

TERRACE-KITIMAT AIRPORT SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2012

TERRACE-KITIMAT AIRPORT SOCIETY

MARCH 31, 2012

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Revenues and Expenditures	3
Statement of Changes in Fund Balances	4
Statement of Cash Flows	5
Summary of Significant Accounting Policies and Other Explanator Information	6-9

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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of the Terrace-Kitimat Airport Society

We have audited the accompanying financial statements of the Terrace-Kitimat Airport Society, which comprise the statement of financial position as at March 31, 2012, and the statements of revenues and expenditures, changes in fund balances 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 generally accepted 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 from material misstatement.

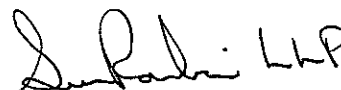
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Terrace-Kitimat Airport Society as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, British Columbia
June 26, 2012



CHARTERED ACCOUNTANTS

**TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31, 2012

	General fund	Capital asset fund	2012	2011
ASSETS				
CURRENT				
Accounts receivable	272,197	-	272,197	201,204
Inventory	108,794	-	108,794	92,675
Short-term investments	27,516	-	27,516	-
Prepaid expenses	21,345	-	21,345	12,358
	429,852	-	429,852	306,237

CAPITAL ASSETS (Notes 2 and 3)	-	12,418,117	12,418,117	13,323,950
	\$ 429,852	\$ 12,418,117	\$ 12,847,969	\$ 13,630,187

LIABILITIES

CURRENT				
Bank indebtedness	\$ 85,954	\$ -	\$ 85,954	\$ 25,964
Revolving demand loan (Note 4)	10,000	-	10,000	660,000
Accounts payable and accrued liabilities	225,623	-	225,623	208,612
Unearned revenue	62,182	-	62,182	61,338
	383,759	-	383,759	955,914

NET ASSETS	46,093	12,418,117	12,464,210	12,674,273
	\$ 429,852	\$ 12,418,117	\$ 12,847,969	\$ 13,630,187

APPROVED ON BEHALF OF THE BOARD:



Director



Director

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2012

	General fund	Capital asset fund	2012	2011
REVENUE				
Airport user fees	\$ 1,751,618	\$ -	\$ 1,751,618	\$ 1,280,052
Landing and other passenger fees	80,086	-	80,086	62,559
Rentals	563,080	-	563,080	458,891
Parking fees	208,756	-	208,756	183,708
Other	70,477	-	70,477	50,946
	2,674,017	-	2,674,017	2,036,156
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization of Capital Assets	-	1,108,085	1,108,085	1,142,101
Bank charges and interest	17,526	-	17,526	26,966
Directors' expenses	1,988	-	1,988	1,485
Salaries, wages and benefits	909,980	-	909,980	911,853
Services, supplies, and administration	697,980	-	697,980	694,341
Utilities	149,021	-	149,021	142,894
	1,776,495	1,108,085	2,884,580	2,919,640
NET EARNINGS FROM OPERATIONS	897,522	(1,108,085)	(210,563)	(883,484)
GAIN ON SALE OF ASSET	-	500	500	14,404
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 897,522	\$ (1,107,585)	\$ (210,063)	\$ (869,080)

TERRACE-KITIMAT AIRPORT SOCIETY
 STATEMENT OF CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED MARCH 31, 2012

	Capital asset fund	
	2012	2011
	General fund	Capital asset fund
FUND BALANCES, BEGINNING OF YEAR	\$ (649,677)	\$ 13,323,950
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	897,522	(1,107,585)
TRANSFERS (FROM)/TO FUNDS	(201,752)	201,752
FUND BALANCES, END OF YEAR	\$ 46,093	\$ 12,418,117
	\$ 12,674,273	\$ 12,674,273
	(210,063)	(869,080)
	-	-

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
CASH PROVIDED BY OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (210,063)	\$ (869,080)
Adjustments for:		
Amortization of capital assets	1,108,085	1,142,101
Gain on sale of assets	(500)	(14,404)
	897,522	258,617
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Increase in accounts receivable	(70,993)	(13,854)
Increase in inventory	(16,119)	(6,151)
(Increase)/decrease in prepaid expenses	(8,987)	86
Increase in accounts payable and accrued liabilities	17,011	24,980
Increase/(decrease) in unearned revenue	844	(3,087)
	819,278	260,591
FINANCING ACTIVITIES		
Decrease in revolving demand loan	(650,000)	(310,000)
	(650,000)	(310,000)
INVESTING ACTIVITIES		
Additions to capital assets	(202,252)	-
Purchase of short-term investments	(27,516)	-
Proceeds on disposal of capital assets	500	15,502
	(229,268)	15,502
DECREASE IN CASH	(59,990)	(33,907)
CASH/(BANK INDEBTEDNESS), beginning of year	(25,964)	7,943
BANK INDEBTEDNESS, end of year	\$ (85,954)	\$ (25,964)

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2012

1. NATURE OF OPERATIONS

The Terrace-Kitimat Airport Society (the "Society") was incorporated under the Society Act of British Columbia and operates on a not-for-profit basis. Accordingly, the Society is exempt from income taxes. The Society has operated the Northwest Regional Airport since April 1, 1999. The Society's main customers are airlines landing at the airport and various tenants operating businesses on the airport land and premises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) **Basis of Accounting**
The financial statements of the Society are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit enterprises utilizing the restricted fund method of accounting. The capital asset fund reports capital asset funding and expenditures.
- b) **Inventory**
The inventory of consumable supplies is recorded at the lower of cost and estimated net realizable value.
- c) **Contributions and Revenue Recognition**
The Society follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue of the appropriate restricted fund in the year in which they are received. All other revenues are recognized when they are earned.
- d) **Use of Estimates**
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.
- e) **Financial Instruments - Recognition and Measurement**
All financial instruments are included on the statement of financial position and are initially measured at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification.

Held for trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost.

The Society has classified its bank indebtedness and revolving demand loan as held-for-trading. Accounts receivable is classified as loans and receivables. Accounts payable and accrued liabilities and revolving demand loan are classified as other liabilities.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- f) Long-lived Assets
Long-lived assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows estimated to be generated by the assets.
- g) Capital Assets
Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:
- | | |
|---------------------------------|-------------------------------------|
| Buildings | - 3% to 10% per annum straight line |
| Paving | - 7% per annum straight line |
| Mobile and automotive equipment | - 5% to 10% per annum straight line |
| Office furniture and equipment | - 10% per annum straight line |
| Aircraft landing aids | - 10% per annum straight line |
| Shop equipment | - 10% per annum straight line |
| Computer equipment and software | - 33% per annum straight line |
- h) Income taxes
The Society is exempt from federal and provincial income taxes as well as capital tax.
- i) Future accounting changes
The CICA has issued a new accounting framework applicable to Not-for-profit entities. Effective for fiscal years beginning on January 1, 2012, entities will have to choose between International Financial Reporting Standards (IFRSs) or accounting standards for Not-for-profit organizations, whichever suits them best. Early adoption of these standards is permitted. The Society is currently evaluating the potential impact of adopting these new standards.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2012

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2012	Net 2011
Land	\$ 1,926,004	\$ -	\$ 1,926,004	\$ 1,926,004
Buildings	7,202,587	1,753,650	5,448,937	5,588,677
Paving	10,470,697	6,823,890	3,646,807	4,344,853
Mobile and automotive equipment	2,437,765	1,278,429	1,159,336	1,256,442
Office furniture and equipment	33,861	25,422	8,439	2,088
Aircraft landing aids	670,415	615,232	55,183	95,548
Shop equipment	399,823	245,331	154,492	88,261
Computer equipment and software	86,333	67,414	18,919	22,077
	\$ 23,227,485	\$ 10,809,368	\$ 12,418,117	\$ 13,323,950

4. REVOLVING DEMAND LOAN

The Society has a Toronto-Dominion Bank line of credit available to it in the amount of \$1,500,000 which bears interest at a rate of prime less 0.1% per annum, secured by a general security agreement and first mortgage over land and buildings.

5. PENSION INFORMATION

The Society and its employees contribute to the Municipal Pension Plan (the "plan"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-contributory pension plan. Basic pension benefits are defined. The plan has approximately 163,000 active contributors.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicates a deficit of \$1.024 billion. The actuary does not attribute portions of the deficit to individual employers. During the year, the Society paid \$47,565 (2011 - \$43,022) for employer contributions to the plan.

6. CAPITAL MANAGEMENT

All of the Society's earnings are reinvested in airport development. The Society manages its capital to allow it to fund operations, satisfy outstanding revolving debt and fund future capital asset acquisitions.

**TERRACE-KITIMAT AIRPORT SOCIETY
NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2012

7. FINANCIAL INSTRUMENTS

Fair Value

The Society's cash, investments, accounts receivable and accounts payable and accrued liabilities are reflected in the financial statements at carrying values which approximate fair values due to the immediate and short-term maturity of these financial instruments. The fair value of the revolving demand loan approximates their carrying values as the loan bears interest at current market rates.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. It stems from the possibility of the lender demanding repayment in full of their demand loans. Funds generated through operations provide the Society's cash requirements. These funds are used to support operations and finance the capital program and repayment of the Society's revolving demand loan upon which the Society can withdraw further funds.

Accounts payable and accrued liabilities are generally repaid within 30 days. The revolving demand loan (note 4) requires regular principal payments which do not pose a cashflow concern, however, the lender does have the right to demand payment in full.

Interest rate risk

The Society is exposed to interest rate risk on its floating interest rate financial instruments, as changes in these rates could significantly impact cash flows.

Credit risk

The Society is subject to credit risk through its accounts receivable. A significant portion of Society's revenues, and resulting receivable balances are derived from airlines. The Society performs ongoing credit valuations of receivable balances and maintains provisions for potential credit losses.

Commodity Risk

The Society's principal commodity risks are the fluctuating level of diesel and oil prices, which affect its operating expenses. The Society does not hedge this risk as diesel and oil costs are not significant to total operating expenses.