



**Okanagan-Kootenay Sterile
Insect Release Board
Financial Statements
December 31, 2012**

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Independent Auditors' Report

To the Directors of the Board of Okanagan-Kootenay Sterile Insect Release Board

We have audited the accompanying financial statements of the Okanagan-Kootenay Sterile Insect Release Board, which comprise the statement of financial position as at December 31, 2012, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Okanagan-Kootenay Sterile Insect Release Board as at December 31, 2012, and its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

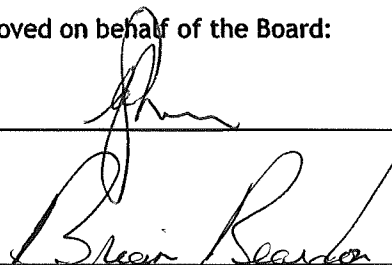
Chartered Accountants

Kelowna, British Columbia
May 10, 2013

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Position

December 31	2012	2011
Financial assets		
Cash	\$ 2,668,977	\$ 2,471,342
Temporary investments	2,701	2,672
Accounts receivable	90,719	70,987
	2,762,397	2,545,001
Financial liabilities		
Accounts payable and accrued liabilities	116,196	128,208
Net financial assets	2,646,201	2,416,793
Non-financial assets		
Prepays	12,160	-
Inventory	42,402	33,064
Tangible capital assets (Note 1)	2,644,347	2,825,872
Accumulated Surplus (Note 2)	\$ 5,345,110	\$ 5,275,729

Approved on behalf of the Board:



BRIAN REARDON
CHIEF ADMINISTRATIVE OFFICER
REGIONAL DISTRICT OF CENTRAL OKANAGAN

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Activities

For the year ended December 31	2012 Budget	2012 Actual	2011 Actual
Revenue			
Land taxes	\$ 1,710,728	\$ 1,710,728	\$ 1,710,728
Parcel tax	1,175,080	1,192,334	1,210,539
Interest income	20,000	25,374	20,755
Miscellaneous income	6,000	37,728	68,531
Grant	-	72,136	185,397
	2,911,808	3,038,300	3,195,950
Expenses			
Amortization	-	233,379	231,487
Diet ingredients	95,000	80,682	94,840
Operations (building and site maintenance)	41,000	42,451	37,187
Waste management	13,600	14,109	12,579
Utilities	182,000	146,512	172,454
Postage and courier	6,000	2,567	6,383
Supplies - administration	8,000	5,585	6,561
- operational	618,540	539,769	588,706
Vehicle and travel	145,000	138,450	128,794
General overhead	303,000	281,549	284,904
Community relations	15,000	680	4,642
Research and program development	190,000	44,886	64,216
Wages and benefits	1,564,994	1,438,300	1,527,865
	3,182,134	2,968,919	3,160,618
Annual surplus (deficit)	(270,326)	69,381	35,332
Accumulated surplus, beginning of year		5,275,729	5,240,397
Accumulated surplus, end of year		\$ 5,345,110	\$ 5,275,729

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Okanagan Kootenay Sterile Insect Release Board
Statement of Change in Net Financial Assets**

For the year ended December 31	2012	2011
Annual surplus	\$ 69,381	\$ 35,332
Acquisition of tangible capital assets	(51,854)	(13,027)
Amortization of tangible capital assets	233,379	231,487
Change in inventory	(9,338)	12,502
Change in prepaids	(12,160)	-
Net change in net financial assets	229,408	266,294
Net financial assets, beginning of year	2,416,793	2,150,499
Net financial assets, end of year	\$ 2,646,201	\$ 2,416,793

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Okanagan Kootenay Sterile Insect Release Board Statement of Cash Flows

For the year ended December 31	2012	2011
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 69,381	\$ 35,332
Items not involving cash		
Amortization	<u>233,379</u>	<u>231,487</u>
	302,760	266,819
Changes in working capital		
(Increase) decrease in accounts receivable	(19,732)	33,530
(Increase) decrease in inventories	(9,338)	12,503
(Increase) in prepaids	(12,160)	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(12,012)</u>	<u>21,026</u>
	(53,242)	67,059
Cash from operations	<u>249,518</u>	<u>333,878</u>
Capital activities		
Purchase of tangible capital assets	<u>(51,854)</u>	<u>(13,027)</u>
Net change in cash and cash equivalents	197,664	320,851
Cash and cash equivalents, beginning of year	<u>2,474,014</u>	<u>2,153,163</u>
Cash and cash equivalents, end of year	<u>\$ 2,671,678</u>	<u>\$ 2,474,014</u>
Cash and cash equivalents consists of:		
Cash	\$ 2,668,977	\$ 2,471,342
Temporary investments	<u>2,701</u>	<u>2,672</u>
	\$ 2,671,678	\$ 2,474,014

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Okanagan Kootenay Sterile Insect Release Board Summary of Significant Accounting Policies

December 31, 2012

Nature of Business	The Okanagan-Kootenay Sterile Insect Release Board ("SIR") is established under Section 283 of the Municipalities Enabling and Validating Act (Province of British Columbia) and administers and operates the sterile insect release program as an agent of the participating regional districts. The participating regional districts are: Central Okanagan Regional District ("CORD"); Regional District of Okanagan-Similkameen ("RDOS"); Regional District of North Okanagan ("RDNO"); and, Columbia-Shuswap Regional District ("CSRD").										
Basis of Presentation	It is the Board's policy to follow accounting principles generally accepted for municipalities in the Province of British Columbia and to apply such principles consistently. The financial statements include the account of all funds for the Board. All interfund transfers have been eliminated. They have been prepared using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.										
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.										
Inventory	Inventory of goods is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.										
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tr><td>Buildings</td><td>50 years</td></tr><tr><td>Land improvements</td><td>20 years</td></tr><tr><td>Machinery & equipment</td><td>20 to 25 years</td></tr><tr><td>Vehicles</td><td>5 to 10 years</td></tr><tr><td>Computers</td><td>4 years</td></tr></table>	Buildings	50 years	Land improvements	20 years	Machinery & equipment	20 to 25 years	Vehicles	5 to 10 years	Computers	4 years
Buildings	50 years										
Land improvements	20 years										
Machinery & equipment	20 to 25 years										
Vehicles	5 to 10 years										
Computers	4 years										

The Okanagan Kootenay Sterile Insect Release Board Summary of Significant Accounting Policies

December 31, 2012

Budget Figures	The budget figures are from the Annual Budget Bylaw adopted each year. They have been reallocated to conform to PSAB Financial Statement Presentation.
Revenue Recognition	<p>Taxes are recognized as revenue in the year they are levied.</p> <p>The Board receives grants from senior governments and their agencies. Such grants are recorded as revenue in the period during which the grant criteria, if any, has been satisfied by the Board. Where no specific criteria need be fulfilled, the Board records the grants as revenue in the period during which the Board is eligible to receive the grant funding.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>Sales of products and other revenue is recognized on an accrual basis.</p>
Financial Instruments	The board's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Okanagan-Kootenay Sterile Insect Release Board is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.
Use of Estimates	The preparation of financial statements in conformity with generally accepted accounting principles for British Columbia Regional Districts requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

The Okanagan Kootenay Sterile Insect Release Board
Notes to Financial Statements

December 31, 2012

	2012						
1. Tangible Capital Assets	Land	Land Improvements	Building	Machinery & Equipment	Vehicles	Computers	Total
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,923,602	\$ 460,781	\$ 21,166	\$ 6,703,581
Additions	-	-	-	-	51,854	-	51,854
Disposals	-	-	-	-	-	(10,176)	(10,176)
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,923,602	\$ 512,635	\$ 10,990	\$ 6,745,259
Accumulated amortization, beginning of year	\$ -	\$ 144,209	\$ 1,183,713	\$ 2,169,690	\$ 363,926	\$ 16,171	\$ 3,877,709
Amortization	-	7,590	62,300	121,584	39,158	2,747	233,379
Disposals	-	-	-	-	-	(10,176)	(10,176)
Accumulated amortization, end of year	\$ -	\$ 151,799	\$ 1,246,013	\$ 2,291,274	\$ 403,084	\$ 8,742	\$ 4,100,912
Net carrying amount, end of year	\$ 31,200	\$ -	\$ 1,869,020	\$ 632,328	\$ 109,551	\$ 2,248	\$ 2,644,347

**The Okanagan Kootenay Sterile Insect Release Board
Notes to Financial Statements**

December 31, 2012

1. Tangible Capital Assets (continued)

	2011						
	Land	Land	Building	Machinery & Equipment	Vehicles	Computers	Total
	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements	Improvements
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,912,420	\$ 460,781	\$ 19,321	\$ 6,690,554
Additions	-	-	-	11,182	-	1,845	13,027
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,923,602	\$ 460,781	\$ 21,166	\$ 6,703,581
Accumulated amortization, beginning of year	\$ -	\$ 136,619	\$ 1,121,413	\$ 2,048,106	\$ 330,477	\$ 9,607	\$ 3,646,222
Amortization	-	7,590	62,300	121,584	33,449	6,564	231,487
Accumulated amortization, end of year	\$ -	\$ 144,209	\$ 1,183,713	\$ 2,169,690	\$ 363,926	\$ 16,171	\$ 3,877,709
Net carrying amount, end of year	\$ 31,200	\$ 7,590	\$ 1,931,320	\$ 753,912	\$ 96,855	\$ 4,995	\$ 2,825,872

The Okanagan Kootenay Sterile Insect Release Board Notes to Financial Statements

December 31, 2012

2. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2012	2011
Investment in tangible capital assets (Note 1)	\$ 2,644,347	\$ 2,825,872
Current fund (Note 3)	2,700,763	2,449,857
	\$ 5,345,110	\$ 5,275,729

The investment in tangible capital assets represents amounts already spent and invested in infrastructure.

3. Current Fund

	2012	2011
Annual surplus	\$ 69,381	\$ 35,332
Amortization of capital assets	233,379	231,487
Transfer to capital fund for capital asset acquisitions	(51,854)	(13,027)
Change in current fund	250,906	253,792
Current fund, beginning of year	2,449,857	2,196,065
Current fund, end of year	\$ 2,700,763	\$ 2,449,857

The board maintains a reserve for future expenditures of \$1,836,973 (2011 - \$1,836,973) for equipment replacement. PSAB requires that non-statutory reserves be included with the current fund.

4. Capital Fund

	2012	2011
Capital fund, beginning of year	\$ 2,825,872	\$ 3,044,332
Amortization of capital assets	(233,379)	(231,487)
Transfer from current fund for capital asset acquisitions	51,854	13,027
Capital fund, end of year	\$ 2,644,347	\$ 2,825,872

The Okanagan Kootenay Sterile Insect Release Board Notes to Financial Statements

December 31, 2012

5. Commitments

The Board is committed to a lease agreement with the Regional District of Central Okanagan for lease of office space and the provision of financial and administrative services. The agreement has a term from January 1, 2012 to December 31, 2013 with a two year renewal at the option of the board. The estimated annual cost of financial and administrative services per the agreement is \$133,261. The estimated annual cost of the office lease per the agreement is \$12,656.

6. Budget Information

The budget adopted by the Board was not prepared on a basis consistent with that used to report actual results based on current PSAB standards. The budget was prepared on a modified accrual basis while PSAB now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by the Board with adjustments as follows:

	<u>2012</u>
Budget surplus (deficit) for the year as per board budget	\$ -
Add:	
Amount budgeted for capital expenditures	55,000
Less:	
Transfer from reserves in revenues	55,000
Transfer from previous years surplus in revenues	<u>270,326</u>
Budget deficit per statement of operations	<u>\$ (270,326)</u>