

Financial Statements of

**NICKEL DISTRICT
CONSERVATION AUTHORITY**

Year ended December 31, 2018



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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, 2018
- 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 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, 2018, 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

March 21, 2019

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and investments (note 2)	\$ 92,445	89,411
Restricted cash and investments (note 2)	1,584,853	1,443,380
Accounts receivable	227,414	462,114
Prepaid expenses	160	160
	<u>1,904,872</u>	<u>1,995,065</u>
Financial Liabilities		
Accounts payable and accrued liabilities	153,000	399,111
Accumulated sick leave liability (note 5)	15,344	15,132
Deferred contributions (note 4)	17,929	5,429
Due to Junction Creek Stewardship Committee	-	843
Due to Nickel District Conservation Foundation	881	881
	<u>187,154</u>	<u>421,396</u>
Net financial assets	1,717,718	1,573,669
Non-Financial Assets		
Tangible capital assets (note 8)	11,168,047	11,260,237
Commitments and contingencies (note 9)		
Accumulated surplus (note 6)	<u>\$ 12,885,765</u>	<u>12,833,906</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, 2018, with comparative information for 2017

	Unrestricted	Restricted		2018	2017
		Externally	Internally	Total	Total
Revenue:					
MECP Source Water Protection Transfer	\$ 134,690	-	-	\$ 134,690	173,053
MNRF Section 39 Transfer	154,250	-	-	154,250	154,250
Provincial - other	124,353	-	-	124,353	528,944
Federal	115,507	-	78,416	193,923	45,325
Municipal Levy	617,286	250,000	-	867,286	683,000
Corporate Grants	9,735	-	-	9,735	14,000
Municipal - other	5,350	-	-	5,350	245,400
Permit and Planning Fees	60,568	-	-	60,568	58,790
Solicitor enquiries	26,851	-	-	26,851	28,225
Donations	28,269	-	-	28,269	32,267
Camp Bitobig	73,852	-	-	73,852	71,317
School program fees	36,378	-	-	36,378	32,773
Property rental	28,651	-	64,352	93,003	77,302
Other	78,794	-	63,595	142,389	81,335
Investment income	1,737	-	41,147	42,884	36,019
Unrealized gain (loss) on investments	(2,404)	-	(56,957)	(59,361)	39,723
	1,493,867	250,000	190,553	1,934,420	2,301,723
Expenses:					
Administration (schedule 1)	467,513	-	-	467,513	454,902
Program operations (schedule 2)	1,300,864	23,142	68,066	1,392,072	1,283,273
Foundation	22,976	-	-	22,976	14,478
	1,791,353	23,142	68,066	1,882,561	1,752,653
Annual surplus (deficit)	(297,486)	226,858	122,487	51,859	549,070
Accumulated surplus, beginning of year	11,390,526	681,765	761,615	12,833,906	12,284,836
Inter-reserve transfers	207,872	(52,224)	(155,648)	-	-
Accumulated surplus, end of year	\$ 11,300,912	856,399	728,454	\$ 12,885,765	12,833,906

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 51,859	549,070
Amortization of tangible capital assets	300,063	334,951
Acquisition of tangible capital assets	(207,873)	(875,831)
Change in net financial assets	144,049	8,190
Net financial assets, beginning of year	1,573,669	1,565,479
Net financial assets, end of year	\$ 1,717,718	1,573,669

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash flows from operating activities:		
Annual surplus	\$ 51,859	549,070
Item not involving cash:		
Amortization of tangible capital assets	300,063	334,951
	351,922	884,021
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	234,700	(295,565)
Increase in prepaid expenses	-	(37)
Increase (decrease) in accounts payable and accrued liabilities	(246,111)	288,321
Increase (decrease) in accumulated sick leave liability	212	(11,013)
Increase (decrease) in deferred contributions	12,500	(11,586)
Decrease (increase) in Junction Creek Stewardship Committee	(843)	561
Increase in Nickel District Conservation Foundation	-	(272)
	352,380	854,430
Capital activities:		
Acquisition of tangible capital assets	(207,873)	(875,831)
Increase (decrease) in cash	144,507	(21,401)
Cash and investments, beginning of year	1,532,791	1,554,192
Cash and investments, end of year	\$ 1,677,298	1,532,791
Cash and investments is comprised of the following:		
Cash and investments	\$ 92,445	89,411
Restricted cash and investments	1,584,853	1,443,380
	\$ 1,677,298	1,532,791

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2018

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 part of the Authority's strategic plan.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

Restricted externally (continued):

vii) 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 of the reserve for levy stabilization 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.

(c) Cash and investments:

Cash and investments includes cash on hand, balances held in the bank, current term guaranteed investment certificates and investment in a Treasury bill fund.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(d) 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

(e) Investment income:

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

(f) 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. Cash and investments:

	2018	2017
Guaranteed investment certificate with Sun Life Financial, yielding interest at 1.25%, maturing July 20, 2020	\$ 84,573	\$ 82,831
Balances held in accounts by RBC Dominion Securities	1,490,758	1,373,276
Balances held in accounts by Royal Bank	101,967	76,684
	<u>\$ 1,677,298</u>	<u>\$ 1,532,791</u>

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Related party transactions:

	2018	2017
Municipal funding from the City of Greater Sudbury	\$ 872,636	\$ 928,400
Administration Fees received from the Nickel District Conservation Foundation	20,944	22,802
Receivable from the City of Greater Sudbury	51,043	–
Municipal taxes paid for office space to the City of Greater Sudbury	7,826	8,536

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	–	12,500
	\$ 5,429	12,500	–	\$ 17,929

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Restricted externally:		
Special capital infrastructure	\$ 856,399	\$ 681,765
Restricted internally:		
Water control preventative maintenance	344,845	330,566
Lake Laurentian Development	169,352	239,118
Flood forecasting system	91,729	132,998
Junction Creek water management (Berms)	20,303	20,303
Strategic Implementation	102,225	38,630
	728,454	761,615
	\$ 1,584,853	\$ 1,443,380

b) Unrestricted:

Levy stabilization	\$ 132,863	\$ 130,283
Tangible capital assets	11,168,049	11,260,243
	\$ 11,300,912	\$ 11,390,526
Total accumulated surplus	\$ 12,885,765	\$ 12,833,906

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 \$25,157 (2017 - \$24,241).

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2018
Land	\$ 5,913,700	-	-	5,913,700
Buildings	419,230	11,670	-	430,900
Infrastructure	16,561,846	185,263	-	16,747,109
Equipment	549,091	3,194	-	552,285
Leasehold improvements	140,299	7,746	-	148,045
Computers	87,500	-	-	87,500
Vehicles	24,999	-	-	24,999
Total	\$ 23,696,665	207,873	-	23,904,538

Accumulated amortization	Balance at December 31, 2017	Disposals and write-offs	Amortization expense	Balance at December 31, 2018
Land	\$ -	-	-	-
Buildings	346,124	-	6,214	352,338
Infrastructure	11,359,484	-	270,113	11,629,597
Equipment	494,690	-	10,459	505,149
Leasehold improvements	136,383	-	4,691	141,074
Computers	87,247	-	253	87,500
Vehicles	12,500	-	8,333	20,833
Total	\$ 12,436,428	-	300,063	12,736,491

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 5,913,700	5,913,700
Buildings	73,106	78,562
Infrastructure	5,202,362	5,117,512
Equipment	54,401	47,136
Leasehold improvements	3,916	6,971
Computers	253	-
Vehicles	12,499	4,166
Total	\$ 11,260,237	11,168,047

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

9. Commitments and contingencies:

(a) Lines of credit:

As at December 31, 2018, the Nickel District Conservation Authority has available an operating line of credit of \$200,000 (2017 - \$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, 2019 are expected to be \$5,501, 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:

	2018	2017
Salaries, wages and employee benefits	\$ 1,000,730	\$ 765,744
Materials, services and rents	581,768	651,958
Amortization of tangible capital assets	300,063	334,951
	<u>\$ 1,882,561</u>	<u>\$ 1,752,653</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, 2018

12. Budget figures:

The budgeted figures presented below were adopted by the Authority on December 13, 2017.

Revenue:

Municipal levies	\$	867,286
Government funding		415,250
Nickel District Conservation Foundation donation		50,000
Program user fees		110,000
Other		165,000
Reserves		100,000
		<hr/>
	\$	1,707,536

Expenses:

Wages and benefits	\$	963,036
Operations		494,500
Capital Program		250,000
		<hr/>
	\$	1,707,536

13. Comparative information:

Certain of the 2017 comparative information have been restated to conform to the 2018 presentation.

NICKEL DISTRICT CONSERVATION AUTHORITY

Administration
Statement of Expenses

Schedule 1

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Wages and benefits	\$ 282,775	200,421
General	114,169	157,878
Advertising and promotion	23,486	15,612
Travel and allowances	18,525	19,264
Amortization of tangible capital assets	15,402	53,320
Equipment rental	5,774	1,467
Rent and utilities	4,958	5,286
Material and supplies	2,424	1,654
	<u>\$ 467,513</u>	<u>454,902</u>

NICKEL DISTRICT CONSERVATION AUTHORITY

Program Operations Statement of Expenses

Schedule 2

Year ended December 31, 2018, with comparative information for 2017

	Unrestricted	Restricted		2018	2017
		Externally	Internally		
Program operations:					
Source water protection - operations and administration	\$ 132,555	-	-	132,555	176,594
Environmental Education	291,908	-	-	291,908	269,999
Regulation enforcement	121,312	-	-	121,312	133,208
Low Impact Development	87,352	-	-	87,352	-
Flood forecasting and warnings	81,578	-	-	81,578	112,644
Conservation management	67,366	-	-	67,366	11,662
Forestry	64,852	-	-	64,852	86,085
National Disaster Mitigation	-	-	59,697	59,697	-
Trails LLCA	47,560	-	-	47,560	39,402
Monitoring	22,144	-	-	22,144	8,550
Dam operations	4,247	-	-	4,247	24,170
	920,874	-	59,697	980,571	862,314
Capital projects, surveys and studies:					
Amortization tangible capital assets	284,661	-	-	284,661	281,631
Conservation areas	58,085	-	-	58,085	93,212
Flood control structures	33,210	-	-	33,210	31,456
Asset Management Study	-	23,142	-	23,142	-
Sign program	-	-	8,369	8,369	-
Erosion control structures	4,034	-	-	4,034	14,660
	379,990	23,142	8,369	411,501	420,959
	\$ 1,300,864	23,142	68,066	1,392,072	1,283,273