

QUINTE CONSERVATION AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

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TABLE OF CONTENTS

	Page Number
MANAGEMENT REPORT	
INDEPENDENT AUDITORS' REPORT	
CONSOLIDATED FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Change in Net Financial Liabilities	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 14
Schedule of Tangible Capital Assets	15
LOCAL BOARDS	
Quinte Conservation Association	16 - 25



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QUINTE CONSERVATION AUTHORITY

For The Year Ended December 31, 2014

MANAGEMENT REPORT

The accompanying consolidated financial statements of the 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 assets are appropriately accounted for and adequately safeguarded.

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

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

Chair

Date

General Manager/
Secretary-Treasurer

Date

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

We have audited the accompanying consolidated financial statements of the Quinte Conservation Authority and its local board, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations and accumulated surplus, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Quinte Conservation Authority and its local board 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash	1,449,030	2,810,375
Accounts receivable (note 3)	1,002,313	639,272
Funds held in trust (note 6)	398,048	315,210
TOTAL FINANCIAL ASSETS	2,849,391	3,764,857
LIABILITIES		
Bank indebtedness (note 5)	305,000	300,000
Accounts payable	1,167,416	1,030,277
Deferred revenue (note 7)	647,580	2,050,405
Long term debt (note 6)	2,912,121	3,043,218
TOTAL LIABILITIES	5,032,117	6,423,900
NET FINANCIAL LIABILITIES	(2,182,726)	(2,659,043)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4)	13,243,604	13,385,323
Prepaid expenses	2,743	-
TOTAL NON-FINANCIAL ASSETS	13,246,347	13,385,323
ACCUMULATED SURPLUS (note 8)	11,063,621	10,726,280

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, 2014

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
REVENUES			
Provincial grants (note 9)	1,987,973	1,437,086	790,267
Federal grants	20,000	19,482	5,292
Municipal levies - general	1,193,670	1,193,670	1,158,904
- special	993,724	395,269	272,931
Rentals and leases	28,000	27,207	29,663
Interest earned	10,000	36,280	28,207
Donations	9,657	1,611	425
Sales and refunds	5,000	468	8,840
Fees	522,652	640,959	368,467
Tree planting and reforestation	30,000	39,021	4,470
Environmental day camps	32,000	28,852	26,110
Gate receipts	108,500	95,029	112,787
Hydro power generation	-	538,982	533,603
Big Island rehabilitation	1,507,874	1,070,774	3,614,433
Other programs	978,045	677,064	808,057
TOTAL REVENUES	7,427,095	6,201,754	7,762,456
EXPENSES			
Administration (note 10)	361,358	216,996	165,453
Program operations (note 11)	1,618,465	1,663,286	1,301,453
Vehicles and equipment (note 12)	(19,200)	(40,871)	(19,472)
Maintenance - conservation areas	173,094	180,351	167,843
Other projects (note 13)	4,830,429	3,572,338	5,575,404
Amortization	275,208	272,313	275,208
Gain on disposal of tangible capital assets	-	-	(14,900)
TOTAL EXPENSES	7,239,354	5,864,413	7,450,989
ANNUAL SURPLUS	187,741	337,341	311,467
ACCUMULATED SURPLUS - beginning of year	10,726,280	10,726,280	10,414,813
ACCUMULATED SURPLUS - end of year	10,914,021	11,063,621	10,726,280

The accompanying notes are an integral part of these financial statements

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES For the Year Ended December 31, 2014

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
ANNUAL SURPLUS	187,741	337,341	311,467
Amortization of tangible capital assets	275,208	272,313	275,208
Acquisition of tangible capital assets	(500,226)	(130,594)	(186,771)
Gain on disposal of tangible capital assets	-	-	(14,900)
Proceeds on sale of tangible capital assets	-	-	14,900
Increase in prepaid expenses	-	(2,743)	-
DECREASE/(INCREASE) IN NET FINANCIAL LIABILITIES	(37,277)	476,317	399,904
NET FINANCIAL LIABILITIES - beginning of year	(2,659,043)	(2,659,043)	(3,058,947)
NET FINANCIAL LIABILITIES - end of year	(2,696,320)	(2,182,726)	(2,659,043)

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, 2014

	2014	2013
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	337,341	311,467
Increase in accounts receivable	(363,041)	(211,639)
Increase in funds held in trust	(82,838)	(3,014)
Increase in prepaid expenses	(2,743)	-
Increase in accounts payable	137,139	848,487
Increase/(decrease) in deferred revenue	(1,402,825)	1,621,195
Non-cash charges to operations		
Amortization of tangible capital assets	272,313	275,208
Gain on disposal of tangible capital assets	-	(14,900)
Net increase/(decrease) in cash from operating transactions	(1,104,654)	2,826,804
CAPITAL		
Acquisition of tangible capital assets	(130,594)	(186,771)
Proceeds on disposal of tangible capital assets	-	14,900
Net decrease in cash from capital transactions	(130,594)	(171,871)
FINANCING		
Debt principal repayments	(131,097)	(123,589)
Increase/(decrease) in bank indebtedness	5,000	(40,649)
Net decrease in cash from financing transactions	(126,097)	(164,238)
INCREASE/(DECREASE) IN CASH	(1,361,345)	2,490,695
CASH - beginning of year	2,810,375	319,680
CASH - end of year	1,449,030	2,810,375

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, 2014

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

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

- Quinte Conservation Association

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

(b) Capital Assets

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

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

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

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

(c) Recognition of Revenues and Expenses

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

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Non-financial Assets

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

(e) Reserves and Reserve Funds

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

(f) Deferred Revenue

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

(g) Government Funding

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

(h) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Authority 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 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.

(i) Financial Instruments

The Authority financial instruments consist of cash, accounts receivable, funds held in trust, bank indebtedness, accounts payable 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 Authority does not have any significant concentration of interest, currency or credit risk.

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2014	2013
	\$	\$
Government grants	416,512	-
Other	585,801	639,272
	1,002,313	639,272

4. CAPITAL ASSETS

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

	2014	2013
	\$	\$
General		
Land	2,639,502	2,639,502
Buildings	719,650	739,954
Machinery and equipment	278,599	197,097
Vehicles	152,852	153,111
Infrastructure		
Dams and weirs	9,453,001	9,655,659
	13,243,604	13,385,323

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

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

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

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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:

	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 Consolidated Statement of Financial Position is comprised of \$317,612 (2013 - \$251,640) debt service reserve fund described in (d) below plus \$80,436 (2013 - \$63,570) 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 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
	785,069	752,408	1,537,477
2020 to 2024	1,054,310	483,168	1,537,478
2025 and subsequent years	1,072,742	131,065	1,203,807
	2,912,121	1,366,641	4,278,762

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	2014	2013
	\$	\$
Source water protection planning	102,917	34,226
Dam studies matching funds projects	344,429	232,006
Green energy project	102,432	102,432
Massassauga Point	7,000	-
Big Island rehabilitation	-	1,507,874
Early response	12,148	26,114
Other	78,654	147,753
	<u>647,580</u>	<u>2,050,405</u>

The continuity of deferred revenue is as follows:

	2014	2013
	\$	\$
Balance - beginning of year	2,050,405	429,210
Add amounts received:		
Source water protection planning funding received	471,871	430,013
Dam studies matching funds projects funding received	353,676	214,100
Massassauga Point funding received	7,000	-
Big Island rehabilitation funding received	-	5,122,307
Early response funding received	-	81,050
Other funding received	498,430	296,215
	<u>1,330,977</u>	<u>6,143,685</u>
Less transfer to operations:		
Source water protection planning funding earned	403,179	395,787
Dam studies matching funds projects funding earned	241,253	230,110
Watershed report card & generic regulations funding earned	-	23,036
Big Island rehabilitation funding earned	1,507,874	3,614,433
Early response funding earned	13,966	57,733
Other funding earned	567,530	201,391
	<u>2,733,802</u>	<u>4,522,490</u>
Balance - end of year	<u>647,580</u>	<u>2,050,405</u>

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2014	2013
	\$	\$
Surplus/(Deficit)		
Operating	336,354	142,888
Quinte Conservation Association	(315,869)	(419,492)
	20,485	(276,604)
Invested In Capital Assets		
Tangible capital assets - net book value	13,243,604	13,385,323
Long term debt	(2,912,121)	(3,043,218)
	10,331,483	10,342,105
Surplus	10,351,968	10,065,501
Reserves		
Working funds	518,169	518,169
Prince Edward County Shoreline	-	6,000
Legal	14,514	14,514
Napanee River Buoys	22,596	20,666
Bay of Quinte Stewardship	1,380	1,380
WISKI Operation	-	5,765
Flinton Dam	30,000	30,000
Soda Hub Connection	-	8,096
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	30,402	-
Deerock Dam	38,403	-
Total Reserves	711,653	660,779
	11,063,621	10,726,280

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

9. PROVINCIAL GRANTS

Provincial grants include the following:

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Source water protection planning	746,418	401,068	392,299
Operations	321,779	329,386	337,230
Belleville Ice Booms	189,776	69,357	28,899
Third Depot Lake Dam	15,000	10,165	25,000
Ackerman property project	700,000	616,512	-
Arden Dam	15,000	7,683	4,008
Employment grants	-	2,915	2,831
	<u>1,987,973</u>	<u>1,437,086</u>	<u>790,267</u>

10. ADMINISTRATION EXPENSES

Administration expenses include the following:

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Wages and benefits	156,507	91,263	66,224
Member expenses	15,300	7,406	14,447
Office operations	189,551	197,708	180,070
Administration recovery	-	(79,381)	(95,288)
	<u>361,358</u>	<u>216,996</u>	<u>165,453</u>

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2014

11. PROGRAM OPERATIONS EXPENSES

Program operations expenses are comprised of the following:

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Flood forecasting	610,579	494,620	233,811
Information and interpretation	115,002	178,420	181,508
Taxes, insurance and utilities	82,200	134,160	138,579
Operation and maintenance of water control structures	525,787	590,486	486,084
Conservation Services	-	-	13,966
Plan Input	272,897	259,375	238,263
Legal	12,000	6,225	9,242
	<u>1,618,465</u>	<u>1,663,286</u>	<u>1,301,453</u>

12. VEHICLE AND EQUIPMENT EXPENSES

Vehicle and equipment expenses are comprised of the following:

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Expenses			
Fuel, maintenance and repairs	77,700	68,061	77,089
Small equipment purchases	-	21,439	23,628
	<u>77,700</u>	<u>89,500</u>	<u>100,717</u>
Charges based on usage			
Administration	500	488	1,484
Program operations	71,400	101,387	82,076
Conservation area maintenance	20,000	21,738	23,769
Source water protection planning	5,000	6,758	12,860
	<u>96,900</u>	<u>130,371</u>	<u>120,189</u>
Net charges (recovery) to operations	<u>(19,200)</u>	<u>(40,871)</u>	<u>(19,472)</u>

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

13. OTHER PROJECTS EXPENSES

Other projects expenses include the following:

	Budget 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Other programs	1,452,027	1,097,100	1,071,603
Hydro power generation	-	307,565	428,067
Source water protection planning	1,105,489	417,428	395,787
Environmental day camps	32,000	32,966	30,036
Forest operations	33,039	29,993	25,162
Dam maintenance	-	-	8,016
Dam studies	-	-	2,300
Big Island rehabilitation	1,507,874	1,070,774	3,614,433
Ackerman property project	700,000	616,512	-
	4,830,429	3,572,338	5,575,404

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 2014 \$ (Unaudited)	Actual 2014 \$	Actual 2013 \$
Salaries and benefits	2,429,721	1,935,543	1,515,119
Interest charges	-	176,399	183,906
Materials	4,516,180	3,481,280	5,513,758
Contracted services	53,750	122,765	119,543
Rents and financial expenses	39,395	55,655	46,681
External transfers	22,000	22,331	21,314
Amortization	275,208	272,313	275,208
Internal charges	(96,900)	(201,873)	(209,640)
Loss on disposal of tangible capital assets	-	-	(14,900)
	7,239,354	5,864,413	7,450,989

QUINTE CONSERVATION AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

15. BUDGET FIGURES

The budget, approved by the Authority, for 2014 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Liabilities. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

16. 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.

17. PENSION AGREEMENTS

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

Contributions required on account of current service in 2014 were \$132,775 (2013 - \$126,486).

18. COMMITMENT

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

2015	\$14,110
2016	9,902
2017	9,902
2018	9,902
2019	206

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENTS

On January 15, 2015 the Authority purchased property on Mill Road in Madoc for \$230,926 including Ontario Land Transfer Tax of \$2,025.

QUINTE CONSERVATION AUTHORITY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2014

	General				Infrastructure	Totals \$
	Land \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Dams and Weirs \$	
COST						
Balance, beginning of year	2,639,502	1,236,269	272,703	508,671	13,772,439	18,429,584
Add: additions during the year	-	-	91,615	38,979	-	130,594
Less: disposals during the year	-	-	20,000	10,017	-	30,017
Balance, end of year	2,639,502	1,236,269	344,318	537,633	13,772,439	18,530,161
ACCUMULATED AMORTIZATION						
Balance, beginning of year	-	496,315	75,606	355,560	4,116,780	5,044,261
Add: additions during the year	-	20,304	10,113	39,238	202,658	272,313
Less: disposals during the year	-	-	20,000	10,017	-	30,017
Balance, end of year	-	516,619	65,719	384,781	4,319,438	5,286,557
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,639,502	719,650	278,599	152,852	9,453,001	13,243,604

**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
