,492
Information and interpretation	127,573	152,212	174,871
Taxes and insurance	147,900	133,171	125,810
Legal	16,000	16,746	15,909
	<u>1,807,347</u>	<u>1,621,648</u>	<u>1,552,179</u>

12. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Expenses			
Fuel, maintenance and repairs	64,138	62,623	63,388
Small equipment purchases	17,000	33,209	17,654
	<u>81,138</u>	<u>95,832</u>	<u>81,042</u>
Charges based on usage			
Administration	2,000	1,029	1,970
Program operations	76,443	71,981	82,081
Conservation area maintenance	25,000	16,953	23,450
Source water protection planning	10,000	7,098	9,688
	<u>113,443</u>	<u>97,061</u>	<u>117,189</u>
Net charges (recovery) to operations	<u>(32,305)</u>	<u>(1,229)</u>	<u>(36,147)</u>

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

13. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Other programs	1,346,856	726,348	759,058
Source water protection planning	385,820	266,151	439,096
Hydro power generation	-	256,744	294,140
Forest operations	37,016	36,365	59,329
Environmental day camps	10,000	7,460	33,024
	1,779,692	1,293,068	1,584,647

14. ECONOMIC DEPENDENCE

The major source of revenue is in the form of grants from the Province of Ontario. The nature and extent of this revenue is of such significance as to affect the viability of the organization and accordingly, it can be said that the organization is economically dependent upon the Province of Ontario.

15. BUDGET FIGURES

The budget, approved by the Authority, for 2017 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Liabilities. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

16. 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:

2018	\$25,108
2019	13,427
2020	7,944
2021	2,684

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

17. EXPENSES BY OBJECT

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

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Salaries and benefits	1,930,013	1,597,326	1,783,930
Interest charges	-	164,399	173,825
Materials	1,898,421	1,523,726	1,525,469
Contracted services	343,162	176,260	124,048
Rents and financial expenses	46,900	63,283	62,383
External transfers	22,600	29,464	27,249
Amortization	286,747	300,141	286,747
Internal charges	(167,407)	(135,861)	(170,539)
Loss on disposal of tangible capital assets	-	1,323	2,175
	4,360,436	3,720,061	3,815,287

18. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation. The changes do not affect prior year excess (deficiency) of revenue over expenses.

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2017

	General				Infrastructure	Assets Under Construction	Totals
	Land	Buildings	Machinery and Equipment	Vehicles	Dams and Weirs		
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	2,895,428	1,236,269	701,858	553,191	14,441,123	-	19,827,869
Add: additions during the year	-	-	117,713	51,710	66,351	118,026	353,800
Less: disposals during the year	-	-	-	18,484	-	-	18,484
Balance, end of year	2,895,428	1,236,269	819,571	586,417	14,507,474	118,026	20,163,185
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	556,561	109,779	410,643	4,701,281	-	5,778,264
Add: additions during the year	-	19,638	36,207	32,695	211,601	-	300,141
Less: disposals during the year	-	-	-	16,636	-	-	16,636
Balance, end of year	-	576,199	145,986	426,702	4,912,882	-	6,061,769
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,895,428	660,070	673,585	159,715	9,594,592	118,026	14,101,416



**QUINTE CONSERVATION AUTHORITY
QUINTE CONSERVATION ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

INDEPENDENT AUDITOR'S REPORT**To the Members of Quinte Conservation Authority***Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of Quinte Conservation Authority and its local board, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets/(liabilities) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Quinte Conservation Authority and its local board as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
May 30, 2018

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash	2,559	4,792
Accounts receivable	40,712	48,403
Funds held in trust (note 7)	476,310	437,152
TOTAL FINANCIAL ASSETS	519,581	490,347
LIABILITIES		
Bank indebtedness (note 3)	310,000	385,000
Accounts payable	27,079	23,466
Due to Quinte Conservation Authority (note 4)	450,743	455,038
Long term debt (note 7)	2,480,709	2,632,867
TOTAL LIABILITIES	3,268,531	3,496,371
NET FINANCIAL LIABILITIES	(2,748,950)	(3,006,024)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	4,211,372	4,275,144
ACCUMULATED SURPLUS (note 6)	1,462,422	1,269,120

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, 2017

	Actual 2017 \$	Actual 2016 \$
REVENUES		
Hydro generation	510,928	273,946
Investment income	2,892	2,536
TOTAL REVENUES	513,820	276,482
EXPENSES		
Interest on long term debt	164,399	173,825
Maintenance and repairs	18,622	50,671
Amortization	63,772	63,773
Contract wages	50,155	50,205
Professional fees	9,008	8,363
Administration	10,742	7,255
Insurance	3,820	3,820
TOTAL EXPENSES	320,518	357,912
ANNUAL SURPLUS/(DEFICIT)	193,302	(81,430)
ACCUMULATED SURPLUS - beginning of year	1,269,120	1,350,550
ACCUMULATED SURPLUS - end of year	1,462,422	1,269,120

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES For the Year Ended December 31, 2017

	Actual 2017 \$	Actual 2016 \$
ANNUAL SURPLUS/(DEFICIT)	193,302	(81,430)
<u>Amortization of tangible capital assets</u>	63,772	63,773
CHANGE IN NET FINANCIAL LIABILITIES	257,074	(17,657)
NET FINANCIAL LIABILITIES - beginning of year	(3,006,024)	(2,988,367)
NET FINANCIAL LIABILITIES - end of year	(2,748,950)	(3,006,024)

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, 2017

	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	193,302	(81,430)
Items not involving cash		
Amortization of tangible capital assets	63,772	63,773
Change in non-cash assets and liabilities		
Accounts receivable	7,691	13,506
Funds held in trust	(39,158)	(2,525)
Accounts payable	3,613	(163)
Due to Quinte Conservation Authority	(4,295)	(11,088)
Net change in cash from operating activities	224,925	(17,927)
FINANCING ACTIVITIES		
Debt principal repayments	(152,158)	(146,317)
Change in bank indebtedness	(75,000)	165,000
Net change in cash from financing activities	(227,158)	18,683
NET CHANGE IN CASH	(2,233)	756
CASH - beginning of year	4,792	4,036
CASH - end of year	2,559	4,792

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, 2017

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
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(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, 2017

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, 2017 there was a balance outstanding of \$310,000 (2016 - \$385,000).

4. DUE TO RELATED PARTY

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.

5. ECONOMIC DEPENDENCE

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

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Surplus/(Deficit)		
Operating	(268,241)	(373,157)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	4,211,372	4,275,144
Long term debt	(2,480,709)	(2,632,867)
	1,730,663	1,642,277
	1,462,422	1,269,120

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

7. LONG TERM DEBT

(a) Long term debt consists of the following:

	2017	2016
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2016 - 6.412%), due November 1, 2028	2,480,709	2,632,867

(b) Interest paid during the year on long term debt amounted to \$164,399 (2016 - \$173,825).

(c) Funds Held In Trust

(i) The funds held in trust of \$476,310 (2016 - \$437,152) reported on the Statement of Financial Position is comprised of \$323,979 (2016 - \$321,904) debt service reserve fund described in (d) below plus \$152,331 (2016 - \$115,248) 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 1.20:1 as well as a minimum amount of working capital as defined by the agreement. As of December 31, 2017, the Association is not in compliance with 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 \$
2018	162,207	154,351	316,558
2019	172,919	143,639	316,558
2020	184,338	132,220	316,558
2021	196,511	120,047	316,558
2022	209,489	107,069	316,558
2023 and subsequent years	1,555,245	317,723	1,872,968
	2,480,709	975,049	3,455,758

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

8. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & Equipment \$	2017 Totals \$	2016 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	503,864	3,949	507,813	444,040
Add: additions during the year	62,982	790	63,772	63,773
Balance, end of year	566,846	4,739	571,585	507,813
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,156,881	54,491	4,211,372	4,275,144

During the year there were no write-downs of assets (2016 - \$Nil) and no interest capitalized (2016 - \$Nil).