

Financial Statements of

**NICKEL DISTRICT
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2021



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury ON P3C 1X3
Canada
Tel 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, 2021
- 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 remeasurement gains and losses for the year the 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, 2021, and its results of operations and accumulated surplus, its changes in net financial assets, its remeasurement gains and losses 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.



Page 3

- 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.
- 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

June 9, 2022

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash	\$ 907,567	\$ 617,929
Investments (note 2)	1,618,458	1,721,305
Accounts receivable	964,728	670,032
Due From Nickel District Conservation Foundation	15,009	45,695
	<u>3,505,762</u>	<u>3,054,961</u>
Financial Liabilities		
Accounts payable and accrued liabilities	278,565	609,906
Deferred contributions (note 4)	504,888	275,929
	<u>783,453</u>	<u>885,835</u>
Net financial assets	2,722,309	2,169,126
Non-Financial Assets		
Prepaid expenses	2,204	29,365
Tangible capital assets (note 7)	11,948,438	11,618,540
Commitments and contingencies (note 8)		
Accumulated surplus	\$ 14,672,951	\$ 13,817,031
Accumulated surplus is comprised of:		
Accumulated operating surplus (note 6)	\$ 14,353,884	\$ 13,614,011
Accumulated remeasurement gains	319,067	203,020
	<u>\$ 14,672,951</u>	<u>\$ 13,817,031</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, 2021, with comparative information for 2020

	Budget (note 10)	2021	2020
Revenue:			
Municipal levy - operating	\$ 738,919	\$ 738,919	\$ 718,094
Municipal levy - capital	350,000	350,000	300,000
Provincial grants	173,624	624,375	679,156
Municipal grants	-	282,510	334,790
Federal grants	90,700	26,939	23,772
Corporate grants	28,000	74,826	98,150
Property rental	116,880	155,175	115,512
User fees	236,375	216,818	119,655
Donations and other	189,083	160,742	54,845
Gain on sale of tangible capital assets	-	110,842	-
Investment income	-	27,935	32,317
	1,923,581	2,769,081	2,476,291
Expenses:			
Corporate Services	460,135	581,857	516,065
Education and Engagement	297,936	211,522	90,847
Capital Asset Program	309,358	379,456	390,916
Conservation Authority Lands	205,663	194,074	138,031
Planning and Development Services	208,449	257,430	210,923
Water Risk Management	286,555	246,632	329,008
Watershed Stewardship	200,276	158,237	94,353
	1,968,372	2,029,208	1,770,143
Annual surplus (deficit)	(44,791)	739,873	706,148
Accumulated surplus, beginning of year	13,614,011	13,614,011	12,907,863
Accumulated surplus, end of year	\$ 13,569,220	\$ 14,353,884	\$ 13,614,011

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 739,873	\$ 706,148
Net remeasurement gains for the year	116,047	95,313
	855,920	801,461
Amortization of tangible capital assets	318,801	325,181
Acquisition of tangible capital assets	(657,857)	(965,084)
Gain on sale of tangible capital assets	(110,842)	-
Cash proceeds on disposition of capital assets	120,000	-
Decrease (increase) in prepaid expenses	27,161	(27,964)
Change in net financial assets	553,183	133,594
Net financial assets, beginning of year	2,169,126	2,035,532
Net financial assets, end of year	\$ 2,722,309	\$ 2,169,126

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Remeasurement Gains and Losses

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Accumulated remeasurement gains, beginning of year	\$ 203,020	\$ 107,707
Unrealized gains attributable to:		
Fixed income	8,400	37,896
Equity instruments	163,568	64,188
	171,968	102,084
Realized gains attributable to:		
Fixed income	(876)	(6,771)
Equity instruments	(55,045)	-
	(55,921)	(6,771)
Net remeasurement gains for the year	116,047	95,313
Accumulated remeasurement gains, end of year	\$ 319,067	\$ 203,020

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2021 with comparative information for 2020

	2021	2020
Cash flows from operating activities:		
Annual surplus	\$ 739,873	\$ 706,148
Item not involving cash:		
Amortization of tangible capital assets	318,801	325,181
Unrealized gain on investments	(116,047)	(95,313)
Gain on sale of tangible capital assets	(110,842)	-
	<u>831,785</u>	<u>936,016</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(294,696)	(436,655)
Decrease (increase) in prepaid expenses	27,161	(27,964)
Increase (decrease) in accounts payable and accrued liabilities	(331,341)	476,935
Decrease in accumulated sick leave liability	-	(15,651)
Increase in deferred contributions	228,959	198,159
Decrease (increase) in Nickel District Conservation Foundation	30,686	(38,232)
	<u>492,554</u>	<u>1,092,608</u>
Investing activities:		
Net change in investments	334,941	153,628
	<u>334,941</u>	<u>153,628</u>
Capital activities:		
Acquisition of tangible capital assets	(657,857)	(965,084)
Proceeds on disposition of capital assets	120,000	-
	<u>(537,857)</u>	<u>(965,084)</u>
Increase in cash	289,638	281,152
Cash, beginning of year	617,929	336,777
Cash, end of year	<u>\$ 907,567</u>	<u>\$ 617,929</u>

See accompanying notes to financial statements.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2021

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:

The Authority prepares the financial statements using the principals of fund accounting as follows:

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, 2021

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

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 within 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) Deferred contributions:

Funding received under funding arrangements which relate to a subsequent fiscal year are recorded as deferred contributions and are recognized as revenue in the year to which they relate. Unexpended portions of grants received for specific purposes are reflected as deferred contributions and are recognized as revenue in the year they are expended.

(d) Financial instruments:

The Authority initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Authority subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(e) 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
Land	Infinite
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

Assets under construction are not amortized until they are put into productive use.

(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. Investments:

	2021		2020	
	Cost	Market	Cost	Market
Equities	\$ 572,764	\$ 814,633	\$ 607,767	\$ 773,678
Fixed income	726,219	753,798	757,527	799,298
Investment savings	50,027	50,027	148,329	148,329
	\$ 1,349,010	\$ 1,618,458	\$ 1,513,623	\$ 1,721,305

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Related party transactions:

	2021	2020
Municipal funding from the City of Greater Sudbury	\$ 1,088,919	\$ 1,018,094
Municipal grant from the City of Greater Sudbury	286,403	334,790
User Fees from the City of Greater Sudbury	85,097	61,001
Property rental fees from the City of Greater Sudbury	31,562	31,252
Municipal taxes paid to the City of Greater Sudbury	63,423	62,223
Other Revenue from the City of Greater Sudbury	21,114	–
Program Expenses paid to the City of Greater Sudbury	61,420	68,566
Receivable from the City of Greater Sudbury	617,300	334,790
Administration fees from Nickel District Conservation Foundation	97,273	38,232
Expenses incurred on behalf of Foundation operations	97,273	38,232

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	\$ 201,103	\$ 569,450	\$ (360,129)	\$ 410,424
RBC – IPACC Project	74,826	–	(74,826)	–
Unearned revenue	–	64,336	–	64,336
Source Water Protection	–	130,345	(100,217)	30,128
	\$ 275,929	\$ 764,131	\$ (535,172)	\$ 504,888

5. 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 \$40,192 (2020 - \$22,510).

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Accumulated surplus:

a) Restricted:

	2021	2020
Restricted externally:		
Special capital infrastructure	\$ 1,240,614	\$ 989,775
Restricted internally:		
Water control preventative maintenance	472,729	431,613
Lake Laurentian Development	253,469	218,279
Flood forecasting system	22,939	45,629
Strategic Implementation	72,183	76,070
Tree Planting	98,880	94,757
	920,200	866,348
	\$ 2,160,814	\$ 1,856,123

b) Unrestricted:

Levy stabilization	\$ 244,632	\$ 139,348
Tangible capital assets	11,948,438	11,618,540
	\$ 12,193,070	\$ 11,757,888
Total accumulated surplus	\$ 14,353,884	\$ 13,614,011

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2021
Land	\$ 5,913,700	\$ -	\$ (9,158)	\$ 5,904,542
Buildings	446,771	4,489	-	451,260
Infrastructure	17,755,171	642,116	-	18,397,287
Equipment	603,447	8,614	-	612,061
Leasehold improvements	149,044	-	-	149,044
Computers	92,827	2,638	-	95,465
Vehicles	24,999	-	-	24,999
Total	\$ 24,985,959	\$ 657,857	\$ (9,158)	\$ 25,634,658

Accumulated amortization	Balance at December 31, 2020	Disposals and write-offs	Amortization expense	Balance at December 31, 2021
Land	\$ -	\$ -	\$ -	\$ -
Buildings	365,747	-	16,336	382,083
Infrastructure	12,211,169	-	288,670	12,499,839
Equipment	526,572	-	11,068	537,640
Leasehold improvements	149,044	-	-	149,044
Computers	89,888	-	2,727	92,615
Vehicles	24,999	-	-	24,999
Total	\$ 13,367,419	\$ -	\$ 318,801	\$ 13,686,220

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 5,913,700	\$ 5,904,542
Buildings	81,024	69,177
Infrastructure	5,544,002	5,897,448
Equipment	76,875	74,421
Leasehold improvements	-	-
Computers	2,939	2,850
Vehicles	-	-
Total	\$ 11,618,540	\$ 11,948,438

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Commitments and contingencies:

(a) Lines of credit:

As at December 31, 2021, the Nickel District Conservation Authority has available an operating line of credit of \$200,000 (2020 - \$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, 2022 are expected to be \$4,662, which includes operating expenses and property taxes. This amount is adjusted annually by the landlord based on actual operating costs and property taxes.

9. Expenses by object:

	2021	2020
Salaries and benefits	\$ 1,146,855	\$ 894,898
Operations	432,721	316,705
Amortization of tangible capital assets	318,801	325,181
Professional Services	77,127	179,244
Utilities	22,472	23,409
Outreach and Communications	26,119	22,382
Vehicles	5,113	8,324
	<u>\$ 2,029,208</u>	<u>\$ 1,770,143</u>

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Budget information:

The budget adopted by the Board on December 10, 2020 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 budget adopted by the Board with adjustment as follows:

Annual surplus per budget approved by the Board	\$	–
Less:		
Contributions to reserves		104,800
Amortization		325,181
		<hr/> 429,981
Add:		
Contributions from reserves		35,190
Capital additions		350,000
		<hr/> 385,190
Surplus per financial statements	\$	<hr/> 44,791

11. Financial instruments:

Transaction in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The Authority is exposed to the following risks associated with financial instruments and transactions it is a party to:

a) Credit risk:

Credit risk is the risk that one party to a financial transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Authority is exposed to this risk relating to its cash and accounts receivable.

The Authority holds its cash accounts with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote. Receivables consist of balances due from government agencies and the risk of loss is minimal.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

b) Liquidity risk:

Liquidity risk is the risk that the Authority cannot repay its obligations when they become due to its creditors. The Authority is exposed to this risk relating to its accounts payable and accrued liabilities.

The Authority reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash to repay trade creditors as payables become due.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

NICKEL DISTRICT CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Comparative information:

The 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.