

TERRACE-KITIMAT AIRPORT SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2011

TERRACE-KITIMAT AIRPORT SOCIETY

MARCH 31, 2011

CONTENTS

	Page
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 Explanatory Information	6 - 9

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 balance sheet as at March 31, 2011, and the statements of revenues and expenditures, changes in fund balances and cash flow 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

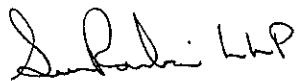
Emphasis of Matter

We draw attention to Note 8 to the financial statements which describes a restatement of comparative information relating to the General and Capital Asset fund balances as at March 31, 2010.

Other Matters

The financial statements of Terrace-Kitimat Airport Society for the year ended March 31, 2010 were audited by another auditor who expressed an unqualified opinion on those statements on June 7, 2010.

Terrace, British Columbia
June 23, 2011


LHP
CHARTERED ACCOUNTANTS

TERRACE-KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2011

	General fund	Capital asset fund	2011	2010
ASSETS				
CURRENT				
Cash	\$ -	\$ -	\$ -	\$ 7,943
Accounts receivable	201,204	-	201,204	187,350
Inventory	92,675	-	92,675	86,524
Prepaid expenses	12,358	-	12,358	12,444
	306,237	-	306,237	294,261
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3)	-	13,323,950	13,323,950	14,467,143
	\$ 306,237	\$ 13,323,950	\$ 13,630,187	\$ 14,761,404
LIABILITIES				
CURRENT				
Bank indebtedness	\$ 25,964	\$ -	\$ 25,964	\$ -
Revolving demand loan (Note 4)	660,000	-	660,000	970,000
Accounts payable and accrued liabilities	208,612	-	208,612	183,632
Unearned revenue	61,338	-	61,338	64,425
	955,914	-	955,914	1,218,057
NET ASSETS	(649,677)	13,323,950	12,674,273	13,543,347
	\$ 306,237	\$ 13,323,950	\$ 13,630,187	\$ 14,761,404

APPROVED ON BEHALF OF THE BOARD:



Director



Director

SEE ACCOMPANYING NOTES

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED MARCH 31, 2011

	General fund	Capital asset fund	2011	2010
REVENUE				
Airport user fees	\$ 1,280,052	\$ -	\$ 1,280,052	\$ 1,276,068
Landing and other passenger fees	62,559	-	62,559	72,087
Rentals	458,891	-	458,891	454,502
Parking fees	183,708	-	183,708	147,559
Other	50,946	-	50,946	44,679
Contributions for capital assets	-	-	-	728,977
	<u>2,036,156</u>	<u>-</u>	<u>2,036,156</u>	<u>2,723,872</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization of capital assets	-	1,142,101	1,142,101	1,151,891
Bank charges and interest	26,966	-	26,966	28,088
Directors' expenses	1,485	-	1,485	1,851
Salaries, wages and benefits	911,853	-	911,853	925,051
Services, supplies, and administration	694,341	-	694,341	660,358
Utilities	142,894	-	142,894	143,438
	<u>1,777,539</u>	<u>1,142,101</u>	<u>2,919,640</u>	<u>2,910,677</u>
NET EARNINGS FROM OPERATIONS	258,617	(1,142,101)	(883,484)	(186,805)
GAIN ON SALE OF ASSET	-	14,404	14,404	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 258,617</u>	<u>\$ (1,127,697)</u>	<u>\$ (869,080)</u>	<u>\$ (186,805)</u>

SEE ACCOMPANYING NOTES

TERRACE-KITIMAT AIRPORT SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2011

	General fund	Capital asset fund	2011	2010
FUND BALANCES, BEGINNING OF YEAR (restated - note 8)	\$ (923,794)	\$ 14,467,147	\$ 13,543,353	\$ 13,730,152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	258,617	(1,127,697)	(869,080)	(186,805)
TRANSFERS (FROM)/TO FUNDS	15,500	(15,500)	-	-
	<u>\$ (649,677)</u>	<u>\$ 13,323,950</u>	<u>\$ 12,674,273</u>	<u>\$ 13,543,347</u>

SEE ACCOMPANYING NOTES

TERRACE-KITIMAT AIRPORT SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2011

	2011	2010
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings	\$ (883,484)	\$ (186,805)
Adjustments for:		
Amortization of capital assets	1,142,101	1,151,891
	258,617	965,086
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Increase in accounts receivable	(13,854)	71,134
Increase in inventory	(6,151)	(43,921)
Decrease in prepaid expenses	86	30,276
Increase in accounts payable and accrued liabilities	24,980	(79,108)
Decrease in unearned revenue	(3,087)	9,102
	260,591	952,569
INVESTING ACTIVITIES		
Additions to property, plant and equipment	-	(955,291)
Proceeds on disposal of property, plant and equipment	15,502	7,202
	15,502	(948,089)
INCREASE (DECREASE) IN CASH	276,093	4,480
BANK INDEBTEDNESS, beginning of year	(962,057)	(966,537)
BANK INDEBTEDNESS, end of year	\$ (685,964)	\$ (962,057)

Bank indebtedness is represented by the net of cash and revolving demand loan.

SEE ACCOMPANYING NOTES

TERRACE-KITIMAT AIRPORT SOCIETY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

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, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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) Property, Plant and Equipment

Purchased property plant and equipment is recorded at cost. Contributed property, plant and equipment is 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%, 4%, 5% and 10% per annum straight line
Paving	- 7% per annum straight line
Mobile and automotive equipment	- 5%, 8% and 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, 2011

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2011	Net 2010
Land	\$ 1,926,004	\$ -	\$ 1,926,004	\$ 1,926,004
Buildings	7,154,333	1,565,656	5,588,677	5,777,288
Paving	10,470,697	6,125,844	4,344,853	5,042,895
Mobile and automotive equipment	2,392,195	1,135,753	1,256,442	1,423,365
Office furniture and equipment	26,443	24,355	2,088	2,783
Aircraft landing aids	655,194	559,646	95,548	152,138
Shop equipment	319,231	230,970	88,261	113,304
Computer equipment and software	81,137	59,060	22,077	29,366
	\$ 23,025,234	\$ 9,701,284	\$ 13,323,950	\$ 14,467,143

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 \$43,022.65 (2010 - \$39,569.75) 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, 2011

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.

8. RESTATEMENT OF COMPARATIVE INFORMATION

The comparative balance for the total of the General and Capital Asset funds has been restated to reflect transfers from the General fund to the Capital Asset fund in the years ended March 31, 2008 and March 31, 2009.