

**Okanagan-Kootenay Sterile
Insect Release Board
Financial Statements
December 31, 2009**

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Auditors' Report

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

We have audited the statement of financial position of Okanagan-Kootenay Sterile Insect Release Board as at December 31, 2009 and the statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Okanagan-Kootenay Sterile Insect Release Board as at December 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures are based upon financial statements which were reported on by other auditors on April 25, 2009 without reservation.

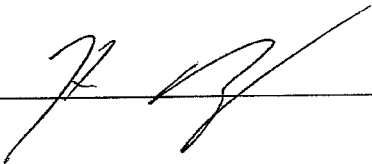
BDO Canada LLP

Chartered Accountants
Kelowna, British Columbia
April 8, 2010

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

December 31	2009	2008
Financial assets		
Cash	\$ 142,906	\$ 119,500
Temporary investments (Note 2)	2,085,378	1,819,627
Accounts Receivable	57,491	50,978
	<u>2,285,775</u>	<u>1,990,105</u>
Financial liabilities		
Accounts payable and accrued liabilities	241,290	143,694
Obligation under capital lease	36,722	53,285
Deferred revenue (Note 3)	12,083	1,783
	<u>290,095</u>	<u>198,762</u>
Net financial assets	1,995,680	1,791,343
Non-financial assets		
Inventory	7,305	11,676
Tangible capital assets (Note 4)	3,179,136	3,395,048
Accumulated Surplus (Note 5)	<u>\$ 5,182,121</u>	<u>\$ 5,198,067</u>

Approved on behalf of the Board:



**Okanagan-Kootenay Sterile Insect Release Board
Statement of Financial Activities**

For the year ended December 31	2009 Budget	2009 Actual	2008 Actual
Revenue			
Land Taxes	\$ 1,685,446	\$ 1,685,446	\$ 1,636,599
Parcel tax	1,275,116	1,280,775	1,289,521
Egg sheet sales	54,500	2,969	146,462
Interest Income	40,000	15,941	48,985
Miscellaneous Income	12,000	17,605	12,306
Grant	15,000	95,591	4,009
	<u>3,082,062</u>	<u>3,098,327</u>	<u>3,137,882</u>
Expenses			
Amortization	-	225,882	213,740
Diet Ingredients	230,000	236,830	235,395
Operations (Building and Site Maintenance)	99,700	87,960	70,555
Waste Management	35,200	31,326	34,903
Utilities	277,000	247,994	260,818
Postage and Courier	17,600	9,354	16,786
Supplies - Administration	25,300	16,084	25,782
- Operational	147,540	125,681	119,771
Vehicle and Travel	197,880	141,892	142,273
Incentive Program / Tree Removal	-	-	1,041
General Overhead	269,300	278,622	257,672
Community Relations	13,700	8,423	7,442
Consultants	96,700	45,976	50,798
Wages and Benefits	1,805,780	1,658,249	1,768,769
	<u>3,215,700</u>	<u>3,114,273</u>	<u>3,205,745</u>
Annual deficit (Note 1)	<u>(133,638)</u>	<u>(15,946)</u>	<u>(67,863)</u>
Accumulated surplus, beginning of year		5,198,067	9,353,949
Transitional adjustment (Note 1)			(4,088,019)
Accumulated Surplus, beginning of year - restated		<u>5,198,067</u>	<u>5,265,930</u>
Accumulated surplus, end of year		<u>\$ 5,182,121</u>	<u>\$ 5,198,067</u>

*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**

<u>For the year ended December 31</u>	<u>2009</u>	<u>2008</u>
Annual deficit	\$ (15,946)	\$ (67,863)
Acquisition of tangible capital assets	(9,970)	(95,087)
Amortization of tangible capital assets	225,882	213,740
Change in inventory	4,372	-
Reclassification of inventory to non-financial assets	-	(11,676)
Net change in net financial assets	204,338	39,114
Net financial assets, beginning of year	1,791,343	1,752,229
Net financial assets, end of year	\$ 1,995,680	\$ 1,791,343

Okanagan-Kootenay Sterile Insect Release Board Statement of Cash Flows

For the year ended December 31	2009	2008
Cash provided by (used in)		
Operating activities		
Annual deficit	\$ (15,946)	\$ (67,863)
Items not involving cash		
Amortization	225,882	213,740
	<u>209,936</u>	<u>145,877</u>
 Changes in working capital		
Increase (decrease) in accounts receivable	(2,141)	290,070
Increase (decrease) in accounts payable and accrued liabilities	97,598	(34,529)
Increase (decrease) in deferred revenue	10,300	1,638
Increase (decrease) in capital lease obligation	(16,566)	53,285
	<u>89,191</u>	<u>310,464</u>
 Cash from operations	<u>299,127</u>	<u>456,341</u>
 Capital activities		
Purchase of capital assets	(9,970)	(95,086)
 Net change in cash and cash equivalents	289,157	361,255
Cash and cash equivalents, beginning of year	<u>1,939,127</u>	<u>1,577,872</u>
 Cash and cash equivalents, end of year	<u>\$ 2,228,284</u>	<u>\$ 1,939,127</u>
 Cash consists of:		
Cash	\$ 142,906	\$ 119,500
Temporary investments	2,085,378	1,819,627
	<u>\$ 2,228,284</u>	<u>\$ 1,939,127</u>

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, 2009

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 held for resale 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. Contributed tangible capital assets are recorded at fair value at the time of donation, with a corresponding amount recorded as revenue. 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>Machinery & equipment</td><td>25 years</td></tr><tr><td>Vehicles</td><td>6 to 10 years</td></tr><tr><td>Computers</td><td>4 years</td></tr></table>	Buildings	50 years	Machinery & equipment	25 years	Vehicles	6 to 10 years	Computers	4 years
Buildings	50 years								
Machinery & equipment	25 years								
Vehicles	6 to 10 years								
Computers	4 years								

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

December 31, 2009

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specific purpose.

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 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 consolidated financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

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

December 31, 2009

1. Change in Accounting Policy

On January 1, 2009, the board adopted revised Public Sector Accounting Standards: Section 1000 - Financial Statement Concepts, Section 1100 - Financial Statement Objectives, Section 1200 - Financial Statement Presentation and Section 3150 - Tangible Capital Assets. As a result of the adoption, the presentation of the financial statements changed from the prior year. The standards require the recognition of all non-financial assets including tangible capital assets, prepaid expenses and inventories of supplies as assets in the financial statements. In addition, revenue from contributed assets, and amortization on tangible capital assets was recorded in the statement of financial activities. This change in the accounting policy has been applied retroactively with the restatement of the prior period. The impact of adopting the tangible capital asset standard was as follow:

	2008
<u>Statement of Financial Position</u>	
Ending Surplus balance as at December 31, 2007	\$ 9,353,949
Transitional adjustment to adjust net book value of capital assets	(4,088,019)
Revised opening Surplus balance as at January 1, 2008	5,265,930
<u>Statement of Operations</u>	
Annual surplus as previously stated	\$ 104,080
Increase in amortization expense	(213,740)
Capital asset additions removed from expense	42,085
Increase in interest expense on lease obligation	(288)
Revised annual deficit for 2008	\$ (67,863)

2. Temporary Investments

Temporary Investments consist of MFABC Money Market Funds with market values equal to carrying values.

3. Deferred Revenue

	2009	2008
Obligatory Reserve Funds		
A/R Received in Advance	\$ 1,783	\$ 1,783
Funds Received for Pilot Project	10,300	-
	\$ 12,083	\$ 1,783

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

December 31, 2009

4. Tangible Capital Assets

	2009						
	Land	Land Improvements	Building	Machinery & Equipment	Vehicles	Computers	Total
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,874,362	\$ 409,548	\$ 19,813	\$ 6,601,755
Additions	-	-	-	2,290	-	7,680	9,970
Disposals	-	-	-	-	-	(4,255)	(4,255)
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,876,652	\$ 409,548	\$ 23,238	\$ 6,607,470
Accumulated amortization, beginning of year	\$ -	\$ 121,439	\$ 996,811	\$ 1,808,388	\$ 271,710	\$ 8,359	\$ 3,206,707
Amortization	-	7,590	62,301	122,971	28,910	4,110	225,882
Disposals	-	-	-	-	-	(4,255)	(4,255)
Accumulated amortization, end of year	\$ -	\$ 129,029	\$ 1,059,112	\$ 1,931,359	\$ 300,620	\$ 8,214	\$ 3,428,334
Net carrying amount, end of year	\$ 31,200	\$ 22,770	\$ 2,055,921	\$ 945,293	\$ 108,928	\$ 15,024	\$ 3,179,136

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

December 31, 2009

4. Tangible Capital Assets (continued)

	2008						
	Land	Land Improvements	Building	Machinery & Equipment	Vehicles	Computers	Total
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,868,477	\$ 330,523	\$ 9,637	\$ 6,506,669
Additions		-	-	5,885	79,026	10,176	95,087
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,874,362	\$ 409,549	\$ 19,813	\$ 6,601,756
Accumulated amortization, beginning of year	\$ -	\$ 113,849	\$ 934,510	\$ 1,690,545	\$ 249,386	\$ 4,678	\$ 2,992,968
Amortization		7,590	62,301	117,843	22,325	3,681	213,740
Accumulated amortization, end of year	\$ -	\$ 121,439	\$ 996,811	\$ 1,808,388	\$ 271,711	\$ 8,359	\$ 3,206,708
Net carrying amount, end of year	\$ 31,200	\$ 30,360	\$ 2,118,222	\$ 1,065,974	\$ 137,838	\$ 11,454	\$ 3,395,048

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

December 31, 2009

5 Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2009	2008
Investment in tangible capital assets (Note 7)	\$ 3,179,136	\$ 3,395,048
Current fund (Note 6)	2,002,985	1,803,019
	\$ 5,182,121	\$ 5,198,067

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

6. Current Fund

	2009	2008
Annual deficit	\$ (15,946)	\$ (67,863)
Amortization of capital assets	225,882	213,740
Transfer to capital fund for capital asset acquisitions	(9,970)	(95,087)
Change in current fund	199,966	50,790
Current fund, beginning of year	1,803,019	1,752,229
Current fund, end of year	\$ 2,002,985	\$ 1,803,019

The board maintains a reserve for future expenditures of \$1,500,000 for gamma cell replacement and \$350,000 for equipment replacement. Generally Accepted Accounting Principles require that non-statutory reserves be included with the current fund. The current fund balance above includes the total of reserve funds of \$1,850,000 (2008 - \$240,000).

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

December 31, 2009

7. Capital Fund

	2009	2008
Capital fund, beginning of year	\$ 3,395,048	\$ 7,601,720
Transitional Adjustment (Note 1)	-	(4,088,019)
Capital fund, beginning of year, restated	3,395,048	3,513,701
Amortization of capital assets	(225,882)	(213,740)
Transfer from current fund for capital asset acquisitions	\$ 9,970	95,087
Capital fund, end of year	\$ 3,179,136	\$ 3,395,048

8. Commitments

The Board is in the process of finalizing 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 2010 to December 2011 with a two year renewal at the option of the board. The estimated annual cost of financial and administrative services per the agreement is \$142,168. The estimated annual cost of the office lease per the agreement is \$12,489. As of the date of the audit report, the agreement has not yet been finalized.

9. 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 Public Sector Accounting Standards ("PSAB"). 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:

	2009
Budget surplus (deficit) for the year as per board budget	\$ -
Add:	
Amount budgeted for capital expenditures	34,800
Less:	
Transfer from previous years surplus in revenues	168,438
Budget surplus (deficit) per statement of operations	\$ (133,638)

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

December 31, 2009

10. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.
