

Financial Statements of

**NICKEL DISTRICT
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

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, 2020
- 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, 2020, 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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 14, 2021

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 617,929	\$ 336,777
Investments (note 2)	1,721,305	1,684,307
Accounts receivable	670,032	233,377
Due From Nickel District Conservation Foundation	45,695	7,463
Prepaid expenses	29,365	1,401
	<u>3,084,326</u>	<u>2,263,325</u>
Financial Liabilities		
Accounts payable and accrued liabilities	609,906	132,971
Accumulated sick leave liability (note 5)	-	15,651
Deferred contributions (note 4)	275,929	77,770
	<u>885,835</u>	<u>226,392</u>
Net financial assets	2,198,491	2,036,933
Non-Financial Assets		
Tangible capital assets (note 8)	11,618,540	10,978,637
Commitments and contingencies (note 9)		
Effects of COVID-19 (note 13)		
Accumulated surplus (note 6)	<u>\$ 13,817,031</u>	<u>\$ 13,015,570</u>

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, 2020, with comparative information for 2019

	Budget	2020	2019
	(note 12)		
Revenue:			
Municipal levy - operating	\$ 718,094	\$ 718,094	\$ 704,014
Municipal levy - capital	300,000	300,000	250,000
Provincial grants	194,059	679,156	331,217
Municipal Grants	-	334,790	-
Federal grants	59,703	23,772	36,271
Corporate grants	85,500	98,150	17,674
Property rental	115,000	115,512	114,021
User fees	249,700	119,655	194,287
Donations and other	60,924	54,845	79,505
Investment income	-	25,546	16,733
Unrealized gain on investments	-	102,084	127,304
	<u>1,782,980</u>	<u>2,571,604</u>	<u>1,871,026</u>
Expenses:			
Corporate Services	429,458	516,065	455,506
Education and Engagement	285,000	90,847	278,318
Capital Asset Program	289,789	390,916	324,162
Conservation Authority Lands	153,200	138,031	119,677
Planning and Development Services	222,000	210,923	119,549
Water Risk Management	305,799	329,008	355,202
Watershed Stewardship	95,606	94,353	88,807
	<u>1,780,852</u>	<u>1,770,143</u>	<u>1,741,221</u>
Annual surplus	2,128	801,461	129,805
Accumulated surplus, beginning of year	13,015,570	13,015,570	12,885,765
Accumulated surplus, end of year	<u>\$ 13,017,698</u>	<u>\$ 13,817,031</u>	<u>\$ 13,015,570</u>

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 801,461	\$ 129,805
Amortization of tangible capital assets	325,181	305,747
Acquisition of tangible capital assets	(965,084)	(116,337)
Change in net financial assets	161,558	319,215
Net financial assets, beginning of year	2,036,933	1,717,718
Net financial assets, end of year	\$ 2,198,491	\$ 2,036,933

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Annual surplus	\$ 801,461	\$ 129,805
Item not involving cash:		
Amortization of tangible capital assets	325,181	305,747
Unrealized gain on investments	(102,084)	(127,304)
	<u>1,024,558</u>	<u>308,248</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(436,655)	(13,426)
Increase in prepaid expenses	(27,964)	(1,241)
Increase (decrease) in accounts payable and accrued liabilities	476,935	(20,029)
Increase (decrease) in accumulated sick leave liability	(15,651)	307
Increase in deferred contributions	198,159	59,841
Decrease in Nickel District Conservation Foundation	(38,232)	(881)
	<u>1,181,150</u>	<u>332,819</u>
Investing activities:		
Net change in investments	65,086	(279,668)
Capital activities:		
Acquisition of tangible capital assets	(965,084)	(116,337)
Increase (decrease) in cash	281,152	(63,186)
Cash, beginning of year	336,777	399,963
Cash, end of year	<u>\$ 617,929</u>	<u>\$ 336,777</u>

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2020

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:

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 Strategic Implementation

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

v) Reserve for Tree Planting

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

vi) 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 (WECl) projects are approved.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(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, 2020

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:

	2020	2019
Guaranteed investment certificate with Sun Life Financial, yielding interest at 1.25%, maturing July 20, 2020	\$ —	\$ 86,307
Fixed income investments with RBC Dominion Securities	799,298	736,294
Marketable securities with RBC Dominion Securities	773,678	709,490
Investment savings account with RBC Dominion Securities	148,329	152,216
	<u>\$ 1,721,305</u>	<u>\$ 1,684,307</u>

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Related party transactions:

	2020	2019
Municipal funding from the City of Greater Sudbury	\$ 1,018,094	\$ 954,014
Municipal grant from the City of Greater Sudbury	334,790	—
User Fees from the City of Greater Sudbury	61,001	37,557
Municipal taxes paid to the City of Greater Sudbury	62,223	57,480
Other Revenue from the City of Greater Sudbury	—	13,412
Program Expenses paid to the City of Greater Sudbury	68,566	40,358
Receivable from the City of Greater Sudbury	334,790	10,414
Expenses incurred on behalf of Foundation operations	38,232	7,643

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
MNRF – WECI Projects	\$ —	626,419	(425,316)	\$ 201,103
RBC – IPACC Project	—	85,000	(10,174)	74,826
Groundwater Partnership (City)	5,429	—	(5,429)	—
Unearned revenue	59,841	—	(59,841)	—
Source Water Protection	12,500	70,740	(83,240)	—
	\$ 77,770	782,159	(584,000)	\$ 275,929

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 become entitled to a cash payment when they leave the Authority's employment. As of December 31, 2020, the final payment related to the accumulated sick leave liability as been paid.

6. Accumulated surplus:

a) Restricted:

	2020	2019
Restricted externally:		
Special capital infrastructure	\$ 989,775	\$ 990,056
Restricted internally:		
Water control preventative maintenance	518,743	445,374
Lake Laurentian Development	262,343	216,836
Flood forecasting system	54,840	70,178
Strategic Implementation	91,426	81,491
Tree Planting	113,886	57,069
	1,041,238	870,948
	\$ 2,031,013	\$ 1,861,004

b) Unrestricted:

Levy stabilization	\$ 167,478	\$ 175,929
Tangible capital assets	11,618,540	10,978,637
	\$ 11,786,018	\$ 11,154,566
Total accumulated surplus	\$ 13,817,031	\$ 13,015,570

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 \$22,510 (2019 - \$22,336).

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2020
Land	\$ 5,913,700	\$ -	\$ -	\$ 5,913,700
Buildings	430,900	15,871	-	446,771
Infrastructure	16,834,637	920,534	-	17,755,171
Equipment	577,816	25,631	-	603,447
Leasehold improvements	149,044	-	-	149,044
Computers	89,779	3,048	-	92,827
Vehicles	24,999	-	-	24,999
Total	\$ 24,020,875	\$ 965,084	\$ -	\$ 24,985,959

Accumulated amortization	Balance at December 31, 2019	Disposals and write-offs	Amortization expense	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Buildings	358,844	-	6,903	365,747
Infrastructure	11,908,714	-	302,455	12,211,169
Equipment	513,807	-	12,765	526,572
Leasehold improvements	148,146	-	898	149,044
Computers	87,728	-	2,160	89,888
Vehicles	24,999	-	-	24,999
Total	\$ 13,042,238	\$ -	\$ 325,181	\$ 13,367,419

	Net book value, December 31, 2019	Net book value, December 31, 2020
Land	\$ 5,913,700	\$ 5,913,700
Buildings	72,056	81,024
Infrastructure	4,925,923	5,544,002
Equipment	64,009	76,875
Leasehold improvements	898	-
Computers	2,051	2,939
Vehicles	-	-
Total	\$ 10,978,637	\$ 11,618,540

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Commitments and contingencies:

(a) Lines of credit:

As at December 31, 2020, the Nickel District Conservation Authority has available an operating line of credit of \$200,000 (2019 - \$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, 2021 are expected to be \$4,653, 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:

	2020	2019
Salaries and benefits	\$ 894,898	\$ 943,933
Operations	316,705	343,773
Amortization of tangible capital assets	325,181	305,747
Professional Services	179,244	81,847
Utilities	23,409	21,437
Outreach and Communications	22,382	30,393
Vehicles	8,324	14,091
	<u>\$ 1,770,143</u>	<u>\$ 1,741,221</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, 2020

12. Budget figures:

The budget adopted by the Board on November 18, 2019 was not prepared on a basis consistent with that used to report actual results according to Public Sector Accounting Standards. As a result, the budget figures presented in the statement of operations and accumulated surplus and change in net financial assets represent the financial plan adopted by the Board with adjustment as follows:

Annual Surplus per budget approved by the Board	\$	–
Less:		
Contributions to Reserves		20,125
Amortization		305,747
		<u>325,872</u>
Add:		
Contributions from Reserves		28,000
Capital additions		300,000
		<u>328,000</u>
Surplus per financial statements	\$	<u>2,128</u>

13. Effects of COVID-19:

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (“COVID-19”) a global pandemic. At the time of approval of these financial statements, the Authority has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in the fair value of investments and investment income.
- Mandatory working from home requirements for those able to do so, and put in place measures to limit and control access to the premises by staff.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors’ report which provides additional evidence relating to conditions that existed as at year end. There are no adjustments to note as of the audit report date.

14. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.