

Essex Region Conservation Authority

**Financial Statements
December 31, 2020**

INDEPENDENT AUDITOR'S REPORT

To the Directors of Essex Region Conservation Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Essex Region Conservation Authority, which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of cash flow for the year then ended
- the statement of net surplus for the year then ended
- and notes to the financial statements including summary of 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 Essex Region Conservation Authority as at December 31, 2020, and its results of operations 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Essex Region Conservation Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical 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.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Essex Region Conservation 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 Essex Region Conservation Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Essex Region Conservation Authority's financial reporting process.

Auditor's Responsibilities 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 auditor's 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 these 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 Essex Region Conservation 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 Essex Region Conservation 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 auditor's 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 auditor's report. However, future events or conditions may cause Essex Region Conservation 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Essex Region Conservation Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Essex Region Conservation Authority's audit. We remain solely responsible for our audit opinion.

We 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.

**HICKS, MacPHERSON, IATONNA
& DRIEDGER LLP**

*Hicks, MacPherson, Iatonna
& Driedger LLP*

Chartered Professional Accountants
Licensed Public Accountants

Leamington, Ontario
June 17, 2021

Essex Region Conservation Authority
Statement of Financial Position
December 31

	2020	2019
Financial Assets		
Cash and cash equivalents (Note 1(i))	\$ 3,175,037	\$ 3,539,449
Accounts receivable (Note 4)	1,589,059	732,671
	4,764,097	4,272,120
Financial Liabilities		
Accounts payable and accrued liabilities	829,063	569,564
Deferred revenues	2,729,208	2,183,557
	3,558,271	2,753,121
Net Surplus	1,205,826	1,518,999
Non-Financial Assets		
Tangible capital assets (Notes 1(c) and 2)	21,122,356	20,016,865
Prepaid expenses and inventory	37,903	47,763
	21,160,259	20,064,628
Accumulated surplus	\$ 22,366,085	\$ 21,583,627
Accumulated surplus consists of:		
Operating surplus	\$ 52,331	\$ 118,223
Reserves (Note 1(d) and Schedule 5)	1,191,398	1,448,539
Equity in tangible capital assets	21,122,356	20,016,865
	\$ 22,366,085	\$ 21,583,627

The accompanying notes and schedules are an integral part of these financial statements.

On behalf of the Board:

Chair

Secretary-Treasurer

Essex Region Conservation Authority
Statement of Operations
for the years ended December 31

	2020 Budget (note 7)	2020 Actual	2019 Actual
Revenues			
Government grants & transfer payments:			
Provincial - Section 39	\$ 104,417	\$ 104,417	\$ 104,417
- Drinking Source Water Protection Program	102,600	52,734	127,072
- MNR (Water & Erosion Control Infrastructure)	-	52,875	1,250
- Other	132,188	519,926	180,863
Federal	1,147,250	996,414	670,633
Municipal			
Levy - General	2,336,667	2,336,666	2,188,666
Levy - Special	1,050,000	1,050,000	1,050,000
Remedial projects, studies and risk management services	2,627,950	1,088,846	97,183
Total government revenues	7,501,072	6,201,879	4,420,084
Self-generated & other revenues			
Fee for service, program fees & admissions	1,149,960	1,145,495	1,570,107
Leases & property rentals	77,600	80,255	75,689
Interdepartmental recoveries	725,665	676,066	866,498
Donations & other grants			
General	303,000	156,010	87,767
Essex Region Conservation Foundation (Note 10)	262,500	544,276	533,083
In-kind contributions	13,000	39,222	39,516
Interest & miscellaneous income	50,000	64,690	86,522
Net gain on disposal of assets	-	-	4,000
Total other revenues	2,581,725	2,706,015	3,263,182
Change in deferred revenue			
Net transfers from (to) deferred revenue	14,270	(545,651)	(330,090)
TOTAL REVENUES	\$ 10,097,067	\$ 8,362,242	\$ 7,353,176
Expenses			
Watershed management services (Schedule 1)	1,456,585	1,473,939	1,506,822
Conservation services (Schedule 2)	7,544,398	4,212,580	4,091,667
Communications & outreach (Schedule 3)	511,800	299,602	526,372
Corporate services (Schedule 4)	978,534	991,376	947,686
	10,491,317	6,977,497	7,072,547
Amortization (Note 2)	309,500	309,545	315,571
Total expenses before extraordinary item	10,800,817	7,287,042	7,388,117
Extraordinary item (Note 12)	-	292,742	-
TOTAL EXPENSES	\$ 10,800,817	\$ 7,579,784	\$ 7,388,117
Net Surplus (Deficit) for the Year	(703,750)	782,458	(34,942)
Accumulated Surplus, Beginning of Year	21,583,627	21,583,627	21,618,569
Accumulated Surplus, End of Year	\$ 20,879,877	\$ 22,366,085	\$ 21,583,627

The accompanying notes and schedules are an integral part of these financial statements.

Essex Region Conservation Authority
Statement of Cash Flow
for the years ended December 31

	2020	2019
	Actual	Actual
Cash provided for (used in):		
Operating Activities		
Net surplus (deficit) for the year	\$ 782,458	\$ (34,942)
Non cash items:		
Amortization	309,545	315,571
Gain on sale of tangible capital assets	-	(4,000)
(Increase) decrease accounts receivable	(856,389)	554,087
Decrease prepaid expenses and inventory	9,860	12,729
Increase (decrease) accounts payable and accruals	259,498	(208,344)
Increase deferred revenues	545,651	330,090
	1,050,624	965,191
Investing/Capital Activities		
Constructed tangible capital assets	(221,910)	(45,881)
Construction in progress of tangible capital assets	(1,023,929)	(20,347)
Acquisition of land	(115,562)	-
Purchase of tangible capital assets	(53,635)	(53,588)
	(1,415,036)	(119,816)
Increase (decrease) in cash and cash equivalents	(364,412)	845,375
Cash and cash equivalents, beginning of year	3,539,449	2,694,074
Cash and cash equivalents, end of year	\$ 3,175,037	\$ 3,539,449

The accompanying notes and schedules are an integral part of these financial statements.

Essex Region Conservation Authority
Statement of Net Surplus
for the years ended December 31

	2020 Budget (note 7)	2020 Actual	2019 Actual
Net surplus (deficit) for the year	\$ (703,750)	\$ 782,458	\$ (34,942)
Acquisition of land	-	(115,562)	-
Acquisition and/or construction of tangible capital assets	-	(1,245,839)	(66,228)
Purchase of tangible capital assets	(85,000)	(53,635)	(53,588)
Gain on sale/disposal/destruction of assets	-	-	(4,000)
Change in prepaid expenses and supplies inventory	-	9,860	12,729
Amortization of tangible capital assets	309,500	309,545	315,571
Increase (decrease) in net surplus	(479,250)	(313,172)	169,542
Net surplus, beginning of year	1,518,999	1,518,999	1,349,457
Net surplus, end of year	\$ 1,039,749	\$ 1,205,827	\$ 1,518,999

The accompanying notes and schedules are an integral part of these financial statements.

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

Purpose of Organization

The Essex Region Conservation Authority (ERCA) is a public sector agency, established under the Conservation Authorities Act of Ontario, on July 18, 1973, to further the conservation, restoration, development and management of natural resources, exclusive of gas, oil, coal and minerals for the watersheds within its area of jurisdiction.

The Authority is also a registered charity (107311177RR0001) as recognized by the Canada Revenue Agency.

1. Summary of Accounting Policies

- a) **Management Responsibility** – The financial statements of the Essex Region Conservation Authority ("Authority") are prepared by management in accordance with Canadian public sector accounting standards principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The integrity and objectivity of these statements are also management's responsibility. Management is also responsible for all of the notes and schedules to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.
- b) **Basis of Accounting** – Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- c) **Tangible Capital Assets** – Tangible capital assets, comprised of capital assets and capital work-in-progress, are recorded at cost less accumulated amortization and are classified according to their functional use. Donated tangible capital assets are reported at fair market value at the time of donation. Leasehold improvements are amortized on a straight-line basis over the lesser of the economic useful life of the improvement or the term of the related property management agreement or lease. Capital works-in-progress are not amortized until the asset is available for productive use. Tangible Capital Assets do not include assets unrelated to the Authority's core business operations, such as ancillary rental dwellings, specialty assets purchased exclusively for purposes of fulfilling grant obligations, heritage/historical assets held in perpetuity and minority ownership in assets owned by other public sector organizations.

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

1. Summary of Accounting Policies (Continued)

c) Tangible Capital Assets (Continued)

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Land/Site Improvements	15 to 30 years
Buildings	25 to 50 years
Engineered Structures	15 to 30 years
Linear Assets (Sewer and Water)	35 to 60 years
Leasehold improvements	Lease term
Machinery and Field Equipment	7 to 40 years
Vehicles	7 years
Furniture & Fixtures	20 years
Computer Hardware & Software	4 to 10 years

- d) **Reserves** – Reserves for future expenditures and contingencies are established as required using the estimates of management. Increases or decreases in these reserves are made by appropriations to or from operations.
- e) **Interdepartmental Recoveries** – Internal charges for the use of the vehicles and equipment are made to the various projects and programs of the Authority. The internal charges are designed to recover the costs of operating the equipment, including replacement. Finance, administration and overhead items are partially charged to programs and projects, on a pro-rata basis.
- f) **In-Kind Contributions** – The Authority records various in-kind contributions made by private landowners and other public sector agencies. A landowner in-kind contribution is recorded when required by government grant programs to satisfy eligibility requirements and when the landowner contribution can be verified and valued. The Authority periodically receives property and tangible goods, donated by various agencies and private landowners, which also results in the recording of an in-kind contribution.

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

1. Summary of Significant Accounting Policies (Continued)

- g) **Government Transfers and Deferred Revenue** – The Authority receives certain amounts for which the related services have yet to be performed. The gross transfer payments received during the year are shown by government program, however, revenue unearned in the current period is recorded as a transfer to deferred revenue.
- h) **Use of Estimates** – The presentation of 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 at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, the carrying value of property plant and equipment and accruals. Actual results could differ from management's best estimates as additional information becomes available in the future.
- i) **Cash and Cash Equivalents**- Cash and cash equivalents include cash balances and short term highly liquid investments that are readily converted to cash.

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

2. Tangible Capital Assets

Cost	Balance 31-Dec-19	Additions	Disposals	Balance 31-Dec-20
Land	\$ 12,066,050	\$ 115,562	\$ -	\$ 12,181,612
Land/Site improvements	5,586,165	-	-	5,586,165
Buildings	479,222	-	-	479,222
Engineered structures	1,920,100	221,910	(40,000)	2,102,010
Leasehold improvements	1,644,176	-	-	1,644,176
Machinery and field equipment	517,269	-	-	517,269
Vehicles	491,304	53,635	-	544,939
Furniture and fixtures	103,280	-	-	103,280
Computer hardware and software	116,682	-	-	116,682
Capital works-in-progress	20,347	1,023,929	-	1,044,276
	\$ 22,944,595	\$ 1,415,036	\$ (40,000)	\$ 24,319,631
Accumulated Amortization	Balance 31-Dec-19	Disposals	Amortization	Balance 31-Dec-20
Land	\$ -	\$ -	\$ -	\$ -
Land/Site improvements	297,313	-	61,984	359,297
Buildings	339,582	-	8,150	347,732
Engineered structures	771,935	(40,000)	69,909	801,844
Leasehold improvements	696,293	-	80,134	776,427
Machinery and field equipment	319,218	-	30,285	349,502
Vehicles	332,593	-	48,539	381,132
Furniture and fixtures	81,896	-	3,564	85,460
Computer hardware and software	88,901	-	6,981	95,881
Capital works-in-progress	-	-	-	-
	\$ 2,927,730	\$ (40,000)	\$ 309,545	\$ 3,197,275
	Net Book Value 31-Dec-19			Net Book Value 31-Dec-20
Land	\$ 12,066,050			\$ 12,181,612
Land/Site improvements	5,288,852			5,226,868
Buildings	139,640			131,490
Engineered structures	1,148,165			1,300,166
Leasehold improvements	947,883			867,749
Machinery and field equipment	198,051			167,767
Vehicles	158,712			163,808
Furniture and fixtures	21,384			17,820
Computer hardware and software	27,781			20,801
Capital works-in-progress	20,347			1,044,276
	\$ 20,016,865			21,122,356

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

2. Tangible Capital Assets (Continued)

Cost	Balance 31-Dec-18	Additions	Disposals	Balance 31-Dec-19
Land	\$ 12,066,050	\$ -	\$ -	\$ 12,066,050
Land/Site improvements	5,586,165	-	-	5,586,165
Buildings	479,222	-	-	479,222
Engineered structures	1,739,011	181,089	-	1,920,100
Leasehold improvements	1,644,176	-	-	1,644,176
Machinery and field equipment	517,269	-	-	517,269
Vehicles	479,529	31,324	(19,549)	491,304
Furniture and fixtures	103,280	-	-	103,280
Computer hardware and software	90,418	26,264	-	116,682
Capital works-in-progress	135,208	20,347	(135,208)	20,347
	\$ 22,840,328	\$ 259,024	\$ (154,757)	\$ 22,944,595
Accumulated Amortization	Balance 31-Dec-18	Disposals	Amortization	Balance 31-Dec-19
Land	\$ -	\$ -	\$ -	\$ -
Land/Site improvements	235,329	-	61,984	297,313
Buildings	331,432	-	8,150	339,582
Engineered structures	709,056	-	62,879	771,935
Leasehold improvements	616,159	-	80,134	696,293
Machinery and field equipment	285,283	-	33,934	319,218
Vehicles	294,197	(19,549)	57,945	332,593
Furniture and fixtures	78,332	-	3,564	81,896
Computer hardware and software	81,920	-	6,981	88,901
Capital works-in-progress	-	-	-	-
	\$ 2,631,708	\$ (19,549)	\$ 315,571	\$ 2,927,730
	Net Book Value 31-Dec-18			Net Book Value 31-Dec-19
Land	\$ 12,066,050			\$ 12,066,050
Land/Site improvements	5,350,836			5,288,852
Buildings	147,790			139,640
Engineered structures	1,029,955			1,148,165
Leasehold improvements	1,028,017			947,883
Machinery and field equipment	231,986			198,051
Vehicles	185,333			158,712
Furniture and fixtures	24,948			21,384
Computer hardware and software	8,498			27,781
Capital works-in-progress	135,208			20,347
	\$ 20,208,620			\$ 20,016,865

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

2. Tangible Capital Assets (Continued)

The Authority owns historic treasures which are not included above, including the Kingsville Train Station and certain buildings located on the John R. Park Homestead and its collection of artifacts. The assets have significant heritage and historical value in perpetuity and are not amortized or recorded as tangible capital assets in the financial statements.

3. Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and deferred revenues approximate their carrying values because of their expected short-term maturity and treatment on normal trade terms. It is management's opinion that the Authority is not exposed to significant interest or currency risks arising from these financial instruments.

4. Accounts Receivable

Included in accounts receivable is an HST Rebate of \$ 344,217 (2019 - \$131,654).

5. Pension Agreements

The Essex Region Conservation Authority belongs to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The cost of the plan is the employer's contribution to the plan.

The 2020 employer's portion of OMERS pension contributions was \$ 261,172 (2019 - \$292,523).

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

6. Expenses by Object

	2020 Budget (note 7)	2020 Actual	2019 Actual
Wages & benefits - ERCA operations	\$ 3,346,216	\$ 2,954,792	\$ 3,278,774
Wages & benefits - special grant projects	639,945	597,584	628,957
Construction - municipal projects	7,500	58,027	15,779
Construction - special grant projects	2,813,000	1,176,295	356,501
Construction - ERCA capital projects	1,417,900	156,847	281,405
Plant material, removals and landowner subsidies - special grant projects	331,100	229,364	297,270
Plant material, removals and landowner subsidies - ERCA operations	48,000	18,129	69,102
Program supplies - special grant projects	42,370	41,665	59,833
Site & operational supplies - Conservation Areas	113,696	60,754	113,232
Office supplies & expenses - other ERCA operations	83,425	24,683	95,598
Occupancy, taxes, utilities & waste removal	314,490	297,578	310,927
Maintenance, repairs & security - sites	71,950	70,530	105,297
Maintenance, repairs & supplies - fleet/equipment	104,000	99,033	111,866
Equipment, software/hardware & website - special grant projects	13,750	43,913	6,851
Equipment, software/hardware & website - ERCA operations	58,975	41,109	71,954
Lab, data, technical & sub-contracted services - special grant	40,900	46,880	52,667
Lab, data, technical & sub-contracted services - ERCA operations	70,500	70,287	93,307
Insurance, audit & legal	127,550	197,679	122,725
Dues & memberships	45,010	52,300	52,687
Travel, training & professional development	27,100	3,314	36,084
Board, committee & meeting expenses	22,500	21,487	20,561
Bank, credit card charges and interest	13,060	20,820	13,294
In-kind supplies & services	13,000	39,222	39,516
Land acquisition & acquisition assistance	-	-	-
Amortization	309,500	309,545	315,571
Other	-	292,787	-
	\$ 10,075,437	\$ 6,924,624	\$ 6,549,755
Internal recoveries included in revenues	725,380	655,160	838,362
Total Expenses	\$ 10,800,817	\$ 7,579,784	\$ 7,388,117

7. Budget Amounts

The 2020 budget amounts that were approved on February 13, 2020, were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as project expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant positive variance for the surplus reported for the year. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

7. Budget Amounts (Continued)

	Approved Budget (BD 02/20)	Actual
Budgeted Deficit	\$ (703,750)	\$ -
Capital items included as operating expenses	1,452,000	-
Adjusted/Actual Net Surplus(Deficit)	748,250	782,458
Capitalized items	(1,452,000)	(1,245,839)
Land Acquisition*	-	(115,562)
	(703,750)	(578,943)
Acquisition of fleet & equipment	(85,000)	(53,635)
Net transfers from reserves (Schedule 5)	803,500	819,693
	14,750	187,116
Amortization	309,500	309,545
	324,250	496,660
Net transfers to reserves (Schedule 5)	(324,250)	(562,552)
Decrease in Operating Surplus	\$ -	\$ (65,892)
<i>* Land acquisitions are approved during the year through the Committee of the Whole</i>		

8. Credit Facility

The Authority maintains an operating line facility with the Canadian Imperial Bank of Commerce which bears interest at prime less .25% and is due on demand. As of December 31, 2020, no balance (2019 -\$0) was payable under this facility.

9. Commitments

On May 4, 2001 the Authority entered into a 30 year property management agreement, with the Province of Ontario (Ministry of Natural Resources), to manage the property known as Holiday Beach Conservation Area. The agreement can be terminated at any time, if notice is served at least 120 days in advance of the termination date.

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

10. Related Entity

Essex Region Conservation Foundation

Essex Region Conservation Authority ("ERCA") has an economic interest in the Essex Region Conservation Foundation ("Foundation"). The Foundation was established for the purpose of raising funds and disbursing grants to ERCA and other organizations, which are working towards a shared vision of environmental sustainability.

The Foundation was incorporated under the laws of Ontario without share capital or benefit for its members and is therefore exempt from income taxes. The income generated by the Foundation is distributed to ERCA and other qualifying donees as the funds are requested and approved. The accounting policy followed in reporting the Foundation is note disclosure.

The transactions with the Foundation include \$544,276 (2019 - \$533,083) recorded as revenue. All amounts have been measured at the exchange amount.

The assets, liabilities, results of operations and cash flow for the Foundation for the years ended December 31 are as follows:

	2020	2019
Financial position:		
Total assets	\$ 619,691	\$ 859,725
Total liabilities	\$ 247,065	\$ 126,380
Net assets	372,626	733,345
	\$ 619,691	\$ 859,725
Results of operations:		
Total revenue	\$ 331,261	\$ 728,043
Total expenses (including grants)	691,979	607,331
(Deficiency)/surplus of income over expenditures for the year	\$ (360,718)	\$ 120,712
Cash flows:		
Operating	\$ 287,811	\$ 880,736
Investing	8,916	11,207
Distributions	(572,992)	(710,943)

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

12. Extraordinary Item

On 27 August, 2020, The Essex Region Conservation Authority became aware that it was a victim of a social engineering scheme, which resulted in a financial loss of \$292,742. The Authority maintains coverage for losses and related expenses, resulting from cybercrime and social engineering incidents, and is actively engaged with its insurers regarding this claim. No accrual has been made for proceeds of insurance at this time.

13. Subsequent Event - COVID-19 Operating Implications

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and on March 17, 2020, the Province of Ontario declared a state of emergency. As a result of directives and restrictions that remained in place throughout the year, and to minimize risks to staff, board members and volunteers, ERCA changed certain elements of its operations, but continued to deliver essential services with little to no impact on service delivery or revenues. Several non-essential activities were delivered in a virtual format while other non-essential activities were either suspended for the year or proceeded when permitted under the Province of Ontario's legislation, pertaining to COVID-19 restrictions.

The Authority enacted a mandatory work from home requirement, when it was practical, achievable and did not result in a disruption of essential services. While the Authority instituted temporary and permanent layoffs, those actions were undertaken in accordance with the terms of the collective agreement, as applicable to the affected staff members.

There continues to be uncertainty regarding 2021 operations and sustained restrictions will likely continue to impact educational, heritage and recreational programs, although an estimate of the financial effects cannot be made at this time.

Essex Region Conservation Authority
Notes to the Financial Statements
for the year ended December 31, 2020

14. Subsequent Event - Conservation Authorities Act Legislative Framework

On December 8, 2020, Bill 229, the Protect, Support and Recover from COVID-19 Act (Budget Measures), 2020, which made changes to the Conservation Authorities Act and the Planning Act, received Royal Assent. The government is proposing to proclaim un-proclaimed provisions in the Conservation Authorities Act (stemming from amendments made in 2017, 2019, and 2020) through a staged process. This will enable accommodation of a staggered rollout of regulations (in two phases) and policies that are to be consulted on and developed in the future. The first of these proclamations occurred on February 2, 2021 and included provisions related to conservation authority governance as well as items related to housekeeping amendments, government requirements and the Minister's powers.

The regulations the government proposes to introduce as part of the first phase would set out the following:

- Mandatory programs and services that conservation authorities would be required to provide, including core watershed-based resource management strategies.
- A requirement for agreements between conservation authorities and their participating municipalities for the use of municipal levies to fund non-mandatory programs and services an authority determines are advisable in its jurisdiction.
- The proposed regulation may set out a specific time in which the agreements must be reviewed and to determine whether or not the agreements will be renewed.
- Details of the transition plan conservation authorities must prepare, including an inventory of the authority's programs and services, the consultation process with participating municipalities on the inventory, and steps taken to enter into these agreement(s) with participating municipalities for the use of municipal levies for non-mandatory programs and services the authority determines are advisable in its jurisdiction.
- The consolidation of each of the current individual conservation authority 'Conservation Areas' regulations made under Section 29 of the Conservation Authorities Act into one Minister's regulation. This would set out, for example, prohibited activities and activities requiring permits on conservation authority owned lands.
- Requirements for each conservation authority to establish a community advisory board to include members of the public, and providing that conservation authority by-laws may govern the operation of these and other advisory boards that may be established by the authority.

While the future financial impact on the Authority's operations is unknown and cannot be quantified at this time, the changes to the legislative framework have widespread implications for the Authority's operations, as the Authority delivers a significant array of services, which are now identified as non-mandatory services and are primarily related to recreation, education and cultural heritage/museum operations. The Authority is actively engaged in undertaking elements of the *transition plan* and expects to engage its governing municipalities in consultation, regarding the suite of non-mandatory services and agreements regarding multi-year funding.

Essex Region Conservation Authority
Schedules to Statement of Operations
For the year ended December 31

(note 7)

2020

2020

2019

Budget

Actual

Actual

Schedule 1- Watershed Management Services

Regulations, Compliance & Development Services

Wages, benefits & professional development	\$ 616,600	\$ 629,259	\$ 670,609
Supplies, insurance, corporate services	136,800	142,706	146,963
Legal fees and consulting	10,000	18,466	8,857
Travel, vehicle charges	19,000	14,280	21,471
	782,400	804,711	847,901

Municipal Planning Support & Planning Studies

Wages, benefits & professional development	250,000	219,749	243,437
Supplies, insurance, corporate services	44,800	39,687	49,453
Travel, vehicle charges	2,300	-	4,903
	297,100	259,436	297,793

Provincial Section 39 Flood & Erosion Program

Wages, benefits & professional development	165,500	159,209	158,632
Computers, data, & telecommunications	33,000	34,222	33,223
Supplies, insurance, corporate services	47,975	41,604	41,633
Vehicle charges	6,000	4,600	6,722
	252,475	239,635	240,210

Municipal Infrastructure Projects & Studies (WECI, Hazards Mapping)

Consulting	-	58,027	15,524
Wages, supplies, travel & allocated overhead	12,800	4,848	8,206
	12,800	62,875	23,730

Technical Studies, Assessments & Modelling

Wages, benefits & professional development	93,000	90,776	75,044
Supplies & overhead	18,810	16,506	22,144
	111,810	107,282	97,188

\$ 1,456,585 \$ 1,473,939 \$ 1,506,822

Essex Region Conservation Authority
Schedules to Statement of Operations
For the year ended December 31

(note 7)

	2020	2020	2019
	Budget	Actual	Actual
Schedule 2 - Conservation Services			
Conservation Areas, Land Protection & Restoration			
Program Planning, Management & Development			
Wages, benefits & professional development	\$ 111,000	\$ 77,250	\$ 120,036
Supplies, insurance & corporate support	21,100	13,828	19,150
Travel & vehicle	1,000	1,000	1,900
	133,100	92,078	141,086
Land Acquisition			
Wages, benefits & professional development	12,500	21,920	16,444
Supplies, insurance & corporate support	2,000	7,378	4,921
Surveys, appraisals, consulting, legal	6,500	27,373	17,035
	21,000	56,671	38,400
Tree Planting and Land Restoration			
Wages, benefits & professional development	303,220	228,458	395,449
Plants, contracted construction, engineering & technical resources	3,002,500	1,108,335	585,267
Supplies, insurance & corporate support	95,600	77,209	144,721
Vehicle & field equipment usage	35,500	17,580	104,335
Landowner contributions (donated services)	13,000	5,033	11,702
	3,449,820	1,436,614	1,241,474
Conservation Areas Maintenance			
Wages, benefits & professional development	296,660	268,457	235,799
Utilities, taxes, insurance & corporate allocation	206,382	190,183	207,810
Vehicle & field equipment charges	83,463	91,365	110,995
Maintenance supplies	122,306	41,037	55,109
Construction & capital items	-	28,787	63,930
Plant material & removal	-	4,330	10,852
	708,811	624,160	684,494
John R Park Homestead Conservation Area			
Revenues			
Admissions, sales & program fees	73,400	28,398	99,296
General levy	175,600	116,922	160,000
Government grants	27,188	61,641	27,552
Other grants & donations	10,000	290	11,144
Interdepartmental Recoveries	-	-	15,940
Net transfers to reserves	-	(12,000)	(2,000)
Net transfers to deferred revenues	-	-	(5,922)
	286,188	195,251	306,010
Expenses			
Wages, benefits & professional development	191,952	135,415	201,596
Utilities, taxes, insurance & corporate allocation	44,700	29,831	25,723
Supplies and maintenance - office, site & curatorial	23,715	14,388	43,717
Cost of goods sold	12,500	6,129	13,666
Capital replacement and repairs	13,400	8,891	21,511
	286,267	194,655	306,212

Essex Region Conservation Authority
Schedules to Statement of Operations
For the year ended December 31

(note 7)

2020

2020

2019

Budget

Actual

Actual

Schedule 2 - Conservation Services (Continued)

Holiday Beach Conservation Area

Revenues

Admissions, events & camping fees	204,850	165,982	185,615
General levy	60,300	50,602	96,680
Property/land rental	31,000	37,719	36,957
Other grants & donations	-	-	1,500
Net transfers from interdepartment	-	-	4,000
Net transfers to reserves	-	-	(15,000)
	296,150	254,303	324,753

Expenses

Wages, benefits & professional development	147,500	127,721	165,935
Site, capital & major maintenance	21,500	23,067	34,389
Utilities, taxes, insurance & corporate allocation	65,950	53,667	64,376
Supplies - office, network, events, janitorial	43,100	31,087	43,301
Vehicle & field equipment usage	15,600	13,791	10,126
Sub contracting & consulting	2,500	1,151	6,197
	296,150	250,485	324,324

Conservation Areas/Trails Infrastructure Investment (Non capitalized)

Contract construction, materials, consulting & technical resources	1,426,000	163,560	302,157
Wages, benefits & professional development	20,000	13,986	28,399
Insurance, legal & corporate allocation	6,000	27,741	19,986
Vehicle & field equipment charges	-	4,980	2,443
	1,452,000	210,267	352,985

Fleet & Equipment

Fleet & Field/Shop Equipment

Maintenance, repairs, rentals & non-capital replacements	81,000	71,759	82,724
Fuel	35,000	28,169	35,481
Insurance & licences	10,200	11,632	10,977
	126,200	111,560	129,183

**Essex Region Conservation Authority
Schedules to Statement of Operations
For the year ended December 31**

(note 7)

	2020 Budget	2020 Actual	2019 Actual
Schedule 2 - Conservation Services (Continued)			
Science, Research & Monitoring			
Watershed Science			
Wages, benefits & professional development	521,695	475,118	387,317
Supplies, insurance & corporate support	122,640	190,193	124,352
Lab/technical services, speciality equipment & software	42,100	53,885	27,323
Plant material, construction & landowner subsidies	144,000	108,138	90,499
Vehicle & field equipment charges	20,515	19,364	26,768
	850,950	846,698	656,260
Drinking Water Source Protection			
Wages, benefits & professional development	86,500	68,824	79,005
Supplies, advertising, insurance & corporate support	13,100	11,061	10,090
Committee member per diems	3,000	3,310	2,125
Travel	-	302	2,500
	102,600	83,497	93,720
Climate Change Initiatives			
Wages, benefits & professional development	99,500	93,420	101,286
Consulting & technical services	-	194,401	5,423
Supplies, insurance & corporate support	17,500	15,675	15,665
Vehicle & travel	500	2,400	1,158
	117,500	305,895	123,531
	\$ 7,544,398	\$ 4,212,580	\$ 4,091,667

Schedule 3 - Communications & Outreach

Corporate Communications, Outreach & Engagement			
Wages, benefits & professional development	\$ 284,500	\$ 229,286	\$ 278,541
Supplies, consulting, insurance & corporate support	45,550	24,978	42,998
Travel, vehicle & equipment	5,900	2,543	5,157
	335,950	256,807	326,696
Outdoor & Conservation Education			
Wages, benefits & professional development	68,000	36,775	63,953
Supplies, insurance & corporate support	15,350	5,409	13,123
Travel, vehicle & equipment	1,950	124	2,727
	85,300	42,308	79,803
Community Events & Special Grant Projects			
Wages, benefits & professional development	20,550	169	25,064
Plant materials, event supplies & technical/consulting resources	70,000	317	94,809
	90,550	486	119,873
	\$ 511,800	\$ 299,602	\$ 526,372

Essex Region Conservation Authority
Schedules to Statement of Operations
For the year ended December 31

(note 7)

2020

2020

2019

Budget

Actual

Actual

Schedule 4 - Corporate Services

Administration, Finance, HR & IT/(G)IS

Wages, benefits & professional development	\$ 572,484	\$ 604,517	\$ 577,528
Occupancy	126,000	128,526	123,443
Professional fees - audit, legal & consulting	22,500	72,746	18,791
Dues & memberships	38,700	45,142	41,572
Foundation support	66,000	48,636	59,372
Office equipment, computers/network & phone	41,100	31,163	57,630
Supplies & miscellaneous	29,250	24,565	22,484
Board meetings & per diems	19,500	18,177	18,436
Travel (Staff & members)	9,000	752	11,779
Retiree benefits	16,000	12,125	13,651
Insurance (D&O, Main Office)	3,000	5,028	3,000
	943,534	991,376	947,686

Special Projects (Records, Data, HR)

Wages, benefits & professional development	26,000	-	-
Consulting & Technical Services	7,500	-	-
Software/Hardware	1,500	-	-
	35,000	-	-
	978,534	991,376	947,686
	\$ 10,491,317	\$ 6,977,497	\$ 7,072,547

Essex Region Conservation Authority
Schedule 5 - Continuity of Reserves

	Actual Balance at December 31, 2019	Budgeted Transfers to Reserves	Actual Transfers to Reserves	Budgeted Transfers from Reserves	Actual Transfers from Reserves	Actual Balance at December 31, 2020
Canard River Low Flow	\$ 20,319.18	\$ -	\$ -	\$ -	\$ -	\$ 20,319.18
Canard River Maintenance	27,538	-	-	-	-	27,538
Tree Replacement	90,000	-	-	-	-	90,000
Building/Suite	228,000	-	-	-	-	228,000
Infrastructure & Major Maintenance	516,891	274,250	364,500	761,000	673,693	207,698
Revenue Stabilization	176,342	-	118,000	-	146,000	148,342
Project Grant Matching	100,000	-	-	-	-	100,000
Office Equipment , Computers & Network	46,508	-	-	9,000	-	46,508
Vehicle & Equipment Replacement	164,287	-	-	18,500	-	164,287
Legal & Insurance Claims	-	50,000	50,000	-	-	50,000
General/Administration/Human Resources	22,280	-	13,052	-	-	35,332
Historic Properties	56,374	-	17,000	15,000	-	73,374
	\$ 1,448,539	\$ 324,250	\$ 562,552	\$ 803,500	\$ 819,693	\$ 1,191,398