

QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

**QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2016

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

Oct 19/17

General Manager/
Secretary-Treasurer

Date

Oct 2/17



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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, 2016, 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, 2016 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
October 19, 2017

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	1,242,068	889,831
Accounts receivable	540,604	564,258
Funds held in trust (note 6)	437,152	434,627
TOTAL FINANCIAL ASSETS	2,219,824	1,888,716
LIABILITIES		
Bank indebtedness (note 5)	385,000	220,000
Accounts payable	569,297	288,744
Deferred revenue (note 7)	938,138	709,639
Long term debt (note 6)	2,632,867	2,779,184
TOTAL LIABILITIES	4,525,302	3,997,567
NET FINANCIAL ASSETS/(LIABILITIES)	(2,305,478)	(2,108,851)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	14,049,605	13,814,659
Prepaid expenses	11,291	1,221
TOTAL NON-FINANCIAL ASSETS	14,060,896	13,815,880
ACCUMULATED SURPLUS (note 8)	11,755,418	11,707,029

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, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Provincial grants (note 9)	1,114,334	914,761	1,076,792
Federal grants	41,616	54,321	22,806
Municipal levies - general	1,285,919	1,285,919	1,211,511
- special	765,293	494,874	754,360
Rentals and leases	28,000	28,335	28,282
Interest earned	10,404	14,238	17,024
Donations	9,047	1,534	238,892
Sales and refunds	4,244	10,096	7,502
Fees	312,763	185,028	171,318
Tree planting and reforestation	30,000	32,796	41,360
Environmental day camps	30,000	21,961	23,291
Gate receipts	108,500	104,834	95,785
Hydro power generation	-	273,946	532,210
Big Island rehabilitation	14,516	14,516	-
Other programs	1,006,927	401,517	801,923
Contributed tangible capital assets	-	25,000	-
TOTAL REVENUES	4,761,563	3,863,676	5,023,056
EXPENSES			
Administration (note 4)	388,526	249,565	161,550
Program operations (note 11)	1,508,085	1,552,179	1,628,937
Vehicles and equipment (note 12)	(31,019)	(36,147)	(31,533)
Maintenance - conservation areas	171,423	176,121	220,303
Other projects (note 13)	1,885,555	1,584,647	2,113,188
Amortization	273,988	286,747	273,988
Loss on disposal of tangible capital assets	-	2,175	13,215
TOTAL EXPENSES	4,196,558	3,815,287	4,379,648
ANNUAL SURPLUS	<u>565,005</u>	48,389	643,408
ACCUMULATED SURPLUS - beginning of year		11,707,029	11,063,621
ACCUMULATED SURPLUS - end of year		11,755,418	11,707,029

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, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
ANNUAL SURPLUS	565,005	48,389	643,408
Amortization of tangible capital assets	273,988	286,747	273,988
Purchase of tangible capital assets	(672,851)	(501,493)	(858,258)
Loss on disposal of tangible capital assets	-	2,175	13,215
Proceeds on sale of tangible capital assets	-	2,625	-
Contributed capital assets	-	(25,000)	-
Change in prepaid expenses	-	(10,070)	1,522
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	166,142	(196,627)	73,875
NET FINANCIAL ASSETS/(LIABILITIES) - beginning of year	(2,108,851)	(2,108,851)	(2,182,726)
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(1,942,709)	(2,305,478)	(2,108,851)

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, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	48,389	643,408
Items not involving cash		
Amortization of tangible capital assets	286,747	273,988
Loss on disposal of tangible capital assets	2,175	13,215
Contributed tangible capital assets	(25,000)	-
Change in non-cash assets and liabilities		
Accounts receivable	23,654	438,055
Funds held in trust	(2,525)	(36,579)
Prepaid expenses	(10,070)	1,522
Accounts payable	280,553	(878,672)
Deferred revenue	228,499	62,059
Net change in cash from operating activities	832,422	516,996
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(501,493)	(858,258)
Proceeds on disposal of tangible capital assets	2,625	-
Net change in cash from capital activities	(498,868)	(858,258)
FINANCING ACTIVITIES		
Debt principal repayments	(146,317)	(132,937)
Change in bank indebtedness	165,000	(85,000)
Net change in cash from financing activities	18,683	(217,937)
NET CHANGE IN CASH	352,237	(559,199)
CASH - beginning of year	889,831	1,449,030
CASH - end of year	1,242,068	889,831

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, 2016

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, 2016

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, 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.

User fees, including fees, gate receipts, rentals, hydro power generation revenues and other revenues, are recognized as revenue in the year the goods and services are provided.

(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, 2016

3. TANGIBLE CAPITAL ASSETS

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

	2016	2015
	\$	\$
General		
Land	2,895,428	2,870,428
Buildings	679,708	699,346
Machinery and equipment	592,079	614,109
Vehicles	142,548	142,624
Infrastructure		
Dams and weirs	9,739,842	9,238,710
	14,049,605	13,565,217
Assets under construction	-	249,442
	14,049,605	13,814,659

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

During the year there were no write-downs of assets (2015 - \$Nil) and no interest capitalized (2015 - \$Nil).

4. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Wages and benefits	169,675	102,926	78,693
Member costs	15,300	10,434	14,675
Office operations	203,551	189,555	193,621
Administration recovery	-	(53,350)	(125,439)
	388,526	249,565	161,550

5. 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, 2016 there was a balance outstanding of \$385,000 (2015 - \$220,000).

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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:

	2016	2015
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$25,625 with interest at 6.412% (2015 - 6.412%), due November 1, 2028	2,632,867	2,779,184

- (b) Interest paid during the year on long term debt amounted to \$173,825 (2015 - \$179,090).

(c) Funds Held In Trust

- (i) The funds held in trust of \$437,152 (2015 - \$434,627) reported on the Consolidated Statement of Financial Position is comprised of \$321,904 (2015 - \$320,043) debt service reserve fund described in (d) below plus \$115,248 (2015 - \$114,584) 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, 2016, 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. As Quinte Conservation Association is in default, interest is paid at the greater of the Toronto Dominion Bank prime rate plus 2% and the weighted average of the fixed rates otherwise calculated at the time of the construction loan drawdowns (5.912%).

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

	Principal	Interest	Total
	\$	\$	\$
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	196,511	120,047	316,558
	868,134	714,656	1,582,790
2022 to 2026	1,195,228	387,562	1,582,790
2027 and subsequent years	569,505	37,230	606,735
	2,632,867	1,139,448	3,772,315

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	2016	2015
	\$	\$
Source water protection planning	82,396	64,997
Dam studies matching funds projects	282,775	237,551
Massassauga Point	7,082	7,082
Frink Centre projects	331,635	263,437
Early response	6,437	8,170
Other	227,813	128,402
	<u>938,138</u>	<u>709,639</u>

The continuity of deferred revenue is as follows:

	2016	2015
	\$	\$
Balance - beginning of year	709,639	647,580
Add amounts received:		
Source water protection planning funding received	299,177	251,801
Dam studies matching funds projects funding received	625,782	749,308
Frink Centre projects funding received	83,930	336,631
Other funding received	344,956	395,055
	<u>1,353,845</u>	<u>1,732,795</u>
Less transfer to operations:		
Source water protection planning funding earned	281,777	289,721
Dam studies matching funds projects funding earned	580,557	870,820
Green energy project funding earned	-	102,432
Frink Centre projects funding earned	15,941	75,290
Early response funding earned	1,733	3,978
Other funding earned	245,338	328,495
	<u>1,125,346</u>	<u>1,670,736</u>
Balance - end of year	<u>938,138</u>	<u>709,639</u>

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016	2015
	\$	\$
Surplus/(Deficit)		
Operating	50,381	154,250
Quinte Conservation Association	(373,157)	(209,183)
	(322,776)	(54,933)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	14,049,605	13,814,659
Long term debt	(2,632,867)	(2,779,184)
	11,416,738	11,035,475
Surplus	11,093,962	10,980,542
Reserves		
Working funds	301,333	466,521
Prince Edward County Shoreline	102,432	102,432
Legal	14,514	14,514
Napanee River Buoys	26,543	24,555
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	-
Ice Boom	39,558	-
Bay of Quinte equipment replacement	18,705	-
Total Reserves	661,456	726,487
	11,755,418	11,707,029

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

9. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Operations	321,779	321,779	321,779
Source water protection planning 2016/2017	270,576	214,343	-
Third Depot Lake Dam	210,849	188,749	7,124
Source water protection planning 2015/2016	85,295	67,434	289,721
Belleville ice booms	116,933	45,000	228,884
Colebrook Dam	33,244	33,244	132,038
Lingham Lake Dam	36,968	21,160	-
Harry Smith Dam	16,890	16,890	30,000
Employment grants	-	5,406	4,219
Ackerman property project	21,800	756	63,027
	1,114,334	914,761	1,076,792

10. 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.

11. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Operation and maintenance of water control structures	522,777	563,937	592,705
Flood forecasting	408,747	390,160	423,710
Plan Input	291,389	281,492	267,566
Information and interpretation	125,172	174,871	188,961
Taxes and insurance	145,000	125,810	139,009
Legal	15,000	15,909	16,986
	1,508,085	1,552,179	1,628,937

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

12. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Expenses			
Fuel, maintenance and repairs	63,200	63,388	80,321
Small equipment purchases	17,000	17,654	23,526
	80,200	81,042	103,847
Charges based on usage			
Administration	1,870	1,970	2,204
Program operations	77,900	82,081	95,372
Conservation area maintenance	22,255	23,450	27,013
Source water protection planning	9,194	9,688	10,791
	111,219	117,189	135,380
Net charges (recovery) to operations	(31,019)	(36,147)	(31,533)

13. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Other programs	1,317,754	759,058	1,258,058
Source water protection planning	501,930	439,096	499,881
Hydro power generation	-	294,140	295,777
Forest operations	35,871	59,329	26,673
Environmental day camps	30,000	33,024	32,799
	1,885,555	1,584,647	2,113,188

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

14. EXPENSES BY OBJECT

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

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Salaries and benefits	1,826,179	1,783,930	1,795,969
Interest charges	-	173,825	179,090
Materials	2,064,371	1,525,469	2,140,325
Contracted services	67,350	124,048	145,110
Rents and financial expenses	53,889	62,383	68,067
External transfers	22,000	27,249	24,703
Amortization	273,988	286,747	273,988
Internal charges	(111,219)	(170,539)	(260,819)
Loss on disposal of tangible capital assets	-	2,175	13,215
	4,196,558	3,815,287	4,379,648

15. 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 2016 Annual Report disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets of \$81,834 million indicating an actuarial deficit of \$5,720 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 2016 were \$136,798 (2015 - \$158,273).

16. BUDGET FIGURES

The budget, approved by the Authority, for 2016 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.

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

17. 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:

2017	\$23,147
2018	23,147
2019	3,784
2020	3,578
2021	2,684

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, 2016

	General			Infrastructure		Totals \$
	Land \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Dams and Weirs \$	
COST						
Balance, beginning of year	2,870,428	1,236,269	701,858	557,983	13,728,389	249,442
Add: additions during the year	25,000	-	-	38,201	463,292	-
Less: disposals during the year	-	-	-	42,993	-	-
Internal transfers	-	-	-	-	249,442	(249,442)
Balance, end of year	2,895,428	1,236,269	701,858	553,191	14,441,123	-
ACCUMULATED AMORTIZATION						
Balance, beginning of year	-	536,923	87,749	415,359	4,489,679	-
Add: additions during the year	-	19,638	22,030	33,477	211,602	-
Less: disposals during the year	-	-	-	38,193	-	-
Balance, end of year	-	556,561	109,779	410,643	4,701,281	-
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,895,428	679,708	592,079	142,548	9,739,842	-
						14,049,605

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016, 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, 2016 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
October 19, 2017

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	4,792	4,036
Accounts receivable	48,403	61,909
Funds held in trust (note 7)	437,152	434,627
TOTAL FINANCIAL ASSETS	490,347	500,572
LIABILITIES		
Bank indebtedness (note 3)	385,000	220,000
Accounts payable	23,466	23,629
Due to Quinte Conservation Authority (note 4)	455,038	466,126
Long term debt (note 7)	2,632,867	2,779,184
TOTAL LIABILITIES	3,496,371	3,488,939
NET FINANCIAL LIABILITIES	(3,006,024)	(2,988,367)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	4,275,144	4,338,917
ACCUMULATED SURPLUS (note 6)	1,269,120	1,350,550

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, 2016

	Actual 2016 \$	Actual 2015 \$
REVENUES		
Hydro generation	273,946	532,210
Investment income	2,536	3,181
TOTAL REVENUES	276,482	535,391
EXPENSES		
Interest on long term debt	173,825	179,090
Maintenance and repairs	50,671	20,867
Amortization	63,773	63,772
Contract wages	50,205	54,559
Professional fees	8,363	29,298
Administration	7,255	8,206
Insurance	3,820	3,748
TOTAL EXPENSES	357,912	359,540
ANNUAL SURPLUS/(DEFICIT)	(81,430)	175,851
ACCUMULATED SURPLUS - beginning of year	1,350,550	1,174,699
ACCUMULATED SURPLUS - end of year	1,269,120	1,350,550

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, 2016

	Actual 2016 \$	Actual 2015 \$
ANNUAL SURPLUS/(DEFICIT)	(81,430)	175,851
<u>Amortization of tangible capital assets</u>	<u>63,773</u>	<u>63,772</u>
CHANGE IN NET FINANCIAL LIABILITIES	(17,657)	239,623
NET FINANCIAL LIABILITIES - beginning of year	<u>(2,988,367)</u>	<u>(3,227,990)</u>
NET FINANCIAL LIABILITIES - end of year	<u>(3,006,024)</u>	<u>(2,988,367)</u>

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, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(81,430)	175,851
Items not involving cash		
Amortization of tangible capital assets	63,773	63,772
Change in non-cash assets and liabilities		
Accounts receivable	13,506	8,659
Funds held in trust	(2,525)	(36,579)
Accounts payable	(163)	2,696
Due to Quinte Conservation Authority	(11,088)	4,683
Net change in cash from operating activities	(17,927)	219,082
FINANCING ACTIVITIES		
Debt principal repayments	(146,317)	(132,937)
Change in bank indebtedness	165,000	(85,000)
Net change in cash from financing activities	18,683	(217,937)
NET CHANGE IN CASH	756	1,145
CASH - beginning of year	4,036	2,891
CASH - end of year	4,792	4,036

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, 2016

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, 2016

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, 2016 there was a balance outstanding of \$385,000 (2015 - \$220,000).

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:

	2016	2015
	\$	\$
Surplus/(Deficit)		
Operating	(373,157)	(209,183)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	4,275,144	4,338,917
Long term debt	(2,632,867)	(2,779,184)
	1,642,277	1,559,733
	1,269,120	1,350,550

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

7. LONG TERM DEBT

(a) Long term debt consists of the following:

	2016	2015
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2015 - 6.412%), due November 1, 2028	2,632,867	2,779,184

(b) Interest paid during the year on long term debt amounted to \$173,825 (2015 - \$179,090).

(c) Funds Held In Trust

(i) The funds held in trust of \$437,152 (2015 - \$434,627) reported on the Statement of Financial Position is comprised of \$321,904 (2015 - \$320,043) debt service reserve fund described in (d) below plus \$115,248 (2015 - \$114,584) 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, 2016, 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. As Quinte Conservation Association is in default, interest is paid at the greater of the Toronto Dominion Bank prime rate plus 2% and the weighted average of the fixed rates otherwise calculated at the time of the construction loan drawdowns (5.912%).

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

	Principal	Interest	Total
	\$	\$	\$
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	196,511	120,047	316,558
2022 and subsequent years	1,764,733	424,792	2,189,525
	2,632,867	1,139,448	3,772,315

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

8. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & Equipment \$	2016 Totals \$	2015 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	440,881	3,159	444,040	380,268
Add: additions during the year	62,983	790	63,773	63,772
Balance, end of year	503,864	3,949	507,813	444,040
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,219,863	55,281	4,275,144	4,338,917

During the year there were no write-downs of assets (2015 - \$Nil) and no interest capitalized (2015 - \$Nil).