



STERILE INSECT RELEASE PROGRAM

Okanagan-Kootenay Sterile
Insect Release Board
Financial Statements
For the year ended December 31, 2017

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Okanagan Kootenay Sterile Insect Release Board are the responsibility of management and have been approved by the Chairperson on behalf of the Board.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Certain amounts used in the preparation of the financial statements are based on management's best estimates and judgements. Actual results could differ as additional information becomes available in the future. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Okanagan Kootenay Sterile Insect Release Board maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Board's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.

The financial statements have been audited by BDO Canada LLP Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Board. The independent auditor's report expresses their opinion on these financial statements. The auditors have full and free access to the accounting records and to the Board of the Okanagan Kootenay Sterile Insect Release Board.


Board of Directors Chairperson


General Manager
May 11, 2018



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Independent Auditor's Report

To the Directors 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, 2017, and the statements of financial operations 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 public sector 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 controls relevant to the Release Board'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 the Release Board'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, 2017, and its financial operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Kelowna, British Columbia
May 11, 2018

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash	\$ 2,582,497	\$ 322,245
Portfolio investments (Note 1)	2,852	2,452,824
Accounts receivable	70,386	67,425
	2,655,735	2,842,494
Financial liabilities		
Accounts payable and accrued liabilities	200,484	238,744
	200,484	238,744
Net financial assets	2,455,251	2,603,750
Non-financial assets		
Prepays	32,585	43,303
Inventory (Note 2)	17,862	21,801
Tangible capital assets (Note 3)	2,822,367	2,963,562
	2,872,814	3,028,666
Accumulated Surplus (Note 4)	\$ 5,328,065	\$ 5,632,416

Approved on behalf of the Board:

Chairperson

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Operations

For the year ended December 31	2017	2017	2016
	Actual	Budget	Actual
Revenue			
Land taxes	\$ 1,710,728	\$ 1,710,728	\$ 1,710,728
Parcel tax	1,176,131	1,156,845	1,168,861
Interest income	28,044	15,000	29,120
Miscellaneous income	272,892	-	301,628
Grants	25,962	40,000	36,632
Gain on disposal of assets	16,600	-	714
	3,230,357	2,922,573	3,247,683
Expenses			
Amortization	285,813	-	272,270
Diet ingredients	191,887	175,000	160,392
Operations (building and site maintenance)	55,373	82,000	58,871
Waste management	12,009	16,800	11,611
Utilities	176,186	199,750	177,392
Postage and courier	22,137	6,500	19,705
Supplies - administration	9,059	10,000	9,442
- operational	187,784	191,600	156,580
Vehicle and travel	153,951	163,300	140,552
General overhead	341,134	354,800	307,639
Community relations	11,468	32,000	23,443
Research and program development	189,782	218,000	125,946
Wages and benefits	1,898,125	1,916,335	1,765,464
	3,534,708	3,366,085	3,229,307
Annual (deficit) surplus (Note 7)	(304,351)	(443,512)	18,376
Accumulated surplus, beginning of year	5,632,416	5,632,416	5,614,040
Accumulated surplus, end of year	\$ 5,328,065	\$ 5,188,904	\$ 5,632,416

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

For the year ended December 31	2017 Actual	2017 Budget	2016 Actual
Annual (deficit) surplus	\$ (304,351)	\$ (443,512)	\$ 18,376
Acquisition of tangible capital assets	(144,617)	(167,000)	(962,310)
Amortization of tangible capital assets	285,813	-	272,270
Change in inventory	3,938	-	15,225
Change in prepaids	10,718	-	(6,963)
Net change in net financial assets	(148,499)	(610,512)	(663,402)
Net financial assets, beginning of year	2,603,750	2,603,750	3,267,152
Net financial assets, end of year	\$ 2,455,251	\$ 1,993,238	\$ 2,603,750

Okanagan Kootenay Sterile Insect Release Board Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Annual (deficit) surplus	\$ (304,351)	\$ 18,376
Items not involving cash		
Amortization	285,813	272,270
	<u>(18,538)</u>	<u>290,646</u>
Changes in working capital items		
Account receivable	(2,961)	(25,014)
Inventory	3,938	15,225
Prepays	10,718	(6,963)
Accounts payable and accrued liabilities	(38,260)	60,850
Deferred revenue	-	(9,753)
	<u>(26,565)</u>	<u>34,345</u>
Cash from operations	<u>(45,103)</u>	<u>324,991</u>
Investing activities		
Net change in investments	2,449,972	749,959
Accrued interest	9,915	(3,164)
	<u>2,459,887</u>	<u>746,795</u>
Capital activities		
Purchase of tangible capital assets	(144,617)	(962,310)
Net change in cash and cash equivalents	<u>2,270,167</u>	<u>109,476</u>
Cash and cash equivalents, beginning of year	<u>322,245</u>	<u>209,605</u>
Cash and cash equivalents, end of year	<u>\$ 2,582,497</u>	<u>\$ 322,245</u>

Okanagan Kootenay Sterile Insect Release Board

Summary of Significant Accounting Policies

December 31, 2017

Nature of Business The Okanagan-Kootenay Sterile Insect Release Board (the "Release 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 ("CSR").

Basis of Presentation The financial statements of the Release 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 Account Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants.

Portfolio Investments Portfolio 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 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:

Buildings	50 years
Land Improvements	20 years
Machinery & equipment	20 to 25 years
Vehicles	5 to 10 years
Computers	4 years

Okanagan Kootenay Sterile Insect Release Board

Summary of Significant Accounting Policies

December 31, 2017

Revenue Recognition

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

The Release 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 Release Board. Where no specific criteria need be fulfilled, the Release Board records the grants as revenue in the period during which the Release 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.

If performance obligations or grant eligibility criteria are not met, amounts are recorded as deferred revenue until such time as the revenues are earned.

Financial Instruments

The Release Board's financial instruments consist of cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Release 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.

Okanagan Kootenay Sterile Insect Release Board Notes to Financial Statements

December 31, 2017

1. Portfolio Investments	2017	2016
MFABC Money Market Funds, interest at variable rates, unsecured, no specific terms of maturity	\$ 2,852	\$ 2,824
Bank of Montreal, matured during the year	-	2,450,000
	\$ 2,852	\$ 2,452,824

2. Inventory	2017	2016
Diet ingredients	\$ 7,366	\$ 11,990
Supplies	10,496	9,811
	\$ 17,862	\$ 21,801

Okanagan Kootenay Sterile Insect Release Board
Notes to Financial Statements

December 31, 2017

3. Tangible Capital Assets

	2017							
	Land Improvements	Land	Building	Machinery & Equipment	Vehicles	Computers	Work In Progress	Total
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,130,258	\$ 3,754,711	\$ 536,524	\$ 33,229	\$ -	\$ 7,637,721
Additions	-	-	-	68,835	71,557	4,225	-	144,617
Disposals	-	-	-	-	(43,400)	(6,936)	-	(50,336)
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,130,258	\$ 3,823,546	\$ 564,681	\$ 30,518	\$ -	\$ 7,732,002
Accumulated amortization, beginning of year	\$ -	\$ 151,799	\$ 1,495,977	\$ 2,600,629	\$ 405,423	\$ 20,331	\$ -	\$ 4,674,159
Amortization	-	-	63,062	165,891	49,231	7,629	-	285,813
Disposals	-	-	-	-	(43,402)	(6,935)	-	(50,337)
Accumulated amortization, end of year	\$ -	\$ 151,799	\$ 1,559,039	\$ 2,766,520	\$ 411,252	\$ 21,025	\$ -	\$ 4,909,635
Net carrying amount, end of year	\$ 31,200	\$ -	\$ 1,571,219	\$ 1,057,026	\$ 153,429	\$ 9,493	\$ -	\$ 2,822,367

Okanagan Kootenay Sterile Insect Release Board
Notes to Financial Statements

December 31, 2016

3. Tangible Capital Assets (continued)

								2016
	Land	Land	Building	Machinery &	Vehicles	Computers	Work In	Total
	Improvements	Improvements		Equipment			Progress	
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,115,033	\$ 2,923,602	\$ 491,998	\$ 28,899	\$ 158,643	\$ 6,901,174
Additions	-	-	15,225	1,046,872	54,526	4,330	(158,643)	962,310
Disposals	-	-	-	(215,763)	(10,000)	-	-	(225,763)
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,130,258	\$ 3,754,711	\$ 536,524	\$ 33,229	\$ -	\$ 7,637,721
Accumulated amortization, beginning of year	\$ -	\$ 151,799	\$ 1,432,917	\$ 2,656,145	\$ 374,765	\$ 12,026	\$ -	\$ 4,627,652
Amortization	-	-	63,060	160,247	40,658	8,305	-	272,270
Disposals	-	-	-	(215,763)	(10,000)	-	-	(225,763)
Accumulated amortization, end of year	\$ -	\$ 151,799	\$ 1,495,977	\$ 2,600,629	\$ 405,423	\$ 20,331	\$ -	\$ 4,674,159
Net carrying amount, end of year	\$ 31,200	\$ -	\$ 1,634,281	\$ 1,154,082	\$ 131,101	\$ 12,898	\$ -	\$ 2,963,562

Okanagan Kootenay Sterile Insect Release Board

Notes to Financial Statements

December 31, 2017

4. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2017	2016
Investment in tangible capital assets (Note 3)	\$ 2,822,367	\$ 2,963,562
Current fund (Note 5)	2,505,698	2,668,854
	\$ 5,328,065	\$ 5,632,416

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

5. Current Fund

	2017	2016
Annual (deficit) surplus	\$ (304,351)	\$ 18,376
Amortization of capital assets	285,813	272,270
Transfer to capital fund for capital asset acquisitions	(144,618)	(962,310)
Changes in current fund	(163,156)	(671,664)
Current fund, beginning of year	2,668,854	3,340,518
Current fund, end of year	\$ 2,505,698	\$ 2,668,854

The Release Board maintains a reserve for future expenditures of \$597,733 (2016 - \$742,349) for equipment replacement. PSAB requires that non-statutory reserves be included with the current fund.

6. Commitments

The Release Board is committed through an agreement to the Regional District of the Central Okanagan for lease of office space and the provision of financial and administrative services. The agreement has a term which ends on December 31, 2018 with a two year renewal at the option of the Release 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.

Okanagan Kootenay Sterile Insect Release Board Notes to Financial Statements

December 31, 2017

7. Budget information

The budget adopted by the Release 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 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 Release Board with adjustments as follows:

	<u>2017</u>
Budget surplus (deficit) for the year as per board budget	\$ -
Add:	
Amount budgeted for capital expenditures	167,000
Less:	
Transfer from reserves in revenues	167,000
Transfer from previous years surplus in revenues	<u>443,512</u>
Budget deficit per statement of financial operations	<u>\$ (443,512)</u>