



**Okanagan-Kootenay Sterile
Insect Release Board
Financial Statements
December 31, 2013**

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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, 2013, 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, 2013, and its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

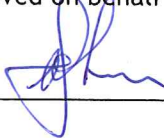
Chartered Accountants

Kelowna, British Columbia
May 9, 2014

**Okanagan Kootenay Sterile Insect Release Board
Statement of Financial Position**

<u>December 31</u>	<u>2013</u>	<u>2012</u>
Financial assets		
Cash	\$ 1,069,047	\$ 2,668,977
Temporary investments	2,002,730	2,701
Accounts receivable	58,054	90,719
	<u>3,129,831</u>	<u>2,762,397</u>
Financial liabilities		
Accounts payable and accrued liabilities	<u>140,929</u>	116,196
Net financial assets	2,988,902	2,646,201
Non-financial assets		
Prepays	12,729	12,160
Inventory	29,328	42,402
Tangible capital assets (Note 1)	<u>2,442,166</u>	<u>2,644,347</u>
Accumulated Surplus (Note 2)	\$ 5,473,125	\$ 5,345,110

Approved on behalf of the Board:



Chairperson

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Operations

For the year ended December 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Land taxes	\$ 1,710,728	\$ 1,710,728	\$ 1,710,728
Parcel tax	1,175,891	1,163,169	1,192,334
Interest income	20,000	29,744	25,374
Miscellaneous income	6,000	37,811	37,728
Grants	-	2,488	72,136
Gain on disposal of assets	-	7,450	-
	2,912,619	2,951,390	3,038,300
Expenses			
Amortization	-	221,836	233,379
Diet ingredients	87,000	68,330	80,682
Operations (building and site maintenance)	40,000	44,199	42,451
Waste management	14,600	11,427	14,109
Utilities	173,000	129,414	146,512
Postage and courier	6,000	5,298	2,567
Supplies - administration	8,900	6,630	5,585
- operational	588,800	566,227	539,769
Vehicle and travel	144,500	96,312	138,450
General overhead	309,950	269,100	281,549
Community relations	15,000	2,267	680
Research and program development	140,000	48,481	44,886
Wages and benefits	1,603,357	1,353,854	1,438,300
	3,131,107	2,823,375	2,968,919
Annual surplus (deficit) (Note 6)	(218,488)	128,015	69,381
Accumulated surplus, beginning of year		5,345,110	5,275,729
Accumulated surplus, end of year		\$ 5,473,125	\$ 5,345,110

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

For the year ended December 31	2013	2012
Annual surplus	\$ 128,015	\$ 69,381
Acquisition of tangible capital assets	(19,655)	(51,854)
Amortization of tangible capital assets	221,836	233,379
Change in inventory	13,074	(9,338)
Change in prepaids	(569)	(12,160)
Net change in net financial assets	342,701	229,408
Net financial assets, beginning of year	2,646,201	2,416,793
Net financial assets, end of year	\$ 2,988,902	\$ 2,646,201

Okanagan Kootenay Sterile Insect Release Board Statement of Cash Flows

For the year ended December 31	2013	2012
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 128,015	\$ 69,381
Items not involving cash		
Amortization	<u>221,836</u>	<u>233,379</u>
	<u>349,851</u>	<u>302,760</u>
Changes in working capital		
(Increase) decrease in accounts receivable	32,665	(19,732)
(Increase) decrease in inventories	13,074	(9,338)
Increase in prepaids	(569)	(12,160)
Increase (decrease) in accounts payable and accrued liabilities	<u>24,733</u>	<u>(12,012)</u>
	<u>69,903</u>	<u>(53,242)</u>
Cash from operations	<u>419,754</u>	<u>249,518</u>
Capital activities		
Purchase of tangible capital assets	<u>(19,655)</u>	<u>(51,854)</u>
Net change in cash and cash equivalents	<u>400,099</u>	<u>197,664</u>
Cash and cash equivalents, beginning of year	<u>2,671,678</u>	<u>2,474,014</u>
Cash and cash equivalents, end of year	<u>\$ 3,071,777</u>	<u>\$ 2,671,678</u>
Cash and cash equivalents consists of:		
Cash	\$ 1,069,047	\$ 2,668,977
Temporary investments	<u>2,002,730</u>	<u>2,701</u>
	<u>\$ 3,071,777</u>	<u>\$ 2,671,678</u>

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

December 31, 2013

Nature of Business	The Okanagan-Kootenay Sterile Insect Release Board (the "Board") 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: Regional District of the Central Okanagan ("RDCO"); Regional District of Okanagan-Similkameen ("RDOS"); Regional District of North Okanagan ("RDNO"); and, Columbia-Shuswap Regional District ("CSRD").										
Basis of Presentation	The financial statements of the Board are the representations of management and are prepared in accordance with Canadian generally accepted accounting policies for local government entities using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.										
Temporary Investments	Temporary investments consist of units in the Province of British Columbia Pooled Investment Portfolio money market funds and GIC's held in another financial institution. Units are carried at the lower of cost of acquisition adjusted by income attributed to the units, or market value. GIC's are carried at the lower of cost of acquisition or 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, 2013

Revenue Recognition

Taxes are recognized as revenue in the year they are levied.

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.

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.

Sales of products and other revenue is recognized on an accrual basis.

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 Board is not exposed to significant interest, currency, liquidity, or credit risks arising from these financial instruments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, 2013

	2013						
	Land	Land	Building	Machinery & Equipment	Vehicles	Computers	Total
	Improvements						
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,923,602	\$ 512,635	\$ 10,990	\$ 6,745,259
Additions	-	-	-	-	12,719	6,936	19,655
Disposals	-	-	-	-	(62,082)	-	(62,082)
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,923,602	\$ 463,272	\$ 17,926	\$ 6,702,832
Accumulated amortization, beginning of year	\$ -	\$ 151,799	\$ 1,246,014	\$ 2,291,274	\$ 403,084	\$ 8,742	\$ 4,100,913
Amortization	-	-	62,301	121,584	34,429	3,522	221,836
Disposals	-	-	-	-	(62,083)	-	(62,083)
Accumulated amortization, end of year	\$ -	\$ 151,799	\$ 1,308,315	\$ 2,412,858	\$ 375,430	\$ 12,264	\$ 4,260,666
Net carrying amount, end of year	\$ 31,200	\$ -	\$ 1,806,718	\$ 510,744	\$ 87,842	\$ 5,662	\$ 2,442,166

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

December 31, 2013

1. Tangible Capital Assets (continued)

	2013					2012	
	Land	Land	Building	Machinery & Equipment	Vehicles	Computers	Total
	Improvements						
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	62,301	121,584	39,158	2,747	233,379
Disposals	-	-	-	-	-	(10,176)	(10,176)
Accumulated amortization, end of year	\$ -	\$ 151,799	\$ 1,246,014	\$ 2,291,274	\$ 403,084	\$ 8,742	\$ 4,100,912
Net carrying amount, end of year	\$ 31,200	\$ -	\$ 1,869,019	\$ 632,328	\$ 109,551	\$ 2,248	\$ 2,644,347

The Okanagan Kootenay Sterile Insect Release Board Notes to Financial Statements

December 31, 2013

2. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2013	2012
Investment in tangible capital assets (Note 4)	\$ 2,442,166	\$ 2,644,347
Current fund (Note 3)	3,030,959	2,700,763
	\$ 5,473,125	\$ 5,345,110

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

3. Current Fund

	2013	2012
Annual surplus	\$ 128,015	\$ 69,381
Amortization of capital assets	221,836	233,379
Transfer to capital fund for capital asset acquisitions	(19,655)	(51,854)
Change in current fund	330,196	250,906
Current fund, beginning of year	2,700,763	2,449,857
Current fund, end of year	\$ 3,030,959	\$ 2,700,763

The Board maintains a reserve for future expenditures of \$1,836,973 (2012 - \$1,836,973) for equipment replacement. PSAB requires that non-statutory reserves be included with the current fund.

4. Capital Fund

	2013	2012
Capital fund, beginning of year	\$ 2,644,347	\$ 2,825,872
Amortization of capital assets	(221,836)	(233,379)
Transfer from current fund for capital asset acquisitions	19,655	51,854
Capital fund, end of year	\$ 2,442,166	\$ 2,644,347

The Okanagan Kootenay Sterile Insect Release Board Notes to Financial Statements

December 31, 2013

5. Commitments

The Board is committed through an agreement to the RDCO for lease of office space and the provision of financial and administrative services. The agreement has a term from January 1, 2014 to December 31, 2018 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 and the estimated annual cost of the office lease per the agreement is \$11,627.

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 requires 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>2013</u>
Budget surplus (deficit) for the year as per board budget	\$ -
Add:	
Amount budgeted for capital expenditures	30,000
Less:	
Transfer from reserves in revenues	30,000
Transfer from previous years surplus in revenues	<u>218,488</u>
Budget deficit per statement of operations	<u>\$ (218,488)</u>