

Financial Statements of

**NICKEL DISTRICT
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Nickel District Conservation Authority

Opinion

We have audited the accompanying financial statements of Nickel District Conservation Authority, which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nickel District Conservation Authority as at December 31, 2019, and its results of operations and accumulated surplus, its changes in net financial assets and its 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 *Auditors' Responsibilities for the Audit of the 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 financial statements in Canada and we have fulfilled our other 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 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.

Auditors' Responsibility 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 auditors' 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 the 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 Authority's internal control.



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- 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

April 9, 2020

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 336,777	\$ 399,963
Investments (note 2)	1,684,307	1,277,335
Accounts receivable	240,840	227,414
Prepaid expenses	1,401	160
	<u>2,263,325</u>	<u>1,904,872</u>
Financial Liabilities		
Accounts payable and accrued liabilities	132,971	153,000
Accumulated sick leave liability (note 5)	15,651	15,344
Deferred contributions (note 4)	77,770	17,929
Due to Nickel District Conservation Foundation	-	881
	<u>226,392</u>	<u>187,154</u>
Net financial assets	2,036,933	1,717,718
Non-Financial Assets		
Tangible capital assets (note 8)	10,978,637	11,168,047
Commitments and contingencies (note 9)		
Accumulated surplus (note 6)	<u>\$ 13,015,570</u>	<u>\$ 12,885,765</u>

See accompanying notes to financial statements.

On behalf of the Board:

original signed by Lin Gibson _____ Chair

original signed by Carl Jorgensen _____ Secretary - Treasurer

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Municipal levy - operating	\$ 704,014	\$ 617,286
Municipal levy - capital	250,000	250,000
MECP Source Water Protection Transfer	89,835	134,690
MNRF Section 39 Transfer	79,631	154,250
Provincial - other	161,751	118,238
Camp Bitobig	71,476	73,852
Permit and Planning Fees	63,123	60,568
Property rental	114,021	93,003
Other	52,022	148,504
Federal	36,271	193,923
School program fees	32,013	36,378
Solicitor enquiries	27,675	26,851
Donations	27,483	28,269
Corporate Grants	17,674	9,735
Municipal - other	-	5,350
Investment income	16,733	42,884
Unrealized gain (loss) on investments	127,304	(59,361)
	1,871,026	1,934,420
Expenses:		
Administration	448,043	467,513
Program operations (schedule 1)	1,285,715	1,392,072
Foundation	7,463	22,976
	1,741,221	1,882,561
Annual surplus	129,805	51,859
Accumulated surplus, beginning of year	12,885,765	12,833,906
Accumulated surplus, end of year	\$ 13,015,570	\$ 12,885,765

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 129,805	\$ 51,859
Amortization of tangible capital assets	305,747	300,063
Acquisition of tangible capital assets	(116,337)	(207,873)
Change in net financial assets	319,215	144,049
Net financial assets, beginning of year	1,717,718	1,573,669
Net financial assets, end of year	\$ 2,036,933	\$ 1,717,718

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from operating activities:		
Annual surplus	\$ 129,805	\$ 51,859
Item not involving cash:		
Amortization of tangible capital assets	305,747	300,063
Unrealized (gain) loss on investments	(127,304)	59,361
	308,248	411,283
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(13,426)	234,700
Increase in prepaid expenses	(1,241)	-
Decrease in accounts payable and accrued liabilities	(20,029)	(246,111)
Increase in accumulated sick leave liability	307	212
Increase in deferred contributions	59,841	12,500
Decrease in Junction Creek Stewardship Committee	-	(843)
Decrease in Nickel District Conservation Foundation	(881)	-
	332,819	411,741
Investing activities:		
Purchase of investments	(279,668)	108,609
Capital activities:		
Acquisition of tangible capital assets	(116,337)	(207,873)
Increase (decrease) in cash	(63,186)	312,477
Cash, beginning of year	399,963	87,486
Cash, end of year	\$ 336,777	\$ 399,963

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2019

Nickel District Conservation Authority (the "Authority") is a land and water management agency established under the provisions of the Conservation Authorities Act of Ontario. The Authority is a registered charitable organization and is exempt from income taxes under the Canadian Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian public sector accounting standards. The Authority's significant accounting policies are as follows:

(a) Fund accounting:

Unrestricted:

Reserve for levy stabilization:

This reserve accounts for the Authority's program delivery and administrative activities. It consists of the difference between budgeted municipal levies and the municipalities' share of actual net expenses. The amount is available to reduce future municipal levies by the Authority.

Restricted internally:

i) Reserve for water control preventative maintenance:

This reserve was set up to fund maintenance costs for dam and erosion control structures, and water management engineering.

ii) Reserve for Lake Laurentian development:

This reserve was set up to fund development at Lake Laurentian.

iii) Reserve for flood forecasting system:

This reserve was set up to fund the upgrade and maintenance of the flood forecasting system.

iv) Reserve for Junction Creek water management (Berms):

This reserve was set up to fund development of this multi-phased capital project.

v) Reserve for accumulated sick leave:

Under the revised sick leave benefit plan, unused sick leave has been frozen at the number of days accumulated to December 31, 1989. Employees will become entitled to a cash payment when they leave the Authority's employment.

vi) Reserve for Strategic Implementation

This reserve was set up to fund initiatives identified in Authority's strategic plan.

vii) Reserve for Tree Planting

This reserve was set up to fund commitments for the tree planting program.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(a) Fund accounting (continued):5

Restricted externally (continued):

viii) Reserve for special capital infrastructure:

This reserve was set up to provide funding to perform infrastructure maintenance on existing flood and erosion control structures. The funding is mainly locally generated, but can include, from year to year, provincial funds if Water and Erosion Control Infrastructure (WECI) projects are approved.

(b) Revenue recognition:

Restricted contributions related to operations are recognized as revenue of the reserve for levy stabilization in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the reserve for levy stabilization in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Investment income earned on restricted reserves resources that will be spent on those activities is recognized as revenue of the restricted reserves. Unrestricted investment income earned on resources is recognized as revenue of the reserve for levy stabilization.

User fees from planning applications, solicitor inquiries and program fees are recognized as revenue when the services are rendered.

Gross revenue percentage rent due under the lease of the Maley Reservoir is recognized between the water control preventative maintenance reserve, Lake Laurentian development reserve, Flood forecasting system reserve, accumulated sick leave reserve and reserve for levy stabilization. All other rents received are recognized in the reserve for levy stabilization.

Donations are recognized upon receipt as revenue in the reserve for levy stabilization.

The Maley drive property rental is calculated as a percentage of sales in accordance with the terms of the agreement. All other property rental revenue is recognized as it is received at the beginning of the annual term.

When revenue from special programs is received in advance of the related expense, such revenue is deferred until the year in which the expense occurred.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are comprised of property, buildings, equipment, vehicles and infrastructure and are recognized in the period they are acquired. Tangible capital assets are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided on a straight-line basis, over the estimated useful life for all assets except land which is not amortized.

The estimated useful lives of tangible capital assets are estimated as follows:

Asset	Useful Life
Buildings	20 years
Equipment	10 - 20 years
Computers	5 years
Leasehold improvements	5 years (initial term of the lease)
Infrastructure	10 - 75 years
Vehicles	5 years

(d) Investment income:

Investment income is recorded on an accrual basis and includes interest income, dividends and the realized gain (loss) on investments.

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of tangible capital assets and deferred contributions. Actual results could differ from those estimates.

2. Investments:

	2019	2018
Guaranteed investment certificate with Sun Life Financial, yielding interest at 1.25%, maturing July 20, 2020	\$ 86,307	\$ 84,573
Fixed income investments with RBC Dominion Securities	736,294	643,888
Marketable securities with RBC Dominion Securities	709,490	548,874
Investment savings account with RBC Dominion Securities	152,216	—
	<u>\$ 1,684,307</u>	<u>\$ 1,277,335</u>

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Related party transactions:

	2019	2018
Municipal funding from the City of Greater Sudbury	\$ 954,014	\$ 872,636
Administration Fees received from the Nickel District Conservation Foundation	7,643	20,944
Receivable from the City of Greater Sudbury	10,414	51,043
Municipal taxes paid for office space to the City of Greater Sudbury	7,790	7,826

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

4. Deferred contributions:

The deferred contributions consist of:

	Balance, beginning of year	Contributions Received / Transfers in	Expenses Incurred / Transfers Out	Balance, end of year
Groundwater Partnership (City)	\$ 5,429	–	–	\$ 5,429
Unearned revenue	12,500	59,841	12,500	59,841
Source Water Protection	–	102,335	89,835	12,500
	\$ 17,929	162,176	102,335	\$ 77,770

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Accumulated sick leave liability:

Under the revised sick leave benefit plan, unused sick leave has been frozen at the number of days accumulated to December 31, 1989. Employees will become entitled to a cash payment when they leave the Authority's employment. The liability for these accumulated days, to the extent they are vested and could be taken in cash by employees on conclusion of employment is funded by operations.

6. Accumulated surplus:

a) Restricted:

	2019	2018
Restricted externally:		
Special capital infrastructure	\$ 990,056	\$ 856,399
Restricted internally:		
Water control preventative maintenance	445,374	344,845
Lake Laurentian Development	216,836	169,352
Flood forecasting system	70,178	91,729
Junction Creek water management (Berms)	–	20,303
Strategic Implementation	81,491	102,225
Tree Planting	57,069	–
	870,948	728,454
	\$ 1,861,004	\$ 1,584,853

b) Unrestricted:

Levy stabilization	\$ 175,929	\$ 132,863
Tangible capital assets	10,978,637	11,168,049
	\$ 11,154,566	\$ 11,300,912
Total accumulated surplus	\$ 13,015,570	\$ 12,885,765

7. Pension plan:

The Authority contributes to a defined contribution pension plan for certain of its full time employees. Employer contributions made to the plan during the year amounts to \$22,336 (2018 - \$25,157).

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2019
Land	\$ 5,913,700	\$ -	\$ -	\$ 5,913,700
Buildings	430,900	-	-	430,900
Infrastructure	16,747,109	87,528	-	16,834,637
Equipment	552,285	25,531	-	577,816
Leasehold improvements	148,045	999	-	149,044
Computers	87,500	2,279	-	89,779
Vehicles	24,999	-	-	24,999
Total	\$ 23,904,538	\$ 116,337	\$ -	\$ 24,020,875

Accumulated amortization	Balance at December 31, 2018	Disposals and write-offs	Amortization expense	Balance at December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Buildings	352,338	-	6,506	358,844
Infrastructure	11,629,597	-	279,117	11,908,714
Equipment	505,149	-	8,658	513,807
Leasehold improvements	141,074	-	7,072	148,146
Computers	87,500	-	228	87,728
Vehicles	20,833	-	4,166	24,999
Total	\$ 12,736,491	\$ -	\$ 305,747	\$ 13,042,238

	Net book value, December 31, 2018	Net book value, December 31, 2019
Land	\$ 5,913,700	\$ 5,913,700
Buildings	78,562	72,056
Infrastructure	5,117,512	4,925,923
Equipment	47,136	64,009
Leasehold improvements	6,971	898
Computers	-	2,051
Vehicles	4,166	-
Total	\$ 11,168,047	\$ 10,978,637

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Commitments and contingencies:

(a) Lines of credit:

As at December 31, 2019, the Nickel District Conservation Authority has available an operating line of credit of \$200,000 (2018 - \$200,000). There is no balance outstanding on the line of credit as of the year end date.

(b) Contingent liabilities:

The Authority is involved from time to time in litigation, which arises in the normal course of business. In respect of any claims, the Authority believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

(c) Lease commitment:

The Authority's premises are leased by way of an agreement requiring it to make monthly rent payments which expires March 30, 2023. The monthly rental payments up to the period ended March 31, 2020 are expected to be \$5,483, which includes operating expenses and property taxes. This amount is adjusted annually by the landlord based on actual operating costs and property taxes.

10. Expenses by object:

	2019	2018
Salaries, wages and employee benefits	\$ 939,076	\$ 1,000,730
Materials, services and rents	496,398	581,768
Amortization of tangible capital assets	305,747	300,063
	<u>\$ 1,741,221</u>	<u>\$ 1,882,561</u>

11. Segmented reporting:

The Chartered Professional Accountants of Canada Public Sector Accounting Handbook Section PS2700, Segment Disclosures, establishes standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide disclosures established by this section when their operations are diverse enough to warrant such disclosures.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Budget figures:

The budgeted figures presented below were adopted by the Authority on May 9, 2019.

Revenue:

Municipal levies	\$	954,014
Government funding		317,911
Program user fees		234,000
Tree planting		71,011
Other		32,000
Property leases		88,000
Reserves		39,580
		<hr/>
	\$	1,736,516

Expenses:

Wages and benefits	\$	965,359
Operations		521,157
Capital program		250,000
		<hr/>
	\$	1,736,516

13. Comparative information:

Certain of the 2018 comparative information have been restated to conform to the 2019 presentation.

NICKEL DISTRICT CONSERVATION AUTHORITY

Program Operations
Statement of Expenses

Schedule 1

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Program operations:		
Source water protection - operations and administration	\$ 89,835	\$ 132,555
Environmental Education	278,318	291,908
Regulation enforcement	119,549	121,312
Low Impact Development	1,710	87,352
Flood forecasting and warnings	84,631	81,578
Conservation management	58,559	67,366
Forestry	30,248	64,852
National Disaster Mitigation	112,109	59,697
Trails LLCA	52,287	47,560
Monitoring	41,612	22,144
Dam operations	25,305	4,247
	894,163	980,571
Capital projects, surveys and studies:		
Amortization tangible capital assets	289,789	284,661
Conservation areas	67,390	58,085
Flood control structures	30,819	33,210
Erosion control structures	3,554	4,034
Asset Management Study	-	23,142
Sign program	-	8,369
	391,552	411,501
	\$ 1,285,715	\$ 1,392,072