

**QUINTE CONSERVATION AUTHORITY
QUINTE CONSERVATION ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 the Quinte Conservation Authority, which comprise the statement of financial position as at December 31, 2014, 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, 2014 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
Peterborough, Ontario
June 25, 2015

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash	2,891	3,663
Accounts receivable	70,568	60,458
Funds held in trust (note 6)	398,048	315,210
TOTAL FINANCIAL ASSETS	471,507	379,331
LIABILITIES		
Bank indebtedness (note 3)	305,000	300,000
Accounts payable	20,933	36,852
Due to Quinte Conservation Authority (note 4)	461,443	461,971
Long term debt (note 6)	2,912,121	3,043,218
TOTAL LIABILITIES	3,699,497	3,842,041
NET FINANCIAL LIABILITIES	(3,227,990)	(3,462,710)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	4,402,689	4,466,462
ACCUMULATED SURPLUS (note 8)	1,174,699	1,003,752

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, 2014

	Actual 2014 \$	Actual 2013 \$
REVENUES		
Hydro generation	538,982	533,603
Investment income	3,302	3,033
TOTAL REVENUES	542,284	536,636
EXPENSES		
Interest on long term debt	176,399	183,906
Maintenance and repairs	44,397	159,399
Amortization	63,773	63,773
Contract wages	58,086	45,895
Professional fees	14,554	19,556
Administration	10,380	9,417
Insurance	3,748	7,802
Veridian connection fees	-	2,089
TOTAL EXPENSES	371,337	491,837
ANNUAL SURPLUS	170,947	44,799
ACCUMULATED SURPLUS - beginning of year	1,003,752	958,953
ACCUMULATED SURPLUS - end of year	1,174,699	1,003,752

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, 2014

	Actual 2014 \$	Actual 2013 \$
ANNUAL SURPLUS	170,947	44,799
Amortization of tangible capital assets	63,773	63,773
DECREASE IN NET FINANCIAL LIABILITIES	234,720	108,572
NET FINANCIAL LIABILITIES - beginning of year	(3,462,710)	(3,571,282)
NET FINANCIAL LIABILITIES - end of year	(3,227,990)	(3,462,710)

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, 2014

	2014	2013
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	170,947	44,799
(Increase)/decrease in accounts receivable	(10,110)	7,169
Increase in funds held in trust	(82,838)	(3,014)
Increase/(decrease) in accounts payable	(15,919)	9,715
Increase/(decrease) in due to Quinte Conservation Authority	(528)	45,458
Non-cash charges to operations		
Amortization of tangible capital assets	63,773	63,773
Net increase in cash from operating transactions	125,325	167,900
FINANCING		
Debt principal repayments	(131,097)	(123,589)
Increase/(decrease) in bank indebtedness	5,000	(40,648)
Net decrease in cash from financing transactions	(126,097)	(164,237)
INCREASE/(DECREASE) IN CASH	(772)	3,663
CASH - beginning of year	3,663	-
CASH - end of year	2,891	3,663

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, 2014

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

(c) Financial Instruments

The Association's financial instruments consist of cash, accounts receivable, funds held in trust, bank indebtedness, accounts payable, due to Quinte Conservation Authority and long term debt. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values and that the Association does not have any significant concentration of credit, currency or interest rate risk.

(d) 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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(e) 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, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Reserves and Reserve Funds

Certain amounts, as approved by the Association, 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.

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, 2014 there was a balance outstanding of \$305,000 (2013 - \$300,000).

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. LONG TERM DEBT

(a) Long term debt consists of the following:

	2014	2013
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$25,625 with interest at 5.912%, due November 1, 2028	2,912,121	3,043,218

(b) Interest paid during the year on long term debt amounted to \$176,399 (2013 - \$183,906).

(c) Funds Held In Trust

- (i) The funds held in trust of \$398,048 (2013 - \$315,210) reported on the Statement of Financial Position is comprised of the \$317,612 (2013 - \$251,640) debt service reserve fund described in (d) below plus \$80,436 (2013 - \$63,570) maintenance reserve fund.

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2014

(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 Association is not in compliance with loan covenants. The loan agreement requires a minimum debt service coverage ratio of 1.30:1. As of December 31, 2014, the Association is in compliance with these requirements.

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

	Principal \$	Interest \$	Total \$
2015	139,061	168,435	307,496
2016	147,508	159,987	307,495
2017	156,469	151,026	307,495
2018	165,974	141,521	307,495
2019	176,057	131,439	307,496
2020 and subsequent years	2,127,052	614,233	2,741,285
	2,912,121	1,366,641	4,278,762

7. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & Equipment \$	2014 Totals \$	2013 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	314,915	1,580	316,495	252,722
Add: additions during the year	62,983	790	63,773	63,773
Balance, end of year	377,898	2,370	380,268	316,495
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,345,829	56,860	4,402,689	4,466,462

During the year there were no write-downs of assets (2013 - \$Nil) and no interest capitalized (2013 - \$Nil).

QUINTE CONSERVATION AUTHORITY

**QUINTE CONSERVATION ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2014	2013
	\$	\$
Surplus/(Deficit)		
Operating	(315,869)	(419,492)
Invested In Capital Assets		
Tangible capital assets - net book value	4,402,689	4,466,462
Long term debt	(2,912,121)	(3,043,218)
	1,490,568	1,423,244
	1,174,699	1,003,752