

Financial Statements of

**NICKEL DISTRICT
CONSERVATION AUTHORITY**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Nickel District Conservation Authority

We have audited the accompanying financial statements of Nickel District Conservation Authority, which comprise the statement of financial position as at December 31, 2017, the statement of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 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.

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 our 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, we consider internal control 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 control. 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, the financial statements present fairly, in all material respects, the financial position of Nickel District Conservation Authority as at December 31, 2017, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 10, 2018

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash and investments (note 2)	\$ 89,411	183,224
Restricted cash and investments (note 2)	1,443,380	1,370,968
Accounts receivable	462,114	166,549
Prepaid expenses	160	123
	<u>1,995,065</u>	<u>1,720,864</u>
Financial Liabilities		
Accounts payable and accrued liabilities	399,111	110,790
Accumulated sick leave liability (note 5)	15,132	26,145
Deferred contributions (note 4)	181,414	193,000
Due to Junction Creek Stewardship Committee	843	282
Due to Nickel District Conservation Foundation	881	1,153
	<u>597,381</u>	<u>331,370</u>
Net financial assets	1,397,684	1,389,494
Non-Financial Assets		
Tangible capital assets (note 8)	11,260,237	10,719,357
Commitments and contingencies (note 9)		
Accumulated surplus (note 6)	\$ 12,657,921	12,108,851

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Secretary - Treasurer

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

	Unrestricted	Restricted		2017 Total	2016 Total
		Externally	Internally		
Revenue:					
Government grants:					
Source Water Protection					
Conservation Ontario/Province	\$ 173,053	-	-	\$ 173,053	164,695
MNR transfer payments	154,250	-	-	154,250	154,250
Provincial - other	158,349	370,595	-	528,944	109,102
Federal	45,325	-	-	45,325	14,183
Municipal levies	433,000	250,000	-	683,000	700,500
Corporate Grants	14,000	-	-	14,000	45,115
Municipal - other	3,400	242,000	-	245,400	5,600
Planning user fees	58,790	-	-	58,790	60,874
Solicitor enquiries	28,225	-	-	28,225	21,475
Donations	32,267	-	-	32,267	22,245
Camp Bitobig	71,317	-	-	71,317	70,297
School program fees	32,773	-	-	32,773	36,990
Property rental	26,926	-	50,376	77,302	89,818
Other	34,335	-	47,000	81,335	16,355
Interest	75,742	-	-	75,742	-
	1,341,752	862,595	97,376	2,301,723	1,511,499
Expenses:					
Administration (schedule 1)	446,532	-	8,370	454,902	334,516
Program operations (schedule 2)	1,279,915	3,358	-	1,283,273	1,475,429
Foundation	14,478	-	-	14,478	2,243
	1,740,925	3,358	8,370	1,752,653	1,812,188
Annual surplus (deficit)	(399,173)	859,237	89,006	549,070	(300,689)
Accumulated surplus, beginning of year	10,737,883	664,801	706,167	12,108,851	12,409,540
Inter-reserve transfers	875,831	(842,273)	(33,558)	-	-
Accumulated surplus, end of year	\$ 11,214,541	681,765	761,615	\$ 12,657,921	12,108,851

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus (deficit)	\$ 549,070	(300,689)
Amortization of tangible capital assets	334,951	333,528
Acquisition of tangible capital assets	(875,831)	(90,141)
Change in net financial assets	8,190	(57,302)
Net financial assets, beginning of year	1,389,494	1,446,796
Net financial assets, end of year	\$ 1,397,684	1,389,494

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from operating activities:		
Annual surplus (deficit)	\$ 549,070	(300,689)
Item not involving cash:		
Amortization of tangible capital assets	334,951	333,528
	884,021	32,839
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(295,565)	10,199
Increase in prepaid expenses	(37)	(123)
Increase in accounts payable and accrued liabilities	288,321	42,209
Increase (decrease) in accumulated sick leave liability	(11,013)	336
Increase (decrease) in deferred contributions	(11,586)	35,476
Decrease (increase) in Junction Creek Stewardship Committee	561	(30,221)
Increase in Nickel District Conservation Foundation	(272)	-
	854,430	90,715
Capital activities:		
Acquisition of tangible capital assets	(875,831)	(90,141)
Increase (decrease) in cash	(21,401)	574
Cash and investments, beginning of year	1,554,192	1,553,618
Cash and investments, end of year	\$ 1,532,791	1,554,192
Cash and investments is comprised of the following:		
Cash and investments	\$ 89,411	183,224
Restricted cash and investments	1,443,380	1,370,968
	\$ 1,532,791	1,554,192

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

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 Friends of Lake Laurentian:

This reserve was set up to ensure that our community jewel, the Lake Laurentian Conservation Area, is appreciated and enhanced for future generations.

vii) Reserve for Fast Flow Water Program:

This reserve was set up to continue on with the education work with regards to the issue of swift water safety and to remember Adam Dickie.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(a) Fund accounting (continued):

Restricted externally (continued):

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, 2017

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) 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:

	2017	2016
Balances held in accounts by CIBC	\$ —	\$ 483
Guaranteed investment certificate with Sun Life Financial, yielding interest at 1.25%, maturing July 20, 2020	82,831	81,209
Balances held in accounts by RBC Dominion Securities	1,373,276	1,314,279
Balances held in accounts by Royal Bank	76,684	158,221
	\$ 1,532,791	\$ 1,554,192

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Related party transactions:

	2017	2016
Municipal funding from the City of Greater Sudbury	\$ 683,000	\$ 700,500
Donations received from the Nickel District		
Conservation Foundation	–	14,062
Administration Fees received from the Nickel District		
Conservation Foundation	22,802	–
Receivable from the City of Greater Sudbury	–	2,701
Municipal taxes paid for office space to the City of Greater Sudbury	8,536	7,953

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
Source Water Protection - operations and administration	\$ 172,347	176,692	(173,054)	\$ 175,985
Groundwater Partnership (City)	5,763	–	(334)	5,429
WECl Maley Dam	14,890	8,017	(22,907)	–
	\$ 193,000	184,709	(196,295)	\$ 181,414

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

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:

	2017	2016
Restricted externally:		
Special capital infrastructure	\$ 681,765	\$ 664,801
Restricted internally:		
Water control preventative maintenance	330,566	313,772
Lake Laurentian Development	239,118	255,884
Flood forecasting system	132,998	116,208
Junction Creek water management (Berms)	20,303	20,303
Strategic Implementation	38,630	–
	761,615	706,167
	\$ 1,443,380	\$ 1,370,968

b) Unrestricted:

Levy stabilization	\$ (45,702)	\$ 18,526
Tangible capital assets	11,260,243	10,719,357
	\$ 11,214,541	\$ 10,737,883
Total accumulated surplus	\$ 12,657,921	\$ 12,108,851

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 \$24,241 (2016 - \$24,333).

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2017
Land	\$ 5,913,700	-	-	5,913,700
Buildings	412,239	6,991	-	419,230
Infrastructure	15,707,782	854,064	-	16,561,846
Equipment	534,595	14,496	-	549,091
Leasehold improvements	140,299	-	-	140,299
Computers	87,220	280	-	87,500
Vehicles	24,999	-	-	24,999
Total	\$ 22,820,834	875,831	-	23,696,665

Accumulated amortization	Balance at December 31, 2016	Disposals and write-offs	Amortization expense	Balance at December 31, 2017
Land	\$ -	-	-	-
Buildings	340,377	-	5,747	346,124
Infrastructure	11,091,934	-	267,550	11,359,484
Equipment	471,206	-	23,484	494,690
Leasehold improvements	108,323	-	28,060	136,383
Computers	85,470	-	1,777	87,247
Vehicles	4,167	-	8,333	12,500
Total	\$ 12,101,477	-	334,951	12,436,428

	Net book value, December 31, 2016	Net book value, December 31, 2017
Land	\$ 5,913,700	5,913,700
Buildings	71,862	73,106
Infrastructure	4,615,848	5,202,362
Equipment	63,389	54,401
Leasehold improvements	31,976	3,916
Computers	1,750	253
Vehicles	20,832	12,499
Total	\$ 10,719,357	11,260,237

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Commitments and contingencies:

(a) Lines of credit:

As at December 31, 2017, the Nickel District Conservation Authority has available an operating line of credit of \$200,000 (2016 - \$Nil). There is no balance outstanding on the line of credit at year end.

(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, 2019. 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:

	2017	2016
Salaries, wages and employee benefits	\$ 765,744	\$ 811,605
Materials, services and rents	651,958	667,055
Amortization of tangible capital assets	334,951	333,528
	<u>\$ 1,752,653</u>	<u>\$ 1,812,188</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, 2017

12. Budget figures:

The budgeted figures presented below were adopted by the Authority on November 10, 2016.

Revenue:

Municipal levies	\$	683,000
Government funding		275,500
Nickel District Conservation Foundation donation		110,000
Program user fees		85,000
Property leases		32,000
Other		201,000
Reserves		161,700
		<hr/>
	\$	1,548,200

Expenses:

Wages and benefits	\$	695,000
Materials and supplies		244,200
Outreach		30,000
Contract services		167,000
Overhead		248,000
Contributions to reserves		164,000
		<hr/>
	\$	1,548,200

13. Comparative information:

Certain of the 2016 comparative information have been restated to conform with the 2017 presentation.

NICKEL DISTRICT CONSERVATION AUTHORITY

Administration
Statement of Expenses

Schedule 1

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Wages and benefits	\$ 200,421	120,455
General	157,878	116,158
Rent and utilities	5,286	4,150
Advertising and promotion	15,612	22,957
Travel and allowances	19,264	26,934
Equipment rental	1,467	772
Material and supplies	1,654	2,618
Amortization of tangible capital assets	53,320	40,472
	\$ 454,902	334,516

NICKEL DISTRICT CONSERVATION AUTHORITY

Program Operations Statement of Expenses

Schedule 2

Year ended December 31, 2017, with comparative information for 2016

	Unrestricted	Restricted		2017	2016
		Externally	Internally		
Program operations:					
Source water protection - operations and administration	176,594	-	-	176,594	197,420
Regulation enforcement	\$ 133,208	-	-	133,208	112,030
Flood forecasting and warnings	112,644	-	-	112,644	116,697
Environmental Education	269,999	-	-	269,999	277,685
Conservation management	11,662	-	-	11,662	69,716
Trails LLCA	39,402	-	-	39,402	35,421
Forestry	86,085	-	-	86,085	41,121
Dam operations	24,170	-	-	24,170	-
	853,764	-	-	853,764	850,090
Capital projects, surveys and studies:					
Conservation areas	93,212	-	-	93,212	72,849
Flood control structures	31,456	-	-	31,456	107,034
Amortization tangible capital assets	281,631	-	-	281,631	293,056
Erosion control structures	11,302	3,358	-	14,660	33,012
Monitoring	8,550	-	-	8,550	21,022
WECI	-	-	-	-	43,602
Climate change consortium	-	-	-	-	1,035
Sign program	-	-	-	-	53,729
	426,151	3,358	-	429,509	625,339
	\$ 1,279,915	3,358	-	1,283,273	1,475,429