

QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2015

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.

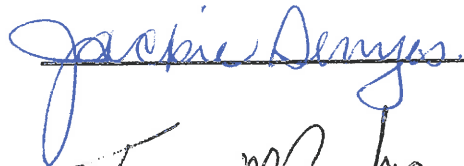
The Authority maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Authority's assets are appropriately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

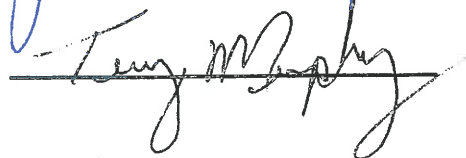
Chair



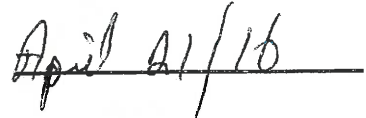
Date



General Manager/
Secretary-Treasurer



Date



INDEPENDENT AUDITORS' 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, 2015, the consolidated 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 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.

Auditors' 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 auditors' 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, 2015 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 6, 2016

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015

	2015	2014
	\$	\$
FINANCIAL ASSETS		
Cash	889,831	1,449,030
Accounts receivable (note 4)	564,258	1,002,313
Funds held in trust (note 7)	434,627	398,048
TOTAL FINANCIAL ASSETS	1,888,716	2,849,391
LIABILITIES		
Bank indebtedness (note 9)	220,000	305,000
Accounts payable (note 5)	288,744	1,167,416
Deferred revenue (note 8)	709,639	647,580
Long term debt (note 7)	2,779,184	2,912,121
TOTAL LIABILITIES	3,997,567	5,032,117
NET FINANCIAL LIABILITIES	(2,108,851)	(2,182,726)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	13,814,659	13,243,604
Prepaid expenses	1,221	2,743
TOTAL NON-FINANCIAL ASSETS	13,815,880	13,246,347
ACCUMULATED SURPLUS (note 10)	11,707,029	11,063,621

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, 2015

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
REVENUES			
Provincial grants (note 11)	1,890,413	1,076,792	1,437,086
Federal grants	20,400	22,806	19,482
Municipal levies - general	1,211,512	1,211,511	1,193,670
- special	1,208,051	754,360	395,269
Rentals and leases	28,672	28,282	27,207
Interest earned	10,200	17,024	36,280
Donations	10,500	238,892	1,611
Sales and refunds	5,454	7,502	468
Fees	222,000	171,318	640,959
Tree planting and reforestation	30,000	41,360	39,021
Environmental day camps	33,000	23,291	28,852
Gate receipts	94,000	95,785	95,029
Hydro power generation	-	532,210	538,982
Big Island rehabilitation	4,406	-	1,070,774
Other programs	684,820	801,923	677,064
TOTAL REVENUES	5,453,428	5,023,056	6,201,754
EXPENSES			
Administration (note 12)	382,514	161,550	216,996
Program operations (note 13)	1,507,734	1,628,937	1,663,286
Vehicles and equipment (note 14)	(79,808)	(31,533)	(40,871)
Maintenance - conservation areas	185,695	220,303	180,351
Other projects (note 15)	2,683,739	2,113,188	3,572,338
Amortization	275,208	273,988	272,313
Loss on disposal of tangible capital assets	-	13,215	-
TOTAL EXPENSES	4,955,082	4,379,648	5,864,413
ANNUAL SURPLUS	498,346	643,408	337,341
ACCUMULATED SURPLUS - beginning of year	11,063,621	11,063,621	10,726,280
ACCUMULATED SURPLUS - end of year	11,561,967	11,707,029	11,063,621

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES For the Year Ended December 31, 2015

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
ANNUAL SURPLUS	498,346	643,408	337,341
Amortization of tangible capital assets	275,208	273,988	272,313
Acquisition of tangible capital assets	(1,082,611)	(858,258)	(130,594)
Loss on disposal of tangible capital assets	-	13,215	-
(Increase)/decrease in prepaid expenses	-	1,522	(2,743)
DECREASE/(INCREASE) IN NET FINANCIAL LIABILITIES	(309,057)	73,875	476,317
NET FINANCIAL LIABILITIES - beginning of year	(2,182,726)	(2,182,726)	(2,659,043)
NET FINANCIAL LIABILITIES - end of year	(2,491,783)	(2,108,851)	(2,182,726)

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, 2015

	2015	2014
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	643,408	337,341
(Increase)/decrease in accounts receivable	438,055	(363,041)
Increase in funds held in trust	(36,579)	(82,838)
(Increase)/decrease in prepaid expenses	1,522	(2,743)
Increase/(decrease) in accounts payable	(878,672)	137,139
Increase/(decrease) in deferred revenue	62,059	(1,402,825)
Non-cash charges to operations		
Amortization of tangible capital assets	273,988	272,313
Loss on disposal of tangible capital assets	13,215	-
Net increase/(decrease) in cash from operating transactions	516,996	(1,104,654)
CAPITAL		
Acquisition of tangible capital assets	(858,258)	(130,594)
FINANCING		
Debt principal repayments	(132,937)	(131,097)
Increase/(decrease) in bank indebtedness	(85,000)	5,000
Net decrease in cash from financing transactions	(217,937)	(126,097)
DECREASE IN CASH	(559,199)	(1,361,345)
CASH - beginning of year	1,449,030	2,810,375
CASH - end of year	889,831	1,449,030

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, 2015

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) 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.

(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.

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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 and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds 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) Government Funding

Government funding 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.

(h) Use of Estimates

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

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

3. CHANGES IN ACCOUNTING POLICIES

The Authority has implemented PSA section 3260 Liability for Contaminated Sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water, or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without restatement of prior periods. The adoption of this standard did not have an impact on the Authority's financial statements.

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2015	2014
	\$	\$
HST rebate	106,617	216,301
Government grants	-	416,512
Other	457,641	369,500
	564,258	1,002,313

5. ACCOUNTS PAYABLE

Accounts payable is comprised of the following:

	2015	2014
	\$	\$
Trade payables and accruals	269,278	1,146,744
HST collected	19,466	20,672
	288,744	1,167,416

6. CAPITAL ASSETS

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

	2015	2014
	\$	\$
General		
Land	2,870,428	2,639,502
Buildings	699,346	719,650
Machinery and equipment	614,109	278,599
Vehicles	142,624	152,852
Infrastructure		
Dams and weirs	9,238,710	9,453,001
	13,565,217	13,243,604
Assets under construction	249,442	-
	13,814,659	13,243,604

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

During the year there were no write-downs of assets (2014 - \$Nil) and no interest capitalized (2014 - \$Nil).

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

7. LONG TERM DEBT

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

	2015	2014
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$25,625 with interest at 6.412% (2014 - 5.912%), due November 1, 2028	2,779,184	2,912,121

- (b) Interest paid during the year on long term debt amounted to \$179,090 (2014 - \$176,399).

- (c) Funds Held In Trust

- (i) The funds held in trust of \$434,627 (2014 - \$398,048) reported on the Consolidated Statement of Financial Position is comprised of \$320,043 (2014 - \$317,612) debt service reserve fund described in (d) below plus \$114,584 (2014 - \$80,436) 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 \$90,000 plus additional amounts as required by Corpfinance for each year. The loan agreement requires a minimum debt service coverage ratio of 1.30:1 as well as a minimum amount of working capital as defined by agreement. As of December 31, 2015, 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
	\$	\$	\$
2016	146,317	173,825	320,142
2017	152,159	164,399	316,558
2018	162,207	154,351	316,558
2019	172,919	143,639	316,558
2020	184,338	132,220	316,558
	817,940	768,434	1,586,374
2021 to 2025	1,121,186	461,603	1,582,789
2026 and subsequent years	840,058	83,235	923,293
	2,779,184	1,313,272	4,092,456

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

8. DEFERRED REVENUE

Deferred revenue consists of the following:

	2015	2014
	\$	\$
Source water protection planning	64,997	102,917
Dam studies matching funds projects	237,551	344,429
Green energy project	-	102,432
Massassauga Point	7,082	7,000
Frink Centre projects	263,437	-
Early response	8,170	12,148
Other	128,402	78,654
	<u>709,639</u>	<u>647,580</u>

The continuity of deferred revenue is as follows:

	2015	2014
	\$	\$
Balance - beginning of year	647,580	2,050,405
Add amounts received:		
Source water protection planning funding received	251,801	471,871
Dam studies matching funds projects funding received	749,308	353,676
Frink Centre projects funding received	336,631	-
Massassauga Point funding received	-	7,000
Other funding received	395,055	498,430
	<u>1,732,795</u>	<u>1,330,977</u>
Less transfer to operations:		
Source water protection planning funding earned	289,721	403,179
Dam studies matching funds projects funding earned	870,820	241,253
Green energy project funding earned	102,432	-
Frink Centre projects funding earned	75,290	-
Big Island rehabilitation funding earned	-	1,507,874
Early response funding earned	3,978	13,966
Other funding earned	328,495	567,530
	<u>1,670,736</u>	<u>2,733,802</u>
Balance - end of year	<u>709,639</u>	<u>647,580</u>

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

9. 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, 2015 there was a balance outstanding of \$220,000 (2014 - \$305,000).

10. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2015	2014
	\$	\$
Surplus/(Deficit)		
Operating	154,250	336,354
Quinte Conservation Association	(209,183)	(315,869)
	(54,933)	20,485
Invested In Capital Assets		
Tangible capital assets - net book value	13,814,659	13,243,604
Long term debt	(2,779,184)	(2,912,121)
	11,035,475	10,331,483
Surplus	10,980,542	10,351,968
Reserves		
Working funds	466,521	518,169
Prince Edward County Shoreline	102,432	-
Legal	14,514	14,514
Napanee River Buoys	24,555	22,596
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	30,402
Deerock Dam	17,174	38,403
Total Reserves	726,487	711,653
	11,707,029	11,063,621

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

11. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
Operations	321,779	321,779	329,386
Source water protection planning	388,063	289,721	401,068
Belleville ice booms	316,519	228,884	69,357
Colebrook Dam	207,317	132,038	7,683
Ackerman property project	610,000	63,027	616,512
Harry Smith Dam	30,000	30,000	-
Third Depot Lake Dam	16,735	7,124	10,165
Employment grants	-	4,219	2,915
	1,890,413	1,076,792	1,437,086

12. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
Wages and benefits	163,663	78,693	91,263
Member expenses	15,300	14,675	7,406
Office operations	203,551	193,621	197,708
Administration recovery	-	(125,439)	(79,381)
	382,514	161,550	216,996

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

13. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
Operation and maintenance of water control structures	576,144	592,705	590,486
Flood forecasting	370,324	423,710	494,620
Plan Input	283,729	267,566	259,375
Information and interpretation	121,787	188,961	178,420
Taxes and insurance	143,750	139,009	134,160
Legal	12,000	16,986	6,225
	1,507,734	1,628,937	1,663,286

14. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
Expenses			
Fuel, maintenance and repairs	77,700	80,321	68,061
Small equipment purchases	-	23,526	21,439
	77,700	103,847	89,500
Charges based on usage			
Administration	500	2,204	488
Program operations	117,008	95,372	101,387
Conservation area maintenance	30,000	27,013	21,738
Source water protection planning	10,000	10,791	6,758
	157,508	135,380	130,371
Net charges (recovery) to operations	(79,808)	(31,533)	(40,871)

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

15. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
Other programs	1,291,334	1,194,944	1,097,100
Source water protection planning	714,891	499,881	417,428
Hydro power generation	-	295,777	307,565
Ackerman property project	610,000	63,027	616,512
Environmental day camps	33,000	32,799	32,966
Forest operations	34,514	26,673	29,993
Big Island rehabilitation	-	87	1,070,774
	<u>2,683,739</u>	<u>2,113,188</u>	<u>3,572,338</u>

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 2015 \$ (Unaudited)	Actual 2015 \$	Actual 2014 \$
Salaries and benefits	1,973,531	1,795,969	1,969,543
Interest charges	-	179,090	176,399
Materials	2,734,451	2,140,325	3,447,279
Contracted services	55,750	145,110	122,765
Rents and financial expenses	51,650	68,067	63,536
External transfers	22,000	24,703	22,331
Amortization	275,208	273,988	272,313
Internal charges	(157,508)	(260,819)	(209,753)
Loss on disposal of tangible capital assets	-	13,215	-
	<u>4,955,082</u>	<u>4,379,648</u>	<u>5,864,413</u>

17. 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.

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

18. PENSION AGREEMENTS

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions required on account of current service in 2015 were \$158,273 (2014 - \$132,775).

19. BUDGET FIGURES

The budget, approved by the Authority, for 2015 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.

20. COMMITMENT

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

2016	\$19,671
2017	19,569
2018	19,569
2019	206

21. 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, 2015

	General				Infrastructure		Totals \$
	Land \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Dams and Weirs \$	Assets Under Construction \$	
COST							
Balance, beginning of year	2,639,502	1,236,269	344,318	537,633	13,772,439	-	18,530,161
Add: additions during the year	230,926	-	357,540	20,350	-	249,442	858,258
Less: disposals during the year	-	-	-	-	44,050	-	44,050
Balance, end of year	2,870,428	1,236,269	701,858	557,983	13,728,389	249,442	19,344,369
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	-	65,719	384,781	4,319,438	-	5,286,557
Add: additions during the year	-	20,304	22,030	30,578	201,076	-	273,988
Less: disposals during the year	-	-	-	-	30,835	-	30,835
Balance, end of year	-	536,923	87,749	415,359	4,489,679	-	5,529,710
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,870,428	699,346	614,109	142,624	9,238,710	249,442	13,814,659

**QUINTE CONSERVATION AUTHORITY
QUINTE CONSERVATION ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

INDEPENDENT AUDITORS' 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, 2015, 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.

Auditors' 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 auditors' 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, 2015 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 6, 2016

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2015

	2015	2014
	\$	\$
FINANCIAL ASSETS		
Cash	4,036	2,891
Accounts receivable	61,909	70,568
Funds held in trust (note 6)	434,627	398,048
TOTAL FINANCIAL ASSETS	500,572	471,507
LIABILITIES		
Bank indebtedness (note 3)	220,000	305,000
Accounts payable	23,629	20,933
Due to Quinte Conservation Authority (note 4)	466,126	461,443
Long term debt (note 6)	2,779,184	2,912,121
TOTAL LIABILITIES	3,488,939	3,699,497
NET FINANCIAL LIABILITIES	(2,988,367)	(3,227,990)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	4,338,917	4,402,689
ACCUMULATED SURPLUS (note 8)	1,350,550	1,174,699

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, 2015

	Actual 2015 \$	Actual 2014 \$
REVENUES		
Hydro generation	532,210	538,982
Investment income	3,181	3,302
TOTAL REVENUES	535,391	542,284
EXPENSES		
Interest on long term debt	179,090	176,399
Maintenance and repairs	20,867	44,397
Amortization	63,772	63,773
Contract wages	54,559	58,086
Professional fees	29,298	14,554
Administration	8,206	10,380
Insurance	3,748	3,748
TOTAL EXPENSES	359,540	371,337
ANNUAL SURPLUS	175,851	170,947
ACCUMULATED SURPLUS - beginning of year	1,174,699	1,003,752
ACCUMULATED SURPLUS - end of year	1,350,550	1,174,699

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, 2015

	Actual 2015 \$	Actual 2014 \$
ANNUAL SURPLUS	175,851	170,947
Amortization of tangible capital assets	63,772	63,773
DECREASE IN NET FINANCIAL LIABILITIES	239,623	234,720
NET FINANCIAL LIABILITIES - beginning of year	(3,227,990)	(3,462,710)
NET FINANCIAL LIABILITIES - end of year	(2,988,367)	(3,227,990)

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, 2015

	2015	2014
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	175,851	170,947
(Increase)/decrease in accounts receivable	8,659	(10,110)
Increase in funds held in trust	(36,579)	(82,838)
Increase/(decrease) in accounts payable	2,696	(15,919)
Increase/(decrease) in due to Quinte Conservation Authority	4,683	(528)
Non-cash charges to operations		
Amortization of tangible capital assets	63,772	63,773
Net increase in cash from operating transactions	219,082	125,325
FINANCING		
Debt principal repayments	(132,937)	(131,097)
Increase/(decrease) in bank indebtedness	(85,000)	5,000
Net decrease in cash from financing transactions	(217,937)	(126,097)
INCREASE/(DECREASE) IN CASH	1,145	(772)
CASH - beginning of year	2,891	3,663
CASH - end of year	4,036	2,891

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, 2015

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.

(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.

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, 2015 there was a balance outstanding of \$220,000 (2014 - \$305,000).

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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. LONG TERM DEBT

(a) Long term debt consists of the following:

	2015	2014
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2014 - 5.912%), due November 1, 2028	2,779,184	2,912,121

(b) Interest paid during the year on long term debt amounted to \$179,090 (2014 - \$176,399).

(c) Funds Held In Trust

(i) The funds held in trust of \$434,627 (2014 - \$398,048) reported on the Statement of Financial Position is comprised of the \$320,043 (2014 - \$317,612) debt service reserve fund described in (d) below plus \$114,584 (2014 - \$80,436) 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 \$90,000 plus additional amounts as required by Corpfinance for each year. The loan agreement requires a minimum debt service coverage ratio of 1.30:1 as well as a minimum amount of working capital as defined by agreement. As of December 31, 2015, 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.

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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

	Principal \$	Interest \$	Total \$
2016	146,317	173,825	320,142
2017	152,159	164,399	316,558
2018	162,207	154,351	316,558
2019	172,919	143,639	316,558
2020	184,338	132,220	316,558
2021 and subsequent years	1,961,244	544,840	2,506,084
	2,779,184	1,313,274	4,092,458

7. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & Equipment \$	2015 Totals \$	2014 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	377,898	2,370	380,268	316,495
Add: additions during the year	62,983	789	63,772	63,773
Balance, end of year	440,881	3,159	444,040	380,268
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,282,846	56,071	4,338,917	4,402,689

During the year there were no write-downs of assets (2014 - \$Nil) and no interest capitalized (2014 - \$Nil).

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2015

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2015	2014
	\$	\$
Surplus/(Deficit)		
Operating	(209,183)	(315,869)
Invested In Capital Assets		
Tangible capital assets - net book value	4,338,917	4,402,689
Long term debt	(2,779,184)	(2,912,121)
	1,559,733	1,490,568
	1,350,550	1,174,699
