

**TERRACE-KITIMAT AIRPORT SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2013**

**TERRACE-KITIMAT AIRPORT SOCIETY**

**MARCH 31, 2013**

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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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of revenues and expenditures, changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 Accounting Standards for Not-for-Profit Organizations, 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 audits. We conducted our audits 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 that the audit evidence we have obtained in our audits 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, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Terrace, British Columbia  
June 18, 2013

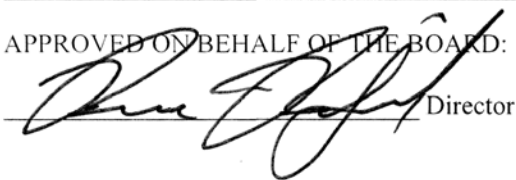
  
CHARTERED ACCOUNTANTS

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

**AS AT MARCH 31, 2013**

	General fund	Capital asset fund	Capital reserve fund	March 31, 2013	March 31, 2012	April 1, 2011
<b>ASSETS</b>						
<b>CURRENT</b>						
Cash	182,339	-	-	<b>182,339</b>	-	-
Accounts receivable	262,354	-	-	<b>262,354</b>	272,197	201,204
Inventory	120,115	-	-	<b>120,115</b>	108,794	92,675
Short-term investments	27,761	-	700,000	<b>727,761</b>	27,516	-
Prepaid expenses	26,326	-	-	<b>26,326</b>	21,345	12,358
	618,895	-	700,000	<b>1,318,895</b>	429,852	306,237
<b>CAPITAL ASSETS (Notes 3 and 4)</b>						
	-	11,669,960	-	<b>11,669,960</b>	12,418,117	13,323,950
	\$ 618,895	\$ 11,669,960	\$ 700,000	<b>\$ 12,988,855</b>	\$ 12,847,969	13,630,187
<b>LIABILITIES</b>						
<b>CURRENT</b>						
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ 85,954	25,964
Revolving demand loan (Note 5)	-	-	-	-	10,000	660,000
Accounts payable and accrued liabilities	283,291	-	-	<b>283,291</b>	225,623	208,612
Unearned revenue	79,894	-	-	<b>79,894</b>	62,182	61,338
	363,185	-	-	<b>363,185</b>	383,759	955,914
<b>NET ASSETS</b>						
	255,710	11,669,960	700,000	<b>12,625,670</b>	12,464,210	12,674,273
	\$ 618,895	\$ 11,669,960	\$ 700,000	<b>\$ 12,988,855</b>	\$ 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, 2013**

	General fund	Capital asset fund	2013	2012
<b>REVENUE</b>				
Airport user fees	\$ 2,001,230	\$ -	<b>\$ 2,001,230</b>	\$ 1,751,618
Landing and other passenger fees	100,787	-	<b>100,787</b>	80,086
Rentals	601,394	-	<b>601,394</b>	563,080
Parking fees	261,698	-	<b>261,698</b>	208,756
Other	64,232	-	<b>64,232</b>	70,477
	<b>3,029,341</b>	-	<b>3,029,341</b>	2,674,017
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Amortization of capital assets	-	1,091,439	<b>1,091,439</b>	1,108,085
Bank charges and interest	9,199	-	<b>9,199</b>	17,526
Directors' expenses	2,166	-	<b>2,166</b>	1,988
Salaries, wages and benefits	922,693	-	<b>922,696</b>	909,980
Services, supplies, and administration	695,472	-	<b>695,193</b>	697,980
Utilities	150,848	-	<b>150,848</b>	149,021
	<b>1,780,378</b>	1,091,439	<b>2,871,541</b>	2,884,580
<b>NET EARNINGS FROM OPERATIONS</b>	<b>1,248,963</b>	<b>(1,091,439)</b>	<b>157,524</b>	<b>(210,563)</b>
<b>GAIN ON SALE OF ASSETS</b>	<b>-</b>	<b>3,936</b>	<b>3,936</b>	<b>500</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ 1,248,963</b>	<b>\$ (1,087,503)</b>	<b>\$ 161,460</b>	<b>\$ (210,063)</b>

**TERRACE-KITIMAT AIRPORT SOCIETY**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2013**

	General fund	Capital asset fund	Capital reserve fund	<b>2013</b>	2012
FUND BALANCES, BEGINNING OF YEAR	\$ 46,093	\$ 12,418,117	\$ -	<b>\$ 12,464,210</b>	\$ 12,674,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	1,248,963	(1,087,503)	-	<b>161,460</b>	(210,063)
INTERFUND TRANSFERS (Note 7)	(1,039,346)	339,346	700,000	-	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 255,710</b>	<b>\$ 11,669,960</b>	<b>700,000</b>	<b>\$ 12,625,670</b>	<b>\$ 12,464,210</b>

**TERRACE-KITIMAT AIRPORT SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2013**

	2013	2012
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ 161,460	\$ (210,063)
Adjustments for:		
Amortization of capital assets	1,091,439	1,108,085
Gain on sale of assets	(3,936)	(500)
	<b>1,248,963</b>	897,522
<b>CHANGES IN NON-CASH WORKING CAPITAL BALANCES</b>		
Increase in accounts receivable	9,843	(70,993)
Increase in inventory	(11,321)	(16,119)
(Increase)/decrease in prepaid expenses	(4,981)	(8,987)
Increase in accounts payable and accrued liabilities	57,668	17,011
Increase/(decrease) in unearned revenue	17,712	844
Total cash provided by operating activities	<b>1,317,884</b>	819,278
<b>FINANCING ACTIVITIES</b>		
Decrease in revolving demand loan	(10,000)	(650,000)
Total cash used in financing activities	<b>(10,000)</b>	(650,000)
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	(357,099)	(202,252)
Purchase of short-term investments	(700,245)	(27,516)
Proceeds on disposal of capital assets	17,753	500
Total cash provided by/(used in) investing activities	<b>(1,039,591)</b>	(229,268)
<b>INCREASE/(DECREASE) IN CASH</b>	<b>268,293</b>	(59,990)
CASH/(BANK INDEBTEDNESS), beginning of year	<b>(85,954)</b>	(25,964)
CASH/(BANK INDEBTEDNESS), end of year	<b>\$ 182,339</b>	\$ (85,954)

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

**MARCH 31, 2013**

**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. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

During the year, the Society adopted Canadian accounting standards for not-for-profit organizations (ASNFPO). These financial statements are the first prepared in accordance with these standards. The adoption of ASNFPO had no impact on net assets as at April 1, 2011 or operations or cash flows for the year ended March 31, 2012 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Basis of Presentation

The financial statements of the Society were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) utilizing the restricted fund method of accounting.

*General fund*

The general fund reports the functional and general expenditures of the Society and the revenues financing those operations. This fund report unrestricted resources.

*Capital asset fund*

The capital asset fund reports the capital assets of the Society, specifically acquisitions, amortization and disposals. The fund balance represents the net book value of the Society's capital assets.

*Capital reserve fund*

The capital reserve fund is established for funds internally restricted for future capital infrastructure and maintenance that are specifically but not limited to those works not funded by Transport Canada's capital funding programs, such as water sewer upgrades, ground side road infrastructure, parking infrastructure, runway overlays, and equipment replacement.

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.



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

**MARCH 31, 2013**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

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

**MARCH 31, 2013**

**4. CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net 2013	Net 2012
Land	\$ 1,926,004	\$ -	\$ 1,926,004	\$ 1,926,004
Buildings	7,281,013	1,943,228	5,337,785	5,448,938
Paving	10,470,697	7,521,937	2,948,760	3,646,807
Mobile and automotive equipment	2,627,029	1,427,702	1,199,327	1,159,336
Office furniture and equipment	33,861	26,859	7,002	8,439
Aircraft landing aids	710,714	626,957	83,757	55,184
Shop equipment	405,900	269,650	136,250	154,492
Computer equipment and software	110,946	79,871	31,075	18,917
	<b>\$ 23,566,164</b>	<b>\$ 11,896,204</b>	<b>\$ 11,669,960</b>	<b>\$ 12,418,117</b>

During the year, the Society received \$61,280 of government assistance for the Hazard Beacon (Big Herman) project. This amount has been netted against the cost of aircraft landing aids.

**5. 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.

**6. 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 \$61,226 (2012 - \$47,565) for employer contributions to the plan.

**7. INTERFUND TRANSFERS**

During the current year \$339,346 was transferred from the general fund to capital asset fund representing net capital assets acquired during the year. \$700,000 was transferred from the general fund to the capital reserve fund during the current year.

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

**MARCH 31, 2013**

**8. 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.

**9. 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 5) 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.