

Okanagan Basin Water Board Meeting Agenda



DATE: Tuesday, June 6, 2017

TIME: 10 a.m. to 11 a.m.

PLACE: Summerland Waterfront Resort Hotel
13011 Lakeshore Dr. South
Summerland, B.C.

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1. **CALL MEETING TO ORDER**
 2. **INTRODUCTION OF LATE ITEMS**
 3. **APPROVAL OF AGENDA**
 4. **ADOPTION OF MINUTES**
 - 4.1 Minutes of the Regular Meeting of the Okanagan Basin Water Board of May 2, 2017 at Regional District of Central Okanagan (*page 1*)
 5. **STAFF REPORTS**
 - 5.1 Executive Director Report (*page 8*)
 6. **NEW AND UNFINISHED BUSINESS**
 - 6.1 Review of the Audited Financial Statements for the year ending March 31, 2017.1
 - 6.1.1 Auditor's Report (*page 11*)
 - 6.1.2 Management Letter (*page 14*)
 - 6.1.3 Audited Financial Statements (*page 16*) (*resolution required*)
 - 6.2 Contract approval request for Environmental Flow Need field support (*page 36*) (*resolution required*)
 7. **CORRESPONDENCE**
 8. **NEXT MEETING**
 - 8.1 The next meeting of the Okanagan Basin Water Board will be Tuesday, August 1, 2017 from 10 a.m. to 2 p.m., at the Regional District of Central Okanagan.
 9. **ADJOURNMENT**



**MINUTES OF A REGULAR MEETING OF THE OKANAGAN BASIN WATER BOARD
HELD MAY 2, 2017, AT THE REGIONAL DISTRICT OF CENTRAL OKANAGAN
1450 KLO RD., KELOWNA, B.C.**

PRESENT

Chair Tracy Gray	Regional District Central Okanagan
Vice-chair Juliette Cunningham	Regional District North Okanagan
Director Doug Dirk	Regional District North Okanagan
Director Rick Fairbairn	Regional District North Okanagan
Director Doug Findlater	Regional District Central Okanagan
Director Cindy Fortin	Regional District Central Okanagan
Director Sue McKortoff	Regional District Okanagan-Similkameen
Director Lisa Wilson	Okanagan Nation Alliance
Alt. Director Bob Hrasko	Water Supply Association of BC
Director Brian Guy	Okanagan Water Stewardship Council

REGRETS

Director Ron Hovanes	Regional District Okanagan-Similkameen
Director Peter Waterman	Regional District Okanagan-Similkameen

OBWB STAFF

Anna Warwick Sears	Executive Director
Nelson Jatel	Water Stewardship Director
James Littlely	Operations and Grants Manager
Corinne Jackson	Communications Director
Kellie Garcia	Policy and Planning Specialist
Alyssa Bougie	Communications & Outreach Coordinator

1. CALL MEETING TO ORDER

Chair Gray called the meeting to order at 10:01 a.m.

2. APPROVAL OF AGENDA

“THAT the agenda of the regular meeting of the Okanagan Basin Water Board of May 2, 2017 be approved as amended.”

CARRIED

3. DELEGATIONS

Wayne Wilson – Central Okanagan Land Trust (COLT) on restoration of Mission Creek & Munson Pond, the role of the land trust

Mr. Wilson provided a history of COLT, and its unique ability to apply for funding that local governments cannot, and provided an update on some of the trust’s most recent projects including Munson Pond and Mission Creek.

The City of Kelowna bought Munson Pond and adjacent properties about three years ago, and approached COLT about applying for funds to register a covenant on a nearby house. The trust received federal and OBWB grant funding as well as private donations. Funds helped rehabilitate the pond and make it more accessible with a walking trail. Today there are three fish

species and several other aquatic species at the pond. It has also become popular for bird watching.

Several partnerships have been developed to ensure the project's success, including with a nearby school, service clubs, and local businesses helping with planting and weeding.

Additional funding will go to continued work to naturalize the pond, as well as installing interpretive signs about area flora and fauna.

Mission Creek is considered a very important creek in the Okanagan, representing 25% of the inflow into Okanagan Lake, Mr. Wilson noted. Back in the 1950s, the creek was channelized to address flooding, but this also led to 75% of fish habitat being lost, both in length and riparian habitat. The goal of the Mission Creek Restoration Initiative was to move the dykes between Gordon Drive and Casorso Road to assist with new and increased risks of flooding, and to rehabilitate the area's riparian habitat.

Work was done with support from the OBWB as well as Westbank First Nations, Okanagan Nation Alliance, B.C.'s Ministry of Forests, Lands and Natural Resource Operations, Trout Unlimited, Peachland Fish and Game, and many others.

Dir. Fortin entered the meeting at 10:15 a.m.

Mr. Wilson explained that additional grant applications have been submitted to expand monitoring and rehabilitation.

4. ADOPTION OF MINUTES

4.1 Minutes of the Regular Meeting of the Okanagan Basin Water Board of April 4, 2017 at the Regional District of North Okanagan in Coldstream.

"THAT the minutes of the regular meeting of the Okanagan Basin Water Board of April 4, 2017 at the Regional District of North Okanagan be approved."

CARRIED

5. CHAIR REPORT

Chair Gray noted that she would be attending the upcoming Federation of Canadian Municipalities conference in Ottawa with Dirs. Findlater and Cunningham and, together, they would be meeting with the federal Department of Fisheries and Oceans regarding invasive mussel response.

6. STAFF REPORTS

6.1 Executive Director Report

Dr. Sears noted the June 6 joint board-council meeting will include a presentation by Renata Claudi. Ms. Claudi, who is based in Ontario, has become internationally known for her expertise on invasive mussels, their economic impact, and protection of assets. Okanagan aquatic biologist Heather Larratt will also be presenting. Ms. Larratt produced a 2012 report for the OBWB on the impact of invasive mussels to the Okanagan and has been working with local utilities.

The Water Board's annual financial audit is underway and should be ready for review by directors in June.

In response to a request from the board last month, staff requested a letter outlining the goals and process of the upcoming RDCO service review in order to facilitate the process, but have not heard back.

Dr. Sears noted that staff are waiting for RDCO staff to complete their review of the milfoil equipment transfer process from OBWB to RDOS. Once done, the proposal will go to RDNO for approval.

UBC Okanagan's Water Research Chair Community Advisory Committee meets about three times a year. The committee is now working to develop a new workshop-like format to engage the community more and staff will be assisting/providing input.

Looking at the Okanagan water supply, snow packs are now above normal. All indications suggest an average water year unless there is a sudden warming and rapid melt. Provincial water managers are ramping up the water release from the Penticton dam. There is some concern that the current rate of inflow is greater than what is being released. Caution is required to protect juvenile fish and ensure appropriate levels in the south.

"THAT the Executive Director's Report, dated April 26, 2017, be received."

CARRIED

6.2 Water Stewardship Director Report

Mr. Jatel reported on the April council meeting and a presentation on biosolids by City of Kelowna's Andrew Reeder and consultants. There was some discussion about the use of biosolids on agricultural lands and issues around the ability to market product when biosolids are used, he added.

May's council meeting will hear a draft report on a boat traffic survey done on Kalamalka and Wood Lake, funded by the OBWB.

It was noted that biosolids are used on some international food products coming into Canada. Also, B.C.'s Environment Min. Mary Polak at last September's Union of BC Municipalities conference said an announcement on organic matter recycling would be coming soon. It was also suggested that local governments should be including the use of biosolids when reviewing applications for topsoil amendments or soil bylaws.

The board was updated on ground-surface water research on Mission Creek, including that there has been a fair amount of groundwater well drilling which can impact surface flows on the creek and impact fish. This study, in part, comes out of a need by Black Mountain and South East Kelowna Irrigation Districts, Rutland Waterworks and City of Kelowna requiring information on surface and groundwater availability.

There was some question about the province's new groundwater licencing system. Dr. Sears reminded the board that the province has welcomed feedback on the licencing process.

"THAT the Water Stewardship Director's report, dated April 26, 2017, be received."

CARRIED

6.3 Operations and Grants Manager Report

Mr. Littley updated the board on a Request for Proposals for a new milfoil rototiller and purchase of new harvester engines. Rototilling is continuing for a few more weeks and maintenance to prepare for the summer harvesting season is underway.

The board was provided with a one-page backgrounder on the milfoil program. It was noted that current control efforts are provided for under \$6 per year for homeowners.

A draft briefing note was provided in preparation for OBWB directors meeting with federal officials re: invasive mussels. The board provided feedback, including the need for a more effective inspection regime at the borders, and tying requests back to ministry mandate letters.

Ms. Jackson noted that Montana's invasive species coordinator, Stephanie Hester, has offered support at the provincial and federal level, noting that they can now speak from first-hand experience as they battle the mussels. Ms. Hester also suggested asking the Pacific NorthWest Economic Region to advocate on the OBWB and B.C.'s behalf for improved federal response, adding that PNWER did this for Montana which was then provided additional U.S. federal dollars to combat the mussels.

"THAT the Operations and Grants Manager's Report, dated April 25, 2017, be received."

CARRIED

6.4 Communications Director Report

The board was updated on this year's Okanagan WaterWise Challenge for youth, launched during Canada Water Week in March. Youth were invited to participate in up to three water-related challenges, including creek clean-ups, fixing leaks, and more. Winners will be announced soon and winning entries will be posted to www.OkWaterWise.ca.

Ms. Jackson reported on "Don't Move A Mussel" (DMM) presentations in Penticton, organized by DMM partners Okanagan and Similkameen Invasive Species Society and RDOS. The presentations featured Stephanie Hester with Montana's Invasive Species Council and Alberta's Cindy Sawchuk, along with her mussel sniffing dog. There was a public event and a separate event for elected officials and local government staff.

Make Water Work (MWW), the valley-wide outdoor water conservation campaign, is set to launch on May 10. Mayors from throughout the valley will be attending. The event will be held at the home of the 2015 MWW contest winner.

The board was updated on a project to provide up-to-date, Okanagan-specific water curriculum resources to teachers in the valley. The Okanagan WaterWise curriculum will be introduced and tested at a Professional Development Day in Vernon on May 19.

Staff have also been providing communications support to groups, including the ONA Okanagan Water Forum on May 30. Dir. Wilson spoke to the forum, adding it will look at indigenous water rights, cultural mapping in watershed planning, and salmon restoration.

"THAT the Communications Director's Report, dated April 26, 2017, be received."

CARRIED

6.5 Policy and Planning Specialist Report

Ms. Garcia told the board that work to update the Sustainable Water Strategy is underway and is expected to take about a year, taking into account several new issues that have come to light in the last 10 years. A meeting was held with Dir. Wilson to discuss greater ONA involvement in the process, she added.

A test pilot of the Agricultural Water Supply Communications Project will begin soon, helping water utilities message out to the ag community on water conditions using text and e-mail messages. The pilot project is being conducted with Greater Vernon Water and Penticton.

The board was also told of two recent presentations given, one being lessons learned during the 2015 drought. This was presented with Greater Vernon Water as part of a Fraser Basin Council webinar. The other was on drought planning and the mainstem drought triggers project at the Water Supply Association's spring workshop.

"THAT the Policy and Planning Specialist's Report, dated April 25, 2017, be received."
CARRIED

7. NEW AND UNFINISHED BUSINESS

7.1 Statement of values – promoting wetland protection and conservation

Mr. Jatel introduced the statement, noting it originated with the Water Stewardship Council and acknowledges the importance of wetlands in their various forms and the need to protect them.

"THAT the OBWB adopt the Okanagan Wetland Statement of Values."
CARRIED

7.2 Environmental Flow Needs – ONA contract

Mr. Jatel introduced the Environmental Flow Needs project and contract.

"THAT the OBWB enter into a service agreement with the Okanagan Nation Alliance for the provision of work related to the Environmental Flow Needs project for the 2017-18 project year."

CARRIED

7.3 Make Water Work-Don't Move A Mussel – Pulse contract

Ms. Jackson introduced the Make Water Work-Don't Move A Mussel project and contract.

"THAT the OBWB enter into a contract with the Csek Creative – Pulse Group for the Make Water Work 2017 and Don't Move A Mussel 2017 campaign management and delivery."

CARRIED

8. IN-CAMERA

8.1 In-camera session

A resolution was presented that the board go into closed meeting at 1:10 p.m.

"THAT the board meeting be closed under sec. 90 (2) (b) of the Community Charter."
CARRIED

Moved to come out of in-camera at 1:28 p.m.

9. **NEXT MEETING**

The next meeting of the Okanagan Basin Water Board will be an abbreviated session on Tuesday, June 6, 2017 at the Summerland Lakefront Resort at 10 a.m., followed immediately by the joint Board-Water Stewardship Council meeting until 3 p.m.

10. **ADJOURNMENT**

“THAT there being no further business, the regular meeting of the Okanagan Basin Water Board of May 2, 2017 be adjourned at 1:29 p.m.”

CARRIED

Certified Correct:		
Chair		Executive Director

MEMORANDUM

Okanagan Basin Water Board
Regular meeting
June 6, 2017
Agenda No: 5.1

File No. 0550.04

To: OBWB Directors
From: Anna Warwick Sears
Date: May 31, 2017
Subject: Executive Director Report

Upcoming OBWB meetings.

- The July OBWB meeting has been cancelled because of conflicts with the holiday and municipal council schedules. If there are any urgent approvals needed during July, we will convene a teleconference, or if possible, get approvals through email.
- We will have a meeting in August, (Tuesday, August 1st) at the Regional District of Central Okanagan.
- The September OBWB meeting will be held immediately following our Annual Public Meeting on September 8th, in Kelowna (location TBD). We will present our 2015-16 Annual Report at the meeting, which will be in the morning, followed by a lunch and short regular OBWB meeting. OBWB staff will be preparing the annual report during June-July, and will circulate it to directors for approval via email.

Audited Financial Statements

The Board will have an opportunity to review and approve the audited financial statements, during new and unfinished business. The BDO audit team and RDCO finance staff made extra efforts to complete the financials for this meeting to accommodate our needs and expedite our annual report.

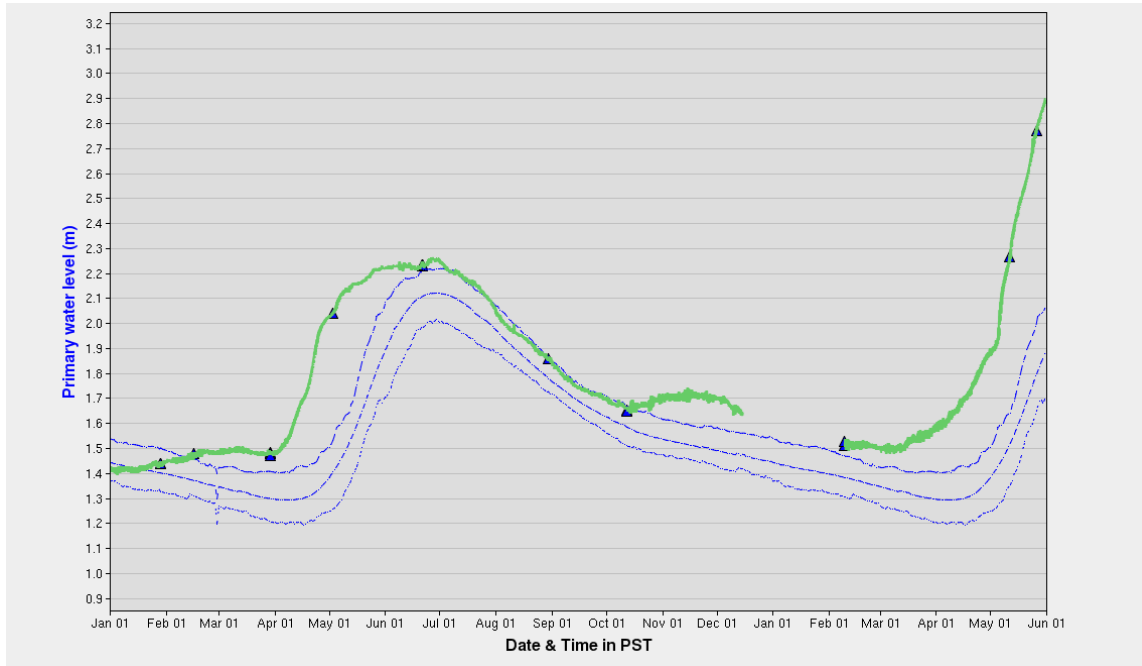
Weather Report

The following forecast is from Accuweather (<http://tinyurl.com/y8tmvkuj>), which is in line with Environment Canada (https://weather.gc.ca/saisons/prob_e.html).

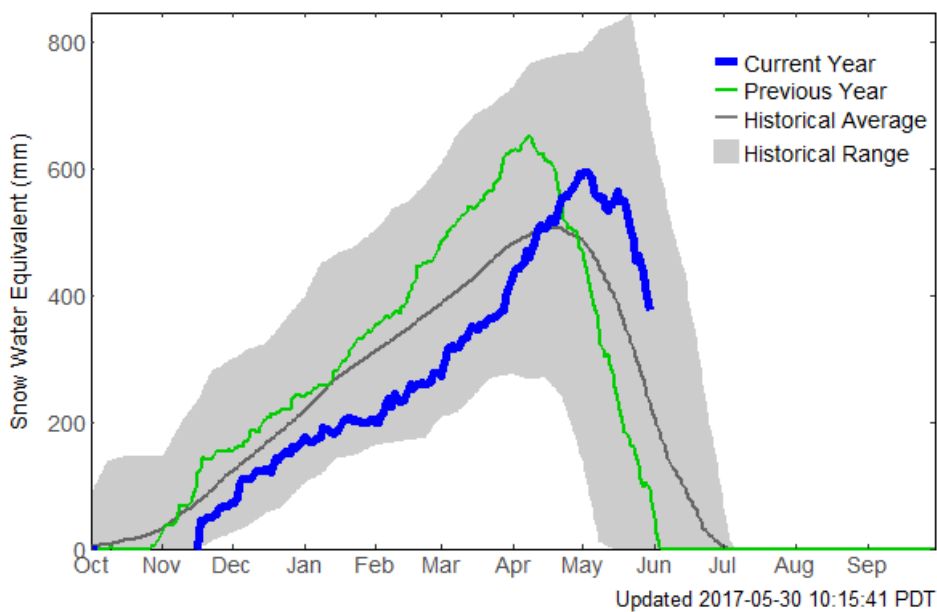
British Columbia: Summer is expected to be drier than normal for most areas, including Vancouver. The exceptions may be the BC Rockies the second half of the summer due to a greater than normal amount of thunderstorm activity. Streamflows are expected to be near normal for most of the summer. I also expect more showers than usual across the far northwest portion of the province. In terms of temperatures, ocean water surface temperatures off the coast are running lower compared to previous years and this should keep temperatures close to normal along the coast. However, the projected drier weather pattern across the southern interior favors a higher number of days above 30 degrees Celsius compared to normal.

Okanagan Lake Levels

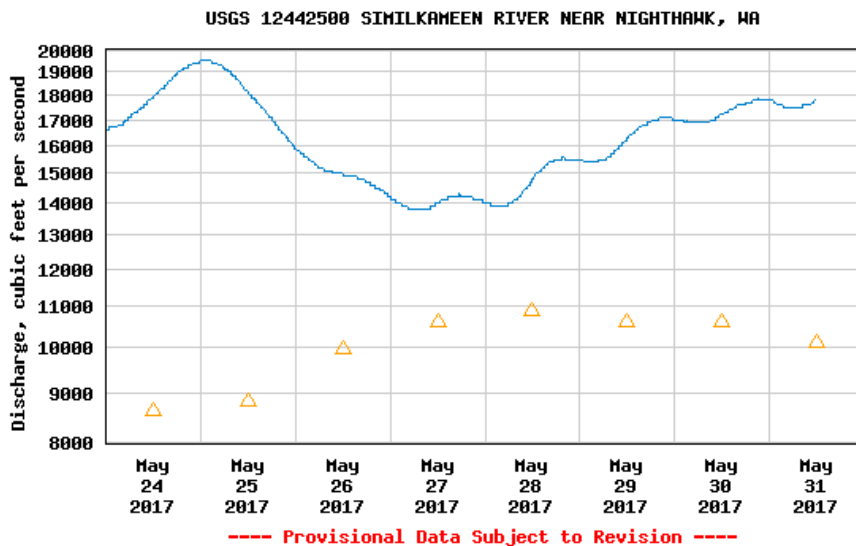
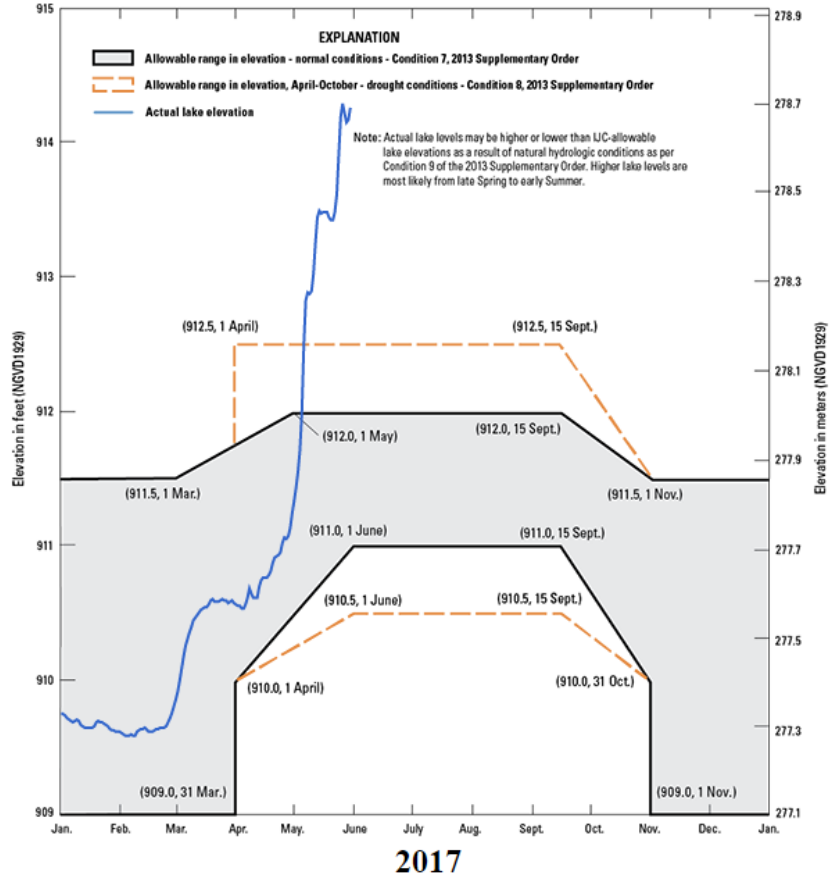
As everyone knows, Okanagan Lake is at historic levels – 343.16, as of May 31. The graph below shows the lake water levels over the past year (since January 1, 2016). The green line is the water level, the center blue line is the 30-year average (more or less the target they are trying to reach), and the blue lines on either side are the 25th and 75th percentile, meaning that 50% of the time, the water level falls between this range.



Mission Creek Snow Pillow – There is still quite a lot of snow yet to melt in the Mission Creek watershed.



Osoyoos Lake Levels – Osoyoos Lake is also far exceeding its normal levels. It is currently 914.3 ft elevation above sea level. The water spills over the weir on Zosel Dam when the lake is at 913 ft. The current levels are due in part to extra flows from upstream, and the Similkameen obstructing flow downstream. As you can see from the Similkameen River graph (bottom), when the river level falls, the lake level falls slightly.

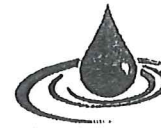




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Agenda No: 6.1.1.



Regular: In-Camera:

Date: JUNE 6, 2017

OBWB

Private & Confidential

June 5, 2017

Members of the Board of Directors
Okanagan Basin Water Board
1450 KLO Road
Kelowna BC V1W 3Z4

Dear Sirs/Mesdames:

Re: Audit of the Financial Statements of Okanagan Basin Water Board
For the year ended March 31, 2017

The purpose of our report is to summarize certain aspects of the audit that we believe would be of interest to the Board of Directors and should be read in conjunction with the financial statements and our report thereon.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Independence

At the core of the provision of external audit services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and Okanagan Basin Water Board and its related entities that, in our professional judgment, may reasonably be thought to have influenced our independence during the audit engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/ordre covering such matters as the following:

- holding of a financial interest, either directly or indirectly in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the external audit engagement.

We are not aware of any relationships between the and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

Materiality

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Preliminary materiality was \$74,000. Final materiality was increased to \$76,000 to reflect the finalized version of the trial balance.

Likely Aggregate Misstatements

During the audit, we detected no uncorrected misstatements by management.

Auditor's considerations of possible fraud and illegal activities

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we noted no instances of fraud to report to the Board of Directors and the scope of the work we performed was substantially the same as that described in our Planning report to the Board of Directors.



Management Representations

During the course of the audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

We will provide you a copy of the management representation letter if requested which summarizes the representations we have requested from management.

Management Letter

We have submitted to management a letter on internal controls and other matters. It should be noted that there were no issues to report in that communication.

We wish to express our appreciation for the co-operation we received during the audit from the organization's management and staff who have assisted us in carrying out our work. We would be pleased to discuss with you the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to read 'Markus Schrott', with a long horizontal line extending to the left.

Markus Schrott, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

vjv



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BDO Canada LLP
2706 - 30th Avenue, Suite 202
Vernon BC V1T 2B6 Canada

June 5, 2017

Dr. Anna Warwick Sears, Executive Director
Okanagan Basin Water Board
1450 KLO Road
Kelowna BC V1W 3Z4



Agenda No: 6.1.2
Regular: In-Camera:
Date: June 6, 2017

OBWB

Dear Dr. Warwick Sears:

Re: Management Letter

Okanagan Basin Water Board

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

During the course of our audit of the financial statements of Okanagan Basin Water Board for the year ended March 31, 2017, we did not encounter any significant matters which we believe should be brought to your attention.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from Carol Teschner and Janelle Harrison.



We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read 'Markus Schrott', is written over a faint circular stamp.

Markus Schrott, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

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Agenda No: 6.7.3



Regular: In-Camera:

Date: June 6, 2017

OBWB



Okanagan Basin
WATER BOARD

Okanagan Basin Water Board
Financial Statements
For the year ended March 31, 2017

DRAFT - SUPPLEMENTAL APPROVAL

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DRAFT – SUBJECT TO APPROVAL

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Okanagan Basin Water 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 Basin Water 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 Basin Water Board.

Board of Directors Chairperson

Executive Director
June 5, 2017

Independent Auditor's Report

To the Board of Directors of
Okanagan Basin Water Board

We have audited the accompanying financial statements of the Okanagan Basin Water Board, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated surplus, 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 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 District'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 District'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 Basin Water Board as at March 31, 2017, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Kelowna, British Columbia
June 5, 2017

Okanagan Basin Water Board Statement of Financial Position

March 31	2017	2016
Financial assets		
Cash (Note 1)	\$ 337,235	\$ 247,045
Portfolio investments (Note 2)	2,365,330	2,863,118
Accounts receivable	33,773	42,774
	2,736,338	3,152,937
Financial liabilities		
Accounts payable and accrued liabilities	255,612	438,538
Grants payable (Note 3)	283,972	289,615
	539,584	728,153
Net financial assets	2,196,754	2,424,784
Non-financial assets		
Prepaid expenses	8,505	8,284
Tangible capital assets (Note 4)	237,393	190,140
	245,898	198,424
Accumulated Surplus (Note 5)	\$ 2,442,652	\$ 2,623,208

Approved on behalf of the Board:

Chairperson

Okanagan Basin Water Board Statement of Financial Operations

For the year ended March 31	2017	2017	2016
	Actual	Budget	Actual
Revenue (Note 11)			
Levies from member Regional Districts (Note 6)	\$ 3,444,221	\$ 3,444,222	\$ 3,444,376
Grants	267,772	-	244,464
Interest	36,175	35,000	46,611
Gain on disposal of assets	1,500	-	-
	3,749,668	3,479,222	3,735,451
Expenses (Note 11)			
Sewerage facilities	1,649,030	1,785,262	1,702,084
Water management	1,602,078	1,119,860	1,366,708
Aquatic weed control	679,116	714,100	712,313
UBCO Water Research Chair	-	-	100,000
	3,930,224	3,619,222	3,881,105
Annual Deficit (Note 11)	(180,556)	(140,000)	(145,654)
Accumulated Surplus, beginning of year	2,623,208	2,623,208	2,768,862
Accumulated Surplus, end of year	\$ 2,442,652	\$ 2,483,208	\$ 2,623,208

Okanagan Basin Water Board Statement of Cash Flows

For the year ended March 31	2017	2016
Operating activities		
Annual deficit	\$ (180,556)	\$ (145,654)
Items not involving cash:		
Amortization	51,963	34,943
(Gain) loss on disposal of tangible capital assets	(1,500)	5,672
	(130,093)	(105,039)
Changes in working capital:		
Account receivable	9,001	3,128
Accounts payable and accrued liabilities	(182,926)	243,775
Grants payable	(5,643)	(22,846)
Prepaid expenses	(221)	818
	(179,789)	224,875
Cash from operations	(309,882)	119,836
Investing Activities		
Net change in investments	500,000	(50,000)
Accrued Interest	(2,212)	4,422
	497,788	(45,578)
Capital Activities		
Purchase of tangible capital assets	(99,216)	(44,685)
Proceeds from disposal of tangible capital asset	1,500	500
	(97,716)	(44,185)
Change in cash during the year	90,190	30,073
Cash, beginning of year	247,045	216,972
Cash, end of year	\$ 337,235	\$ 247,045

Okanagan Basin Water Board Statement of Change in Net Financial Assets

For the year ended March 31	2017	2017	2016
	Actual	Budget	Budget
Annual deficit	\$ (180,556)	\$ (140,000)	\$ (145,654)
Acquisition of tangible capital assets	(99,216)	-	(44,685)
Amortization of tangible capital assets	51,963	-	34,943
Change in prepaid expenses	(221)	-	818
Disposal of tangible capital assets	-	-	6,172
Net change in net financial assets	(228,030)	(140,000)	(148,406)
Net financial assets, beginning of year	2,424,784	2,424,784	2,573,190
Net financial assets, end of year	\$ 2,196,754	\$ 2,284,784	\$ 2,424,784

DRAFT – SUBJECT TO APPROVAL

Okanagan Basin Water Board

Summary of Significant Accounting Policies

March 31, 2017

Nature of Business	The Okanagan Basin Water Board ("The Board") is established under Section 138 of the Municipalities Enabling and Validating Act (Province of British Columbia) and administers and operates the aquatic weed control program, the sewerage facilities assistance fund, and a water management program as an agent of the three participation regional districts. The participating regional districts are: Regional District of Central Okanagan (R.D.C.O.); Regional District of Okanagan-Similkameen (R.D.O.S.); and Regional District of North Okanagan (R.D.N.O).
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 Profession Accountants (CICPA).
Use of Estimates	The preparation of financial statements in conformity with generally accepted accounting principles for British Columbia Regional Districts require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.
Portfolio Investments	Portfolio investments are recorded at the lower of cost and market value.
Financial Instruments	The 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 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.

Okanagan Basin Water Board

Summary of Significant Accounting Policies

March 31, 2017

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. Contributed tangible capital assets are recorded at fair value at the time of the 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:

Buildings	25 years
Equipment	10 years
Vehicles	7 years
Office Furniture & Equipment	10 years
Computers	4 years

Revenue Recognition

The levies from member Regional Districts are recognized when the levies for the fiscal year are approved by the Board and requisitioned.

Grants, interest and other income are recognized in the period in which they are earned.

Government Transfers

Government transfers, which include grants and funding agreements are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimate of the amount can be made.

Okanagan Basin Water Board

Notes to Financial Statements

March 31, 2017

1. Cash

The Board's bank account is held at one financial institution. The bank account earns interest at bank prime minus 1.8%

2. Portfolio Investments

	2017	2016
Bank of Montreal GIC, bearing Interest at 1%, maturing August 3, 2017	\$ 2,000,000	\$ -
Bank of Montreal GIC, bearing Interest at 1%, maturing August 10, 2017	350,000	-
Bank of Montreal, matured during the year	-	2,850,000
Accrued Interest	15,330	13,118
	\$ 2,365,330	\$ 2,863,118

3. Grants Payable

The sewerage facilities grants program provides funds for municipalities to upgrade their waste water treatment system, the Board's grants provide partial funding for debt repayment on 20 - 25 year MFA notes. The process for the sewerage facilities grants program involved municipalities requesting an approximate grant amount early in their funding process, then verifying the final grant amount once municipalities have secured MFA notes and begin making payments. Once the grants are awarded, the Board will only issue the grants based on the proper documentation submitted by individual municipalities, such as formal invoice to the Board.

The Water Conservation and Quality Improvement grant program provides funds to Okanagan local governments, improvement districts, and non-government organizations to support innovative, tangible, on the ground, water initiatives. The program takes a collaborative approach to water management issues and promotes more uniform standards and best practices throughout the valley. Up to \$300,000 per year is made available for Okanagan projects, with individual grants ranging from \$4,000 to \$30,000. Grants will be expensed in the year of approval as per the budget.

Okanagan Basin Water Board
Notes to Financial Statements

March 31, 2017

4. Tangible Capital Assets

	Buildings	Equipment	Vehicles	Office Furniture & Equipment	Computers	2017 Total
Cost						
Balance, beginning of year	\$ 118,352	\$ 875,174	\$ 107,837	\$ 2,250	\$ 17,555	1,121,168
Additions	-	8,700	80,670	1,523	8,323	99,216
Disposals	-	-	(22,485)	-	(1,750)	(24,235)
Balance, end of year	118,352	883,874	166,022	3,773	24,128	1,196,149
Accumulated amortization						
Balance, beginning of year	42,469	782,841	88,806	2,250	14,662	931,028
Amortization	4,743	25,346	18,236	152	3,486	51,963
Disposals	-	-	(22,485)	-	(1,750)	(24,235)
Balance, end of year	47,212	808,187	84,557	2,402	16,398	958,756
Net book value	\$ 71,140	\$ 75,687	\$ 81,465	\$ 1,371	\$ 7,730	237,393

Okanagan Basin Water Board
Notes to Financial Statements

March 31, 2016

4. Tangible Capital Assets (continued)

Prior year comparative information:

	Buildings	Equipment	Vehicles	Office Furniture & Equipment	Computers	2016 Total
Cost						
Balance, beginning of year	\$ 118,352	\$ 832,650	\$ 129,440	\$ 2,250	\$ 15,394	\$ 1,098,086
Additions	-	42,524	-	-	2,161	44,685
Disposals	-	-	(21,603)	-	-	(21,603)
Balance, end of year	118,352	875,174	107,837	2,250	17,555	1,121,168
Accumulated amortization						
Balance, beginning of year	37,726	759,235	100,431	2,250	11,874	911,516
Amortization	4,743	23,606	3,806	-	2,788	34,943
Disposals	-	-	(15,431)	-	-	(15,431)
Balance, end of year	42,469	782,841	88,806	2,250	14,662	931,028
Net book value	\$ 75,883	\$ 92,333	\$ 19,031	\$ -	\$ 2,893	\$ 190,140

Okanagan Basin Water Board

Notes to Financial Statements

March 31, 2017

5. Accumulated Surplus

The Board maintains a reserve for future expenditures. Canadian public sector accounting standards require that non-statutory reserves be included with operating surplus. The reserve and change therein included in the operating surplus is as follows:

	2017	2016
Aquatic Weed Control Equipment Reserve		
Balance, beginning of year	\$ 272,685	\$ 308,060
Proceeds from sale of tangible capital assets	1,500	500
Net surplus (deficit)	37,666	(51,565)
Transfer of amortization	45,879	34,943
Transfer for acquisition of tangible capital assets	(86,913)	(19,253)
Balance, end of year	270,817	272,685
Invested in Tangible Capital Assets		
Balance, beginning of year	190,140	186,570
Transfer for acquisition of tangible capital assets	99,216	44,685
Disposition of tangible capital assets	-	(6,172)
Transfer of amortization	(51,963)	(34,943)
Balance, end of year	237,393	190,140
Sewerage Facilities Assistance Reserve Fund		
Balance, beginning of year	1,511,773	1,554,795
Net deficit	(7,258)	(43,022)
Balance, end of year	1,504,515	1,511,773
Water Management Accumulated Surplus		
Balance, beginning of year	648,610	719,437
Net deficit	(212,464)	(45,395)
Transfer of amortization	6,084	-
Transfer for acquisition of tangible capital assets	(12,303)	(25,432)
Balance, end of year	429,927	648,610
	\$ 2,442,652	\$ 2,623,208

Okanagan Basin Water Board Notes to Financial Statements

March 31, 2017

6. Levies from Member Regional Districts

	2017 Actual	2017 Budget	2016 Actual
North Okanagan	\$ 652,317	\$ 652,317	\$ 652,766
Central Okanagan	2,074,044	2,074,045	2,058,805
Okanagan Similkameen	717,860	717,860	732,805
	\$ 3,444,221	\$ 3,444,222	\$ 3,444,376

7. Sewerage Facility Grants to Member Local Governments

Included in Sewerage Facilities are the following grants to member local governments:

	2017	2016
City of Kelowna	\$ 187,108	\$ 258,069
City of Penticton	215,822	219,317
City of Vernon	94,203	109,402
City of West Kelowna	51,631	42,241
District of Coldstream	19,193	19,193
District of Lake Country	287,269	287,269
District of Peachland	174,089	212,779
District of Summerland	389,222	392,177
Town of Oliver	-	6,042
Town of Osoyoos	11,278	11,278
Regional District of North Okanagan	4,679	4,679
Regional District of Okanagan Similkameen	139,009	51,175
Westbank First Nation	35,527	48,463
	\$ 1,609,030	\$ 1,662,084

Okanagan Basin Water Board

Notes to Financial Statements

March 31, 2017

8. 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 Canadian public sector accounting standards ("PSAB"). The budget was prepared on a modified accrual basis while PSAB now require a full accrual basis. The following reconciles the difference.

	<u>2017</u>
Budget surplus (deficit) for the year as per board budget	\$ -
Less:	
Transfer from previous years surplus in revenues	<u>(140,000)</u>
Budget deficit per statement of financial operations	<u>\$ (140,000)</u>

9. Commitments

The Board is currently in a ten-year lease agreement, which has two years remaining, with the Regional District of North Okanagan for the lease of land, on which the Board's building resides. The agreement provides for an annual lease payment of \$12,800 for the first given years, and for the subsequent five years the lease amount will be indexed to the annual CPI for British Columbia. At the conclusion of the lease term, ownership of the Board's building will be transferred to the Regional District of North Okanagan.

The Board is also currently in a five year lease agreement, which expires December 31, 2018, with the option to renew for one additional term of five years, with the Regional District of Central Okanagan for office rent and operating and overhead costs as well as financial, administrative and technology services. The agreement provides for a monthly payment of \$8,505.

Okanagan Basin Water Board

Notes to Financial Statements

March 31, 2017

10. Employee Benefits

Retirement Benefits

The Board and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The Board paid \$50,214 (2016 - \$46,101) for employer contributions to the plan in fiscal 2017.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

Okanagan Basin Water Board

Notes to Financial Statements

March 31, 2017

11. Segment Disclosures and Expense by Object

Water Management

This initiative undertakes projects and programs that support water sustainability in the Okanagan. It supports the original mandate of the board, providing leadership and coordinating water management activities in the interests of Okanagan citizens. The initiative includes the Water Conservation and Quality Improvement grant program, water education and outreach, advocacy to senior government for Okanagan water concerns, and establishing the science and monitoring systems required for informed decision making. Many of the projects are conducted as multi-year partnerships with other funding agencies, and operating surplus balances are specifically designated for project commitments through funding agreements with senior government, or targeted to planned projects in development. The Water Management Accumulated Surplus includes \$367,482 (2016 - \$600,822) for previously committed projects.

Aquatic Weed Control

This program controls the growth of Eurasian watermilfoil in the shallow waters around Okanagan beaches and boating areas. This is a year-round program managing weed growth with rototillers in the winter and harvesters in the summer. The goal of the program is to keep public areas clear of weed, but when time allows operators and equipment will also to contract work on a cost-recovery basis.

Sewerage Facilities Assistance

This program reduces the discharge of polluted water to Okanagan lakes and streams by supporting upgrades of sewerage treatment plants and community sewers. Grants go to Okanagan municipalities as a local match for senior government infrastructure funding. It is one of the Board's longest-running programs, and has led to great improvements in water quality.

UBCO Water Research Chair

The program provides matching funds for a Water Research Chair at the University of British Columbia Okanagan. The three Okanagan regional districts requested the Board to provide \$500,000 over a five year period (\$100,000 per year) to match \$1,500,000 funding from the B.C. Leading Edge Endowment Fund and the B.C. Real Estate Foundation. The five year commitment began in the 2012 fiscal year and was completed in the 2016 fiscal year.

Okanagan Basin Water Board
Notes to Financial Statements

For the year ended March 31, 2017

11. Segment Disclosures and Expense by Object (continued)

	Water Management	Aquatic Weed Control	Sewerage Facilities	UBCO Water Research Chair	2017 Total
Revenues					
Levies	\$ 1,113,859	\$ 710,100	\$ 1,620,262	\$ -	\$ 3,444,221
Grant income	266,147	1,625	-	-	267,772
Interest income	9,608	5,057	21,510	-	36,175
Gain on disposal of assets	-	1,500	-	-	1,500
	<u>1,389,614</u>	<u>718,282</u>	<u>1,641,772</u>	<u>-</u>	<u>3,749,668</u>
Expenses					
Assistance grants	275,000	-	1,609,030	-	1,884,030
Amortization	6,084	45,879	-	-	51,963
Contract services	686,480	7,166	-	-	693,646
Director's remuneration and expenses	10,709	10,709	-	-	21,418
Equipment costs	1,822	106,256	-	-	108,078
Insurance	3,780	25,886	-	-	29,666
Interest charge	78	89	-	-	167
Office	25,167	15,962	-	-	41,129
Outreach and publicity	141,055	1,324	-	-	142,379
Overhead allocation	(20,000)	(20,000)	40,000	-	-
Professional fees	37,634	46,492	-	-	84,126
Rental costs	9,687	21,259	-	-	30,946
Safety	2,458	9,957	-	-	12,415
Stewardship council expenses	5,702	-	-	-	5,702
Travel, conferences and meetings	37,079	9,604	-	-	46,683
Utilities, yard supplies and maintenance	-	15,658	-	-	15,658
Wages and benefits	379,343	382,875	-	-	762,218
	<u>1,602,078</u>	<u>679,116</u>	<u>1,649,030</u>	<u>-</u>	<u>3,930,224</u>
Annual surplus (deficit)	\$ (212,464)	\$ 39,166	\$ (7,258)	\$ -	\$ (180,556)

Okanagan Basin Water Board
Notes to Financial Statements

For the year ended March 31, 2017

11. Segment Disclosures and Expense by Object (continued)

Prior year comparative information:

	Water Management	Aquatic Weed Control	Sewerage Facilities	UBCO Water Research Chair	2016 Total
Revenues					
Levies (Note 6)	\$ 1,064,031	\$ 647,800	\$ 1,632,545	\$ 100,000	\$ 3,444,376
Grant income	244,464	-	-	-	244,464
Interest income	12,818	7,276	26,517	-	46,611
	1,321,313	655,076	1,659,062	100,000	3,735,451
Expenses					
Assistance grants	300,000	-	1,662,084	100,000	2,062,084
Amortization	-	34,943	-	-	34,943
Contract services	476,139	4,500	-	-	480,639
Director's remuneration and expenses	10,290	10,290	-	-	20,580
Equipment costs	1,630	149,691	-	-	151,321
Insurance	4,179	21,029	-	-	25,208
Interest charge	6	57	-	-	63
Loss on disposal of assets	-	5,672	-	-	5,672
Office	27,063	15,341	-	-	42,404
Outreach and publicity	130,175	4,427	-	-	134,602
Overhead allocation	(20,000)	(20,000)	40,000	-	-
Professional fees	41,891	41,916	-	-	83,807
Rental costs	7,769	32,933	-	-	40,702
Safety	21	24,005	-	-	24,026
Stewardship council expenses	29,083	-	-	-	29,083
Travel, conferences and meetings	27,776	10,067	-	-	37,843
Utilities, yard supplies and maintenance	-	10,467	-	-	10,467
Wages and benefits	330,686	366,975	-	-	697,661
	1,366,708	712,313	1,702,084	100,000	3,881,105
Annual deficit	\$ (45,395)	\$ (57,237)	\$ (43,022)	\$ -	\$ (145,654)

MEMORANDUM

Okanagan Basin Water Board
Regular meeting
June 6, 2017
Agenda No: 6.2

File No. 0550.04

To: OBWB Directors

From: Nelson Jatel

Date: May 31, 2017

Subject: Environmental Flow Needs Project – Hydrology Support and Auditing Service Contract

Okanagan Environmental Flow Needs – Project Objectives & Background

This project is a collaboration between the OBWB, FLNRO, and other regional partners including the Okanagan Nation Alliance (ONA) Fisheries Department. The goal is to determine operationally feasible environmental flow needs (EFNs) in the Okanagan Basin for better infrastructure and development planning, and to prevent future conflict related to water shortages. Our objective is to establish EFN regimes for 19 high-priority fish-bearing streams in the Okanagan, given as a range between minimum and optimal flows.

Better EFNs are the essential next step for updating the water license allocation process for the Okanagan and across B.C. During dry years, the First-in-Time, First-in-Right (FITFIR) rule of water priority - cutting off junior license holders - is typically triggered by fisheries regulators and low stream flows. While new Water Sustainability Act provisions protect essential human needs, water shortages create conflict and disrupt the economy. Accurate EFNs help ensure that water is not over-allocated in the first place, which will help communities and agricultural producers make better development and planning decisions, to better match water demands to available supply.

This project has a total approved budget of \$732,000 with a Gas Tax Grant of \$397,000. The activities proposed to be undertaken are within the project budget and do not constitute a change in project budget previously approved by the Board.

Okanagan Environmental Flow Needs Project: Work deliverables

In addition to ONA Fishery Department taking the lead in hydrology data collection and management for the Okanagan project, additional professional hydrology services are required to complete this summer's anticipated sampling project work load.

Staff recommend a sole sourced contract be let to Associated Environmental Consultants Inc. (AE) for a time and materials contract valued at \$74,000 for project delivery support (listed below) from April 1, 2017 to 31 March 2018.

The AE hydrology team lead the Phase I project methods development and recently completed the necessary stream naturalization calculations, makes this team of hydrologists uniquely qualified to support our summer hydrology sampling, data collection and quality control project needs.

This Sole Source contract is consistent with the OBWB Contracting Policy whereby, s. 3.4. (b) only one party is available and capable of performing the service

Project deliverables include:

- Field support to Okanagan Nation Alliance (ONA) for the installation of hydrometric stations as required.
- Hydrometric monitoring services
- Quality Assurance / Quality Control audit of ONA's field staff's hydrometric data collection techniques
- Optional field and office support to support field data collection and rating curve development and data management

Recommended resolution

THAT the OBWB enter into a service agreement with the Associated Environmental Consultants Inc for the provision of field work related to the Environmental Flow Needs project for the 2017-18 project year in a time and materials contract valued at \$74,000.