

## AUDITORS' REPORT

To the Directors of the Okanagan Valley Tree Fruit Authority:

We have audited the balance sheet of the Okanagan Valley Tree Fruit Authority as at March 31, 2000 and the statements of revenue and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 the Authority as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for public sector entities applied on a basis consistent with that of the preceding year.

*Harvey Rister Dmc.*

Penticton, BC  
May 17, 2000

CERTIFIED GENERAL ACCOUNTANTS

**OKANAGAN VALLEY TREE FRUIT AUTHORITY**  
**BALANCE SHEET**  
**MARCH 31, 2000**

|   | <b>ASSETS</b>       |                   |                   |
|---|---------------------|-------------------|-------------------|
|   | 2000                | 1999              | 1998              |
| <b>CURRENT ASSETS</b>                   |                     |                   |                   |
| Cash                                    | \$ 49,311           | \$ 10,218         | \$ 10,620         |
| Accounts receivable                     | 4,937               | 1,219             | 4,118             |
| Replant grant advances                  | 2,384               | 15,240            | 63,882            |
| Prepaid expenses                        | 874                 | 489               | 2,259             |
| Short-term investments - Note 3         | <u>1,065,207</u>    | <u>114,752</u>    | <u>478,396</u>    |
|   | 1,122,713           | 141,918           | 559,275           |
| <b>CAPITAL ASSETS - Notes 2 &amp; 4</b> | <u>15,619</u>       | <u>20,942</u>     | <u>40,747</u>     |
|   | <u>\$ 1,138,332</u> | <u>\$ 162,860</u> | <u>\$ 600,022</u> |
| <b>LIABILITIES</b>                      |                     |                   |                   |
| <b>CURRENT LIABILITIES</b>              |                     |                   |                   |
| Bank indebtedness - Note 5              | \$ -                | \$ 259,494        | \$ -              |
| Accounts payable                        | 18,843              | 19,466            | 244,902           |
| Grants payable                          | <u>485,857</u>      | <u>19,640</u>     | <u>51,677</u>     |
|   | <u>504,700</u>      | <u>298,600</u>    | <u>296,579</u>    |
| <b>EQUITY</b>                           |                     |                   |                   |
| <b>RETAINED EARNINGS (DEFICIT)</b>      |                     |                   |                   |
| Appropriated- Note 6                    | -                   | -                 | 460,352           |
| Unappropriated                          | <u>633,632</u>      | <u>(135,740)</u>  | <u>(156,909)</u>  |
|   | <u>633,632</u>      | <u>(135,740)</u>  | <u>303,443</u>    |
|   | <u>\$ 1,138,332</u> | <u>\$ 162,860</u> | <u>\$ 600,022</u> |

**GUARANTEES - Note 7**

APPROVED ON BEHALF OF THE BOARD

  
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**OKANAGAN VALLEY TREE FRUIT AUTHORITY**  
**STATEMENT OF REVENUE AND EXPENDITURE**  
**FOR THE YEAR ENDED MARCH 31, 2000**

|  | 2000                | 1999                | 1998                |
|--|---------------------|---------------------|---------------------|
| <b>REVENUE - Note 8</b>                                    | \$ <u>6,869,827</u> | \$ <u>2,037,100</u> | \$ <u>2,192,652</u> |
| <b>EXPENDITURE</b>   |                     |                     |                     |
| Orchard renovation   |                     |                     |                     |
| Replant grants   | 1,552,868           | 1,625,110           | 2,819,044           |
| Financial security   | 4,191,393           | (1,047)             | (23,170)            |
| Program services and administration                        | 206,194             | 197,320             | 178,058             |
| Sterile Insect Release Program                             | 150,000             | 650,000             | 190,000             |
| Transition costs - Note 9                                  | -                   | 4,900               | 277,233             |
|  | <u>6,100,455</u>    | <u>2,476,283</u>    | <u>3,441,165</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUE<br/>OVER EXPENDITURE</b> | 769,372             | (439,183)           | (1,248,513)         |
| <b>RETAINED EARNINGS (DEFICIT), beginning of year</b>      | <u>(135,740)</u>    | <u>303,443</u>      | <u>1,551,956</u>    |
| <b>RETAINED EARNINGS (DEFICIT), end of year</b>            | <u>\$ 633,632</u>   | <u>\$ (135,740)</u> | <u>\$ 303,443</u>   |

**OKANAGAN VALLEY TREE FRUIT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2000**

|   | 2000                | 1999                | 1998               |
|---|---------------------|---------------------|--------------------|
| <b>OPERATIONS</b>                               |                     |                     |                    |
| Receipts from revenue                           | \$ 6,866,109        | \$ 2,039,999        | \$ 2,238,278       |
| Payments of grants                              | (5,415,188)         | (2,257,458)         | (3,804,404)        |
| Payments to suppliers for goods and services    | (151,621)           | (174,200)           | (152,334)          |
| Payments to and on behalf of employees          | (49,291)            | (243,396)           | (192,502)          |
| Changes in sales taxes                          | <u>(7)</u>          | <u>(834)</u>        | <u>841</u>         |
| <b>CASH PROVIDED (USED)</b>                     | <u>1,250,002</u>    | <u>(635,889)</u>    | <u>(1,910,121)</u> |
| <b>INVESTMENTS</b>                              |                     |                     |                    |
| Proceeds from (purchase of) capital assets, net | <u>(960)</u>        | <u>12,349</u>       | <u>(163)</u>       |
| <b>CASH PROVIDED (USED)</b>                     | <u>(960)</u>        | <u>12,349</u>       | <u>(163)</u>       |
| <b>INCREASE (DECREASE) IN CASH</b>              | 1,249,042           | (623,540)           | (1,910,284)        |
| <b>BEGINNING CASH</b>                           | <u>(134,524)</u>    | <u>489,016</u>      | <u>2,399,300</u>   |
| <b>ENDING CASH</b>                              | <u>\$ 1,114,518</u> | <u>\$ (134,524)</u> | <u>\$ 489,016</u>  |
| <b>REPRESENTED BY</b>                           |                     |                     |                    |
| Cash  | \$ 49,311           | \$ 10,218           | \$ 10,620          |
| Short-term investments                          | 1,065,207           | 114,752             | 478,396            |
| Bank revolving loan                             | <u>-</u>            | <u>(259,494)</u>    | <u>-</u>           |
|   | <u>\$ 1,114,518</u> | <u>\$ (134,524)</u> | <u>\$ 489,016</u>  |

**OKANAGAN VALLEY TREE FRUIT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2000**

**Note 1 AUTHORITY AND RELATED PARTIES**

The Okanagan Valley Tree Fruit Authority Act came into force on August 10, 1990. The mandate of the Authority is to ensure an efficient and co-ordinated approach to the revitalization of the tree fruit industry in the Interior of British Columbia. The Okanagan Valley Tree Fruit Authority Act, originally prescribed for repeal on December 31, 2000, was extended to March 31, 2006 by Order of the Lieutenant-Governor in Council on March 30, 2000. A Memorandum of Understanding between the Authority and the Ministry of Agriculture, Fisheries and Food, Province of British Columbia, defines the roles and responsibilities of each organization.

The Authority carries out its responsibility for the revitalization of the tree fruit industry principally through its Orchard Replant Program, and during the current year, through the reinstatement of the Transitional Production Adjustment Program (TPAP).

The Authority receives the majority of its revenue from the Province of British Columbia, on which it is dependent for the continuance of its operations.

**Note 2 SIGNIFICANT ACCOUNTING POLICIES**

**a) Capital Assets**

During 1999, in accordance with new accounting policies recommended by the Public Sector Accounting and Auditing Standards Committee of the Canadian Institute of Chartered Accountants, the Authority changed its policy from expensing capital assets in the year of acquisition to capitalizing them and amortizing them in accordance with their estimated useful lives and residual values. This policy was applied retroactively, resulting in the restatement of prior years' figures.

**b) Amortization**

Amortization of capital assets has been recorded using the declining balance method at the following annual rates:

|                         |      |
|-------------------------|------|
| Furniture and equipment | 20 % |
| Computer equipment      | 30 % |

**Note 3 SHORT-TERM INVESTMENTS**

The short-term investments consist of units in the money market unitized fund administered by the British Columbia Investment Management Corporation. The market value of the investments as at March 31, 2000 was \$1,065,438.

**Note 4 CAPITAL ASSETS**

|                         | Cost              | Accumulated<br>Amortization | 2000             | Net Book Value   |                  |
|-------------------------|-------------------|-----------------------------|------------------|------------------|------------------|
|                         |                   |                             |                  | 1999             | 1998             |
| Furniture and equipment | \$ 27,536         | \$ 21,833                   | \$ 5,703         | \$ 6,775         | \$ 10,186        |
| Computer equipment      | 153,443           | 143,527                     | 9,916            | 14,167           | 18,992           |
| Automotive equipment    | -                 | -                           | -                | -                | 11,569           |
|                         | <u>\$ 180,979</u> | <u>\$ 165,360</u>           | <u>\$ 15,619</u> | <u>\$ 20,942</u> | <u>\$ 40,747</u> |

**Note 5 BANK INDEBTEDNESS**

The bank indebtedness, an operating line of credit with an authorized limit of \$500,000 payable to the Canadian Imperial Bank of Commerce, was repaid in full during the year.

**Note 6 RETAINED EARNINGS**

The appropriated retained earnings represented the unexpended portion of special payments made by the Ministry of Agriculture, Fisheries and Food of the Province of British Columbia during the year ended March 31, 1995. These funds were appropriated specifically for the Sterile Insect Release Program and were remitted in full during 1999.

**Note 7 GUARANTEES**

Under the Replant Loan Guarantee Program, the Authority has an agreement with members of the Canadian Bankers Association whereby the Authority will guarantee a portion of a qualifying loan to a grower. Qualifying loans currently in place total \$187,000. Under the Vendor Mortgage Guarantee Program, the total of mortgage guarantees is \$218,842. During 1998 both programs were terminated; no new guarantees will be provided by the Authority but the existing agreements will remain in place.

**Note 8 REVENUE**

|  | 2000                | 1999             | 1998                |
|--|---------------------|------------------|---------------------|
| Contribution, British Columbia Ministry of Agriculture, Fisheries and Food | \$ 6,800,000        | \$ 2,000,000     | \$ 2,000,000        |
| Investment income  | 69,487              | 37,100           | 192,652             |
| Other  | 340                 | -                | -                   |
|  | <u>\$ 6,869,827</u> | <u>2,037,100</u> | <u>\$ 2,192,652</u> |

**Note 9 TRANSITION COSTS**

Transition costs were incurred by the Authority in order to achieve the down sizing of its operations during the fiscal year ended March 31, 1997, and resulted from termination agreements with employees and contractors, and the disposal of capital assets.

**Note 10 PENSION PLAN**

The Authority and its employee contribute to the Public Service Superannuation Plan administered by the Superannuation Commission of the Provincial Government. The Plan is a defined benefit pension plan, and the Province of British Columbia has statutory responsibility for any unfunded liability of the Plan.