



STERILE INSECT RELEASE PROGRAM

Okanagan-Kootenay Sterile
Insect Release Board
Financial Statements
For the year ended December 31, 2018

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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 Okanagan Kootenay Sterile Insect Release 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 Okanagan Kootenay Sterile Insect Release 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 24, 2019

Independent Auditor's Report

To the Directors of Okanagan-Kootenay Sterile Insect Release Board

Opinion

We have audited the financial statements of the Okanagan-Kootenay Sterile Insect Release Board (the "Release Board"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Okanagan-Kootenay Sterile Insect Release Board as at December 31, 2018, and its financial operations, change in net financial assets and cash flows for the year then ended in accordance with 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 the Release Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

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 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 the Release Board'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 the Release Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Release Board'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 the Release Board'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 the Release Board'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 the Board 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.

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.

Chartered Professional Accountants

Vernon, British Columbia
May 24, 2019

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash	\$ 706,018	\$ 2,582,497
Portfolio investments (Note 1)	1,752,879	2,852
Accounts receivable	34,977	70,386
	<u>2,493,874</u>	<u>2,655,735</u>
Financial liabilities		
Accounts payable and accrued liabilities	<u>508,245</u>	<u>200,484</u>
Net financial assets	1,985,629	2,455,251
Non-financial assets		
Inventory (Note 2)	24,554	17,862
Prepays and deposits	38,614	32,585
Tangible capital assets (Note 3)	<u>2,776,507</u>	<u>2,822,367</u>
Accumulated Surplus (Note 4)	\$ 4,825,304	\$ 5,328,065

Approved on behalf of the Board:



Chairperson

Okanagan Kootenay Sterile Insect Release Board Statement of Financial Operations

For the year ended December 31	2018	2018	2017
	Actual	Budget	Actual
Revenue			
Land taxes	\$ 1,710,728	\$ 1,710,728	\$ 1,710,728
Parcel tax	1,181,509	1,211,423	1,176,131
Interest income	38,647	15,000	28,044
Miscellaneous income	225,225	285,750	272,892
Grants	45,077	28,000	25,962
Gain on disposal of assets	291	-	16,600
	<u>3,201,477</u>	<u>3,250,901</u>	<u>3,230,357</u>
Expenses			
Amortization	189,840	-	285,813
Community relations	14,116	30,000	11,468
Diet ingredients	214,967	220,000	191,887
General overhead	339,699	362,750	341,134
Operations (building and site maintenance)	71,187	77,500	55,373
Postage and courier	26,673	5,000	22,137
Research and program development	115,543	163,000	189,782
Supplies - administration	10,297	11,000	9,059
- operational	150,237	193,600	187,784
Utilities	167,830	203,000	176,186
Vehicle and travel	158,416	162,200	153,951
Wages and benefits	2,228,355	2,072,164	1,898,125
Waste management	17,078	16,900	12,009
	<u>3,704,238</u>	<u>3,517,114</u>	<u>3,534,708</u>
Annual deficit (Note 7)	(502,761)	(266,213)	(304,351)
Accumulated surplus, beginning of year	<u>5,328,065</u>	<u>5,328,065</u>	<u>5,632,416</u>
Accumulated surplus, end of year	<u>\$ 4,825,304</u>	<u>\$ 5,061,852</u>	<u>\$ 5,328,065</u>

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

For the year ended December 31	2018 Actual	2018 Budget	2017 Actual
Annual deficit	\$ (502,761)	\$ (266,213)	\$ (304,351)
Acquisition of tangible capital assets	(143,980)	(132,700)	(144,617)
Amortization of tangible capital assets	189,840	-	285,813
	<u>45,860</u>	<u>(132,700)</u>	<u>141,196</u>
Change in inventory	(6,692)	-	3,938
Change in prepaids and deposits	(6,029)	-	10,718
	<u>(12,721)</u>	<u>-</u>	<u>14,656</u>
Net change in net financial assets	(469,622)	(398,913)	(148,499)
Net financial assets, beginning of year	<u>2,455,251</u>	<u>2,455,251</u>	<u>2,603,750</u>
Net financial assets, end of year	<u>\$ 1,985,629</u>	<u>\$ 2,056,338</u>	<u>\$ 2,455,251</u>

Okanagan Kootenay Sterile Insect Release Board Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Annual deficit	\$ (502,761)	\$ (304,351)
Items not involving cash		
Amortization	189,840	285,813
	<u>(312,921)</u>	<u>(18,538)</u>
Changes in working capital items		
Account receivable	35,409	(2,961)
Accounts payable and accrued liabilities	307,761	(38,260)
Inventory	(6,692)	3,938
Prepays and deposits	(6,029)	10,718
	<u>330,449</u>	<u>(26,565)</u>
Cash from operations	<u>17,528</u>	<u>(45,103)</u>
Investing activities		
Net change in investments	(1,750,027)	2,449,972
Accrued interest	(1,726)	9,915
	<u>(1,751,753)</u>	<u>2,459,887</u>
Capital activities		
Purchase of tangible capital assets	(143,980)	(144,617)
Net change in cash and cash equivalents	<u>(1,878,205)</u>	<u>2,270,167</u>
Cash and cash equivalents, beginning of year	<u>2,582,497</u>	<u>322,245</u>
Cash and cash equivalents, end of year	<u>\$ 706,018</u>	<u>\$ 2,582,497</u>

Okanagan Kootenay Sterile Insect Release Board

Summary of Significant Accounting Policies

December 31, 2018

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 Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

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, 2018

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, 2018

1. Portfolio Investments	2018	2017
Bank of Montreal, Guaranteed Investment Certificates, interest at 1.80% per annum, maturing on December 10, 2019	\$ 1,750,000	\$ -
MFABC Money Market Funds, interest at variable rates, unsecured, no specific terms of maturity	2,879	2,852
	\$ 1,752,879	\$ 2,852

2. Inventory	2018	2017
Diet ingredients	\$ 11,845	\$ 7,366
Supplies	12,709	10,496
	\$ 24,554	\$ 17,862

Okanagan Kootenay Sterile Insect Release Board
Notes to Financial Statements

December 31, 2018

3. Tangible Capital Assets

	2018								
	Land	Land Improvements	Building	Machinery & Equipment	Vehicles	Computers	Work In Progress	Total	
Cost, beginning of year	\$ 31,200	\$ 151,799	\$ 3,130,258	\$ 3,823,546	\$ 564,681	\$ 30,518	\$ -	\$ 7,732,002	
Additions	-	-	-	52,439	61,920	7,383	22,238	143,980	
Disposals	-	-	-	-	-	(5,326)	-	(5,326)	
Cost, end of year	\$ 31,200	\$ 151,799	\$ 3,130,258	\$ 3,875,985	\$ 626,601	\$ 32,575	\$ 22,238	\$ 7,870,656	
Accumulated amortization, beginning of year	\$ -	\$ 151,799	\$ 1,559,039	\$ 2,766,520	\$ 411,252	\$ 21,025	\$ -	\$ 4,909,635	
Amortization	-	-	63,062	67,727	50,908	8,143	-	189,840	
Disposals	-	-	-	-	-	(5,326)	-	(5,326)	
Accumulated amortization, end of year	\$ -	\$ 151,799	\$ 1,622,101	\$ 2,834,247	\$ 462,160	\$ 23,842	\$ -	\$ 5,094,149	
Net carrying amount, end of year	\$ 31,200	\$ -	\$ 1,508,157	\$ 1,041,738	\$ 164,441	\$ 8,733	\$ 22,238	\$ 2,776,507	

Okanagan Kootenay Sterile Insect Release Board
Notes to Financial Statements

December 31, 2017

3. Tangible Capital Assets (continued)

	2017								
	Land	Land Improvements	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, 2018

4. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2018	2017
Investment in tangible capital assets (Note 3)	\$ 2,776,507	\$ 2,822,367
Current fund (Note 5)	2,048,797	2,505,698
	\$ 4,825,304	\$ 5,328,065

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

5. Current Fund

	2018	2017
Annual deficit	\$ (502,761)	\$ (304,351)
Amortization of capital assets	189,840	285,813
Transfer to capital fund for capital asset acquisitions	(143,980)	(144,618)
	(456,901)	(163,156)
Changes in current fund	2,505,698	2,668,854
Current fund, beginning of year	\$ 2,048,797	\$ 2,505,698
Current fund, end of year		

The Release Board maintains a reserve for future expenditures of \$453,753 (2017 - \$597,733) 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, 2023 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 \$135,807 and the estimated annual cost of the office lease per the agreement is \$15,331.

Okanagan Kootenay Sterile Insect Release Board

Notes to Financial Statements

December 31, 2018

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>2018</u>
Budget surplus (deficit) for the year as per board budget	\$ -
Add:	
Amount budgeted for capital expenditures	132,700
Less:	
Transfer from reserves in revenues	132,700
Transfer from previous years surplus in revenues	<u>266,213</u>
Budget deficit per statement of financial operations	<u>\$ (266,213)</u>