

**TERRACE – KITIMAT AIRPORT SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**TERRACE – KITIMAT AIRPORT SOCIETY**

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE DIRECTORS  
TERRACE – KITIMAT AIRPORT SOCIETY**

**Report on the Financial Statements**

We have audited the statement of financial position of Terrace – Kitimat Airport Society as at March 31, 2018 and the statements of changes in Society position, financial activities and cash flows for the year then ended and a summary of significant accounting policies.

**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 controls as management determines are 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 the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

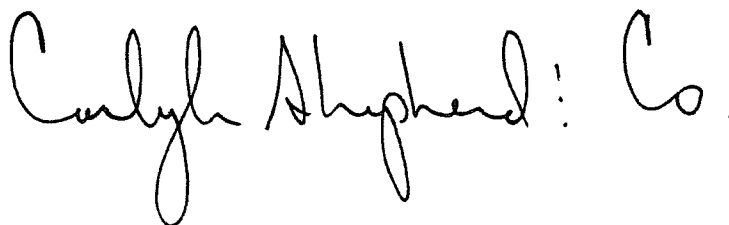
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Terrace, BC  
June 21, 2018



TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31


ASSETS

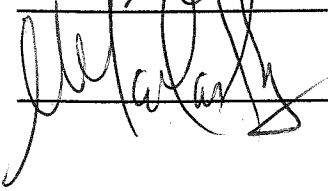
	2018	2017
	\$	\$
<b>CURRENT</b>		
Cash	2,190,469	2,744,026
Accounts receivable (note 3)	1,545,661	2,682,042
Inventory (note 2)	136,301	148,448
Prepaid expenses	44,317	26,766
	<u>3,916,748</u>	<u>5,601,282</u>
<b>PROPERTY AND EQUIPMENT (notes 2 and 4)</b>	<u>33,787,153</u>	<u>28,047,637</u>
	<u>37,703,901</u>	<u>33,648,919</u>

LIABILITIES AND SOCIETY POSITION

<b>CURRENT</b>		
Accounts payable and accruals (note 6)	1,849,047	2,145,825
Unearned revenue (note 7)	34,255	23,295
	<u>1,883,302</u>	<u>2,169,120</u>
<b>SOCIETY POSITION</b>		
Surplus	518,665	1,927,897
Capital reserve fund (note 8)	1,514,781	1,504,265
Equity in property and equipment	33,787,153	28,047,637
	<u>35,820,599</u>	<u>31,479,799</u>
	<u>37,703,901</u>	<u>33,648,919</u>

APPROVED BY THE DIRECTORS

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF CHANGES IN SOCIETY POSITION

YEAR ENDED MARCH 31

	Surplus \$	Capital Reserve Fund \$	Equity in Property and Equipment \$	Total 2018 \$	Total 2017 \$
Opening balance	1,927,897	1,504,265	28,047,637	31,479,799	22,367,513
Revenue	1,939,505	10,516	2,390,779	4,340,800	13,571,741
Expenditure				-	-4,459,455
Fund transfer	<u>-3,348,737</u>		<u>3,348,737</u>	<u>-</u>	<u>-</u>
Closing balance	<u>518,665</u>	<u>1,514,781</u>	<u>33,787,153</u>	<u>35,820,599</u>	<u>31,479,799</u>

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	2018	2017
	\$	\$
<b>REVENUE</b>		
Airport user fees	3,464,983	3,352,121
Airport improvement fee (note 9)	726,972	706,830
Parking fees	523,496	511,523
Rentals	982,095	988,802
Grants	2,813,694	7,881,292
Other	210,850	131,173
	<u>8,722,090</u>	<u>13,571,741</u>
 <b>EXPENDITURE</b>		
Amortization	1,149,887	1,286,155
Bank charges and interest	33,024	37,752
Directors	5,529	5,907
Services, supplies and administration	1,395,054	1,392,302
Utilities	238,231	201,724
Salaries, wages and benefits	1,559,565	1,535,615
	<u>4,381,290</u>	<u>4,459,455</u>
 <b>REVENUE OVER EXPENDITURE</b>	 <u>4,340,800</u>	 <u>9,112,286</u>

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2018	2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	4,340,800	9,112,286
Amortization	1,149,887	1,286,155
Accounts receivable	1,136,381	-984,591
Inventory	12,147	-25,325
Prepaid expenses	-17,551	10,401
Accounts payable and accruals	-296,778	1,151,602
Deferred revenue	10,960	-21,589
	<u>6,335,846</u>	<u>10,528,939</u>
<b>INVESTING ACTIVITIES</b>		
Property and equipment additions	<u>-6,889,403</u>	<u>-10,884,345</u>
<b>CHANGE IN CASH</b>	-553,557	-355,406
<b>OPENING CASH BALANCE</b>	<u>2,744,026</u>	<u>3,099,432</u>
<b>CLOSING CASH BALANCE</b>	<u>2,190,469</u>	<u>2,744,026</u>

## TERRACE – KITIMAT AIRPORT SOCIETY

### NOTES

MARCH 31, 2018

#### 1. NATURE OF OPERATIONS

The Terrace – Kitimat Airport 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's main customers are airlines landing at the airport and various tenants operating businesses on the airport land and premises.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### a) Basis of Financial Statement Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

##### b) Inventory

Inventory is recorded at cost.

##### c) Property and Equipment

Property and equipment is recorded at cost and is amortized using the straight-line method at the following annual rates:

Buildings	40 years
Infrastructure	15 & 20 years
Vehicles	10, 15 & 20 years
Equipment	3, 10 & 20 years

When property and equipment no longer contribute to the airport's ability to provide services, the carrying value is written down to its residual value.

##### d) Recognition of Revenue and Expenditures

Revenue is recorded when services are provided.

Expenditures are accounted for in the period when the goods and services are acquired and the liability is incurred.

##### e) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.



**TERRACE – KITIMAT AIRPORT SOCIETY**

**NOTES**

**MARCH 31, 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

f) Financial instruments

The Society measures financial assets and liabilities at market value at the date of acquisition except for those investments quoted in an active market, which are reported at market value at the year-end.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. There were no indicators of impairment in the 2018 fiscal year.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable are comprised as follows:

	2018 \$	2017 \$
Trade	507,496	801,479
Capital grants	<u>1,038,165</u>	<u>1,880,562</u>
	<u>1,545,661</u>	<u>2,682,042</u>

**4. PROPERTY AND EQUIPMENT**

	Cost \$	Accumulated Amortization \$	Net Book Value	
			2018 \$	2017 \$
Land	1,926,004	-	1,926,004	1,926,004
Buildings	26,311,138	3,013,890	23,297,248	17,005,341
Infrastructure	14,860,007	9,253,789	5,606,218	6,213,700
Vehicles	5,150,176	2,401,076	2,749,100	2,657,890
Other	<u>612,953</u>	<u>404,370</u>	<u>208,583</u>	<u>244,702</u>
	<u>48,860,278</u>	<u>15,073,125</u>	<u>33,787,153</u>	<u>28,047,637</u>

In the 2016 to 2018 fiscal years, the Society spent approximately \$16.4 million on the \$18.5 million terminal expansion. The expansion is being funded by current operations, airport improvement fees, government grants and if necessary, a bank loan from the Toronto-Dominion Bank.

# TERRACE – KITIMAT AIRPORT SOCIETY

## NOTES

MARCH 31, 2018

### 5. BANK DEMAND LOAN

Toronto Dominion Bank, line of credit authorized to \$3,000,000 with interest at prime minus .1% per annum, secured by a general security agreement and a mortgage over land and buildings.

### 6. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals are comprised as follows:

	2018	2017
	\$	\$
Trade	1,441,910	1,707,862
Wages and benefits	253,101	201,909
Security deposits	<u>154,036</u>	<u>236,054</u>
	<u>1,849,047</u>	<u>2,145,825</u>

### 7. UNEARNED REVENUE

Unearned revenue is the 2019 fiscal year portion of rent and advertising paid in advance.

### 8. CAPITAL RESERVE FUND

The capital reserve fund is an internally restricted fund for future capital infrastructure and maintenance projects.

### 9. AIRPORT IMPROVEMENT FEE

The Society collects \$7 per enplaning passenger to help fund the terminal expansion referred to in note 4. The fee is to be eliminated when the cost of the expansion, net of grants, has been recovered.

## TERRACE – KITIMAT AIRPORT SOCIETY

### NOTES

MARCH 31, 2018

#### 10. PENSION INFORMATION

The Society and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 193,000 active members and approximately 90,000 retired members.

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 valuations for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The next valuation was 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.