

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2021

MANAGEMENT REPORT

The accompanying consolidated financial statements of Quinte Conservation Authority are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

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

The Authority's Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

The Board of Directors reviews and approves the Authority's financial statements for issuance to the members of Quinte Conservation Authority. The Board of Directors meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Authority. Baker Tilly KDN LLP has full and free access to the Authority.

Chair

General Manager/ Secretary-
Treasurer

October 20, 2022

INDEPENDENT AUDITOR'S REPORT**To the Members of Quintet Conservation Authority***Opinion*

We have audited the consolidated financial statements of Quinte Conservation Authority and its local board (the Authority), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at December 31, 2021, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 14, 2022

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash	984,493	699,022
Accounts receivable	257,075	597,154
Funds held in trust (note 4)	418,789	399,441
TOTAL FINANCIAL ASSETS	1,660,357	1,695,617
LIABILITIES		
Accounts payable	311,987	376,731
Deferred revenue (note 5)	722,314	821,470
Long term debt (note 4)	1,764,734	1,961,245
TOTAL LIABILITIES	2,799,035	3,159,446
NET DEBT	(1,138,678)	(1,463,829)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	13,664,334	13,663,728
Prepaid expenses	-	15,011
TOTAL NON-FINANCIAL ASSETS	13,664,334	13,678,739
ACCUMULATED SURPLUS (note 6)	12,525,656	12,214,910

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, 2021

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
REVENUES			
Provincial grants (note 7)	711,896	540,711	411,398
Federal grants	36,648	150,857	77,823
Municipal levies - general	1,821,283	1,821,289	1,701,487
- special	288,242	349,260	290,747
Rentals and leases	28,000	32,100	31,436
Interest earned	8,000	13,798	17,338
Donations	4,000	8,654	25,535
Sales and refunds	10,141	18,437	8,223
Fees	460,957	682,304	366,116
Tree planting and reforestation	30,000	206,148	94,279
Environmental day camps	-	-	4,500
Gate receipts	105,000	139,137	54,660
Hydro power generation	-	437,705	402,270
Big Island rehabilitation	-	26,840	126,580
Other programs	2,425,381	664,376	507,159
TOTAL REVENUES	5,929,548	5,091,616	4,119,551
EXPENSES			
Administration (note 8)	393,403	360,853	356,502
Program operations (note 9)	1,641,246	1,702,925	1,511,848
Vehicles and equipment (note 10)	17,968	24,645	7,757
Maintenance - conservation areas	235,149	243,601	194,323
Other projects (note 11)	3,334,238	2,101,419	1,449,027
Amortization	329,100	347,427	329,100
TOTAL EXPENSES	5,951,104	4,780,870	3,848,557
ANNUAL SURPLUS/(DEFICIT)	<u>(21,556)</u>	310,746	270,994
ACCUMULATED SURPLUS - beginning of year		12,214,910	11,943,916
ACCUMULATED SURPLUS - end of year		12,525,656	12,214,910

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT For the Year Ended December 31, 2021

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
ANNUAL SURPLUS/(DEFICIT)	(21,556)	310,746	270,994
Amortization of tangible capital assets	329,100	347,427	329,100
Purchase of tangible capital assets	(282,545)	(348,033)	(226,248)
Change in prepaid expenses	-	15,011	(15,011)
CHANGE IN NET DEBT	24,999	325,151	358,835
NET DEBT - beginning of year	(1,463,829)	(1,463,829)	(1,822,664)
NET DEBT - end of year	(1,438,830)	(1,138,678)	(1,463,829)

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, 2021

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	310,746	270,994
Items not involving cash		
Amortization of tangible capital assets	347,427	329,100
Change in non-cash working capital		
Accounts receivable	340,079	(183,049)
Funds held in trust	(19,348)	108,214
Prepaid expenses	15,011	(15,011)
Accounts payable	(64,744)	26,593
Deferred revenue	(99,156)	(120,295)
Net change in cash from operating activities	830,015	416,546
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(348,033)	(226,248)
FINANCING ACTIVITIES		
Debt principal repayments	(196,511)	(184,338)
Bank indebtedness advances/(repayments)	-	(150,000)
Net change in cash from financing activities	(196,511)	(334,338)
NET CHANGE IN CASH	285,471	(144,040)
CASH - beginning of year	699,022	843,062
CASH - end of year	984,493	699,022

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, 2021

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting entity

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

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Authority and which are owned and controlled by the Authority. These consolidated financial statements include:

- Quinte Conservation Association

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

(b) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

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

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

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

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Recognition of Revenues and Expenses

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

Government Funding

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

Other revenue

Fees, gate receipts, rentals and leases, tree planting and reforestation, hydro power generation revenues and other program revenues, are recognized as revenue in the year the goods and services are provided.

Investment income is recorded when earned.

Restricted donations are recorded in the period in which the related expenses are incurred. Unrestricted donations are recorded as revenue when received or as a receivable when collection is reasonably assured.

(d) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the Authority because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Authority unless they are sold.

(e) Reserves

Certain amounts, as approved by the Board of Directors, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

(f) Deferred revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(g) Use of estimates

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

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

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

3. TANGIBLE CAPITAL ASSETS

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

	2021	2020
	\$	\$
General		
Land	2,918,416	2,918,416
Buildings	582,499	601,721
Machinery and equipment	621,093	619,595
Vehicles	114,316	143,054
Trails and boardwalks	561,919	331,034
Infrastructure		
Dams and weirs	8,843,878	9,041,891
	13,642,121	13,655,711
Assets under construction	22,213	8,017
	13,664,334	13,663,728

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

During the year there were no write-downs of assets (2020 - \$Nil) and no interest capitalized (2020 - \$Nil).

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

4. LONG TERM DEBT

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

	2021	2020
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2020 - 6.412%), due November 1, 2028	1,764,734	1,961,245

- (b) Interest paid during the year on long term debt amounted to \$120,084 (2020 - \$132,220).
- (c) The funds held in trust of \$418,789 (2020 - \$399,441) reported on the Consolidated Statement of Financial Position is comprised of \$335,543 (2020 - \$335,150) debt service reserve fund described in (d) below plus \$83,246 (2020 - \$64,291) maintenance reserve fund.
- (d) The loan is secured by a general security agreement over all assets of the McLeod Dam Hydroelectric Generating Facility operating as Quinte Conservation Association. As part of the loan agreement with Corpfinance, the Association is required to provide for a debt service reserve fund account in the amount of \$158,279, representing 6 months of debt payments plus accumulated interest on the reserve. The loan agreement requires a minimum debt service coverage ratio of 1.05:1 as well as a minimum amount of working capital as defined by the agreement. Since the Association has been in non-compliance with the debt service coverage requirement and the working capital requirement in the past, Corpfinance considers the Association to be in non-compliance for the entire term of the loan. However, subsequent to the year-end Corpfinance confirmed their intention not to call the loan early and to proceed with the agreed payment schedule reflected in these consolidated financial statements.
- (e) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2022	209,489	107,069	316,558
2023	223,323	93,235	316,558
2024	238,071	78,487	316,558
2025	253,793	62,765	316,558
2026	270,553	46,005	316,558
	1,195,229	387,561	1,582,790
2027 and subsequent years	569,505	37,230	606,735
	1,764,734	424,791	2,189,525

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2021	2020
	\$	\$
Source water protection planning	38,891	9,213
Dam studies matching funds projects	92,486	147,753
Second Depot Lake seasonal camping fees	-	4,000
Bay of Quinte Remedial Action Plan programs	7,530	30,459
Frink Centre projects	35,471	27,277
Restricted donations	323,305	347,457
Storm water management	106,787	119,342
Other	117,844	135,969
	722,314	821,470

The continuity of deferred revenue is as follows:

	2021	2020
	\$	\$
Balance - beginning of year	821,470	941,765
Add amounts received:		
Source water protection planning funding	275,916	143,012
Dam studies matching funds projects funding	324,735	175,492
Second Depot Lake seasonal camping fees	-	3,000
Bay of Quinte Remedial Action Plan programs funding	19,731	26,084
Frink Centre projects funding	11,994	-
Storm water management funding	80,000	183,536
Other funding	61,139	478,981
	773,515	1,010,105
Less transfer to operations:		
Source water protection planning	246,238	199,867
Dam studies matching funds projects	380,002	231,772
Second Depot Lake seasonal camping fees	4,000	-
Bay of Quinte Remedial Action Plan programs	49,953	39,698
Frink Centre projects	3,799	5,530
Restricted donations earned	24,152	-
Storm water management	92,555	142,852
Other	71,972	510,681
	872,671	1,130,400
Balance - end of year	722,314	821,470

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2021	2020
	\$	\$
Surplus/(Deficit)		
Operating	328,409	213,567
Quinte Conservation Association	(705,594)	(708,518)
	(377,185)	(494,951)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	13,664,334	13,663,728
Long term debt	(1,764,734)	(1,961,245)
Unfunded capital - boat	(52,217)	(63,508)
	11,847,383	11,638,975
Surplus	11,470,198	11,144,024
Reserves		
Working funds	402,334	351,334
Green energy	57,835	57,835
Legal	26,078	26,078
Napanee River Buoys	35,156	32,960
Bay of Quinte Stewardship	1,380	1,380
Future projects	2,221	89,713
Flinton Dam	22,500	22,500
Soda Hub Connection	30,017	16,358
Wishart Dam	12,986	12,986
Springside Dam	8,120	8,120
Arden Dam	25,917	25,917
Demorestville Dam	16,243	16,244
James Lazier Dam	8,221	8,221
Deerock Dam	-	11,674
Climate Change	7,500	7,500
Ice Boom	39,558	39,558
Bay of Quinte equipment replacement	22,303	24,817
Source water	138,958	138,960
Whitney Dam	-	25,000
Tangible capital asset management	88,674	102,500
Reforestation	109,457	51,231
Total Reserves	1,055,458	1,070,886
	12,525,656	12,214,910

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

7. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Operations	166,117	166,117	166,117
Source water protection planning 2021/2022	225,181	163,283	-
Source water protection planning 2020/2021	61,280	54,273	143,346
Dam Safety Review	100,119	86,087	10,661
Storm water management	-	29,508	30,492
Dam inspections and capital asset management	119,319	26,278	-
Skootamatta operation agreement	15,000	15,000	-
Madoc Public Consultation	4,674	-	-
Ackerman property project	20,206	165	-
Source water protection planning 2019/2020	-	-	56,523
Lingham Lake Dam	-	-	4,259
	711,896	540,711	411,398

8. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Wages and benefits	176,262	139,469	132,256
Member costs	8,000	9,847	10,637
Office operations	209,141	212,470	217,786
Administration recovery	-	(933)	(4,177)
	393,403	360,853	356,502

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

9. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Operation and maintenance of water control structures	487,642	456,088	449,114
Flood forecasting	579,424	516,219	489,212
Plan input	285,818	401,499	273,291
Information and interpretation	100,562	123,804	127,195
Taxes and insurance	171,800	193,293	160,787
Legal	16,000	12,022	12,249
	1,641,246	1,702,925	1,511,848

10. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Expenses			
Fuel, maintenance and repairs	74,338	64,150	47,153
Small equipment purchases	60,000	44,185	33,066
	134,338	108,335	80,219
Charges based on usage			
Administration	-	-	1,250
Program operations	116,370	83,690	51,211
Conservation area maintenance	-	-	20,001
	116,370	83,690	72,462
Net charges (recovery) to operations	17,968	24,645	7,757

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

11. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Other programs	2,796,035	1,517,102	911,048
Source water protection planning	291,135	219,364	199,867
Hydro power generation	-	241,421	277,986
Forest operations	224,218	96,050	50,802
Environmental day camps	22,850	27,482	4,905
Dam maintenance	-	-	4,419
	3,334,238	2,101,419	1,449,027

12. ECONOMIC DEPENDENCE

The major sources of revenue are in the form of grants from the Province of Ontario and levies from the participating municipalities. The nature and extent of these revenues is of such significance as to affect the viability of the Authority and accordingly, it can be said that the Authority is economically dependent upon the Province of Ontario and the participating municipalities.

13. BUDGET FIGURES

The budget, approved by the Authority, for 2021 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Debt. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

14. BANK INDEBTEDNESS

The Authority has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. The Authority's Executive Committee authorized the temporary borrowing limit on February 12, 2007. At December 31, 2021 there was no balance outstanding (2020 - \$Nil).

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

15. EXPENSES BY OBJECT

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

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Salaries and benefits	1,879,317	1,852,626	1,943,402
Interest charges	-	120,084	132,220
Materials	2,953,626	2,008,005	1,272,066
Contracted services	844,191	409,770	170,243
Rents and financial	31,950	103,428	51,096
External transfers	29,290	24,162	27,070
Amortization	329,100	347,427	329,100
Internal charges	(116,370)	(84,632)	(76,640)
	5,951,104	4,780,870	3,848,557

16. PENSION AGREEMENTS

Certain employees of the Authority are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2021 Annual Report disclosed total actuarial liabilities of \$120,796 million in respect of benefits accrued for service with actuarial assets of \$117,665 million indicating an actuarial deficit of \$3,131 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 2021 were \$159,733 (2020 - \$132,301).

17. COMPARATIVE FIGURES

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

18. UNCERTAINTY CAUSED BY COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Authority's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Authority's operations. The extent of the impact of this outbreak and related containment measures on the Authority's operations cannot be reliably estimated at this time.

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2021

	General					Infrastructure		
	Land	Buildings	Machinery and Equipment	Vehicles	Trails and Boardwalks	Dams and Weirs	Assets Under Construction	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year	2,918,416	1,236,269	885,590	627,860	360,128	14,596,493	8,017	20,632,773
Add: additions during the year	-	-	53,682	-	261,991	18,164	14,196	348,033
Balance, end of year	2,918,416	1,236,269	939,272	627,860	622,119	14,614,657	22,213	20,980,806
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	634,548	265,995	484,806	29,094	5,554,602	-	6,969,045
Add: additions during the year	-	19,222	52,184	28,738	31,106	216,177	-	347,427
Balance, end of year	-	653,770	318,179	513,544	60,200	5,770,779	-	7,316,472
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,918,416	582,499	621,093	114,316	561,919	8,843,878	22,213	13,664,334

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of the Quinte Conservation Association

Opinion

We have audited the financial statements of the Quinte Conservation Association of Quinte Conservation Authority (the Association), which comprise the statement of financial position as at December 31, 2021, the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 14, 2022

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF FINANCIAL POSITION At December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash	177,709	5,690
Accounts receivable	17,393	62,954
Funds held in trust (note 8)	418,789	399,441
TOTAL FINANCIAL ASSETS	613,891	468,085
LIABILITIES		
Accounts payable	20,937	14,420
Due to Quinte Conservation Authority (note 3)	1,298,548	1,162,183
Long term debt (note 8)	1,764,734	1,961,245
TOTAL LIABILITIES	3,084,219	3,137,848
NET DEBT	(2,470,328)	(2,669,763)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	3,956,281	4,020,053
ACCUMULATED SURPLUS (note 6)	1,485,953	1,350,290

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, 2021

	Actual 2021 \$	Actual 2020 \$
REVENUES		
Hydro generation	437,705	402,270
Investment income	3,150	3,074
TOTAL REVENUES	440,855	405,344
EXPENSES		
Interest on long term debt	120,084	132,220
Maintenance and repairs	48,488	61,331
Amortization	63,772	63,773
Contract wages	58,365	65,700
Professional fees	7,988	8,000
Administration	591	4,446
Insurance	5,904	6,290
TOTAL EXPENSES	305,192	341,760
ANNUAL SURPLUS	135,663	63,584
ACCUMULATED SURPLUS - beginning of year	1,350,290	1,286,706
ACCUMULATED SURPLUS - end of year	1,485,953	1,350,290

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION STATEMENT OF CHANGE IN NET DEBT For the Year Ended December 31, 2021

	Actual 2021 \$	Actual 2020 \$
ANNUAL SURPLUS	135,663	63,584
Amortization of tangible capital assets	63,772	63,773
CHANGE IN NET DEBT	199,435	127,357
NET DEBT - beginning of year	(2,669,763)	(2,797,120)
NET DEBT - end of year	(2,470,328)	(2,669,763)

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, 2021

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	135,663	63,584
Items not involving cash		
Amortization of tangible capital assets	63,772	63,773
Change in non-cash working capital		
Accounts receivable	45,561	(3,001)
Funds held in trust	(19,348)	108,214
Accounts payable	6,517	(55,052)
Due to Quinte Conservation Authority	136,365	158,321
Net change in cash from operating activities	368,530	335,839
FINANCING ACTIVITIES		
Debt principal repayments	(196,511)	(184,338)
Bank indebtedness advances/(repayments)	-	(150,000)
Net change in cash from financing activities	(196,511)	(334,338)
NET CHANGE IN CASH	172,019	1,501
CASH - beginning of year	5,690	4,189
CASH - end of year	177,709	5,690

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, 2021

1. NATURE OF ORGANIZATION

Quinte Conservation Association was incorporated without share capital, on October 13, 1998. During 2009 the Association assumed the construction and operations of the McLeod Dam hydroelectric generating facility. The purpose of the Association is to operate and maintain the McLeod Dam hydroelectricity generation for green energy which is used locally.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Recognition of revenue and expenses

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

Hydro generation revenues are recognized as revenue in the year the generation occurs.

(b) Use of estimates

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

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

(c) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Dams and weirs	75 years
Machinery and equipment	75 years

(d) Non-financial assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Association because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Association unless they are sold.

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Inter-entity transactions

The Quinte Conservation Association is controlled by Quinte Conservation Authority's Board of Directors and is consolidated with the Authority's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Authority.

Assets and/or liabilities transferred between the Association and Authority are measured at the carrying amount.

2. 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, 2021 there was no balance outstanding (2020 - \$Nil).

3. INTER-ENTITY TRANSACTIONS

During the year, the Association entered into transactions with Quinte Conservation Authority.

Advances received from Quinte Conservation Authority, a related party, were to fund operations. Quinte Conservation Authority is a related party due to common control. The advances are non-interest bearing with no specific terms of repayment.

In addition, Quinte Conservation Authority provides accounting and administrative services to the Association at no cost.

4. ECONOMIC DEPENDENCE

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

5. CONTRACTUAL RIGHTS

The Association has entered into an agreement with Veridian Connections Inc. to earn revenues for the electricity generated from the hydro electric dam which expires in 2028. The amount of revenue earned is dependent on the quantity of electrical energy supplied and the rate per kWh set by the Ontario Energy Board. The Association receives payments monthly.

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2021 \$	2020 \$
Deficit		
Operating	(705,594)	(708,518)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	3,956,281	4,020,053
Long term debt	(1,764,734)	(1,961,245)
	2,191,547	2,058,808
	1,485,953	1,350,290

7. TANGIBLE CAPITAL ASSETS

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

	Dams & weirs \$	Machinery & equipment \$	2021 Totals \$	2020 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	755,795	7,109	762,904	699,131
Add: additions during the year	62,982	790	63,772	63,773
Balance, end of year	818,777	7,899	826,676	762,904
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,904,950	51,331	3,956,281	4,020,053

During the year there were no write-downs of assets (2020 - \$Nil) and no interest capitalized (2020 - \$Nil).

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

8. LONG TERM DEBT

(a) Long term debt consists of the following:

	2021	2020
	\$	\$
Loan from Corpfinance, repayable in blended monthly instalments of \$26,380 with interest at 6.412% (2020 - 6.412%), due November 1, 2028	1,764,734	1,961,245

(b) Interest paid during the year on long term debt amounted to \$120,084 (2020 - \$132,220).

(c) The funds held in trust of \$418,789 (2020 - \$399,441) reported on the Statement of Financial Position is comprised of \$335,543 (2020 - \$335,150) debt service reserve fund described in (d) below plus \$83,246 (2020 - \$64,291) maintenance reserve fund.

(d) The loan is secured by a general security agreement over all assets of the McLeod Dam Hydroelectric Generating Facility operating as Quinte Conservation Association. As part of the loan agreement with Corpfinance, the Association is required to provide for a debt service reserve fund account in the amount of \$158,279, representing 12 months of debt payments plus accumulated interest on the reserve. The loan agreement requires a minimum debt service coverage ratio of 1.05:1 as well as a minimum amount of working capital as defined by the agreement. Since the Association has been in non-compliance with the debt service coverage requirement and the working capital requirement in the past, Corpfinance considers the Association to be in non-compliance for the entire term of the loan. However, subsequent to the year-end Corpfinance confirmed their intention not to call the loan early and to proceed with the agreed payment schedule reflected in these consolidated financial statements.

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

	Principal	Interest	Total
	\$	\$	\$
2022	209,489	107,069	316,558
2023	223,323	93,235	316,558
2024	238,071	78,487	316,558
2025	253,793	62,765	316,558
2026	270,553	46,005	316,558
2027 and subsequent years	569,505	37,230	606,735
	1,764,734	424,791	2,189,525

QUINTE CONSERVATION AUTHORITY

QUINTE CONSERVATION ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

9. UNCERTAINTY CAUSED BY COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Association's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Association's operations. The extent of the impact of this outbreak and related containment measures on the Association's operations cannot be reliably estimated at this time.