

TERRACE – KITIMAT AIRPORT SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2017

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, 2017 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.

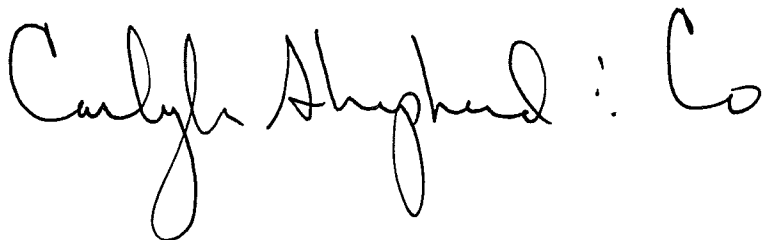
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2017 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 20, 2017



TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31

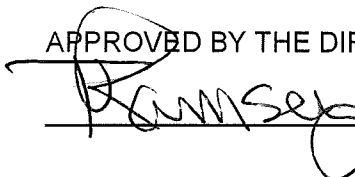
ASSETS

	2017	2016
	\$	\$
CURRENT		
Cash	2,744,026	3,099,432
Accounts receivable (note 3)	2,682,042	1,697,451
Inventory (note 2)	148,448	123,123
Prepaid expenses	<u>26,766</u>	<u>37,167</u>
	<u>5,601,282</u>	<u>4,957,173</u>
PROPERTY AND EQUIPMENT (notes 2 and 4)	<u>28,047,637</u>	<u>18,449,447</u>
	<u>33,648,919</u>	<u>23,406,620</u>

LIABILITIES AND SOCIETY POSITION

CURRENT		
Accounts payable and accruals (note 6)	2,145,825	994,223
Unearned revenue (note 7)	<u>23,295</u>	<u>44,884</u>
	<u>2,169,120</u>	<u>1,039,107</u>
SOCIETY POSITION		
Surplus	1,927,897	1,377,850
Capital reserve fund (note 8)	1,504,265	1,495,627
Airport improvement fund (note 9)	-	1,044,589
Equity in property and equipment	<u>28,047,637</u>	<u>18,449,447</u>
	<u>31,479,799</u>	<u>22,367,513</u>
	<u>33,648,919</u>	<u>23,406,620</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 \$	Airport Improvement Fund	Equity in Property and Equipment \$	Total 2017 \$	Total 2016 \$
Opening balance	1,377,850	1,495,627	1,044,589	18,449,447	22,367,513	18,421,757
Revenue	4,974,981	8,638	706,830	7,881,292	13,571,741	8,595,653
Expenditure	-3,173,300	-	-	-1,286,155	-4,459,455	-4,649,897
Fund transfer	-1,251,634	-	-1,751,419	3,003,053	-	-
Closing balance	<u>1,927,897</u>	<u>1,504,265</u>	<u>-</u>	<u>28,047,637</u>	<u>31,479,799</u>	<u>22,367,513</u>

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	2017	2016
	\$	\$
REVENUE		
Airport user fees	3,352,121	3,552,385
Airport improvement fee	706,830	792,073
Parking fees	511,523	580,470
Rentals	988,802	983,215
Grants	7,881,292	2,357,868
Other	131,173	329,642
	<u>13,571,741</u>	<u>8,595,653</u>
EXPENDITURE		
Amortization	1,286,155	1,319,851
Bank charges and interest	37,752	18,696
Directors	5,907	13,762
Services, supplies and administration	1,392,302	1,414,209
Utilities	201,724	185,732
Salaries, wages and benefits	1,535,615	1,697,647
	<u>4,459,455</u>	<u>4,649,897</u>
REVENUE OVER EXPENDITURE	<u>9,112,286</u>	<u>3,945,756</u>

TERRACE - KITIMAT AIRPORT SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	9,112,286	3,945,756
Amortization	1,286,155	1,319,851
Accounts receivable	-984,591	-261,062
Inventory	-25,325	7,497
Prepaid expenses	10,401	-10,767
Accounts payable and accruals	1,151,602	407,210
Deferred revenue	-21,589	-26,721
	<u>10,528,939</u>	<u>5,381,764</u>
FINANCING ACTIVITIES		
Bank demand loan	<u>-</u>	<u>-240,000</u>
INVESTING ACTIVITIES		
Property and equipment additions	<u>-10,884,345</u>	<u>-3,821,394</u>
CHANGE IN CASH	-355,406	1,320,370
OPENING CASH BALANCE	<u>3,099,432</u>	<u>1,779,062</u>
CLOSING CASH BALANCE	<u>2,744,026</u>	<u>3,099,432</u>

TERRACE – KITIMAT AIRPORT SOCIETY

NOTES

MARCH 31, 2017

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

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MARCH 31, 2017

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 2017 fiscal year.

3. ACCOUNTS RECEIVABLE

Accounts receivable are comprised as follows:

	2017	2016
	\$	\$
Trade	801,479	676,450
Capital grants	<u>1,880,562</u>	<u>1,021,001</u>
	<u>2,682,042</u>	<u>1,697,451</u>

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2017	2016
	\$	\$	\$	\$
Land	1,926,004	-	1,926,004	1,926,004
Buildings	19,765,350	2,760,009	17,005,341	8,399,762
Infrastructure	14,860,007	8,646,307	6,213,700	6,944,480
Vehicles	4,820,961	2,163,071	2,657,890	956,933
Other	<u>612,953</u>	<u>368,251</u>	<u>244,702</u>	<u>222,268</u>
	<u>41,985,275</u>	<u>13,937,638</u>	<u>28,047,637</u>	<u>18,449,447</u>

In the 2016 and 2017 fiscal years, the Society spent approximately \$10 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.

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5. BANK DEMAND LOAN

Toronto Dominion Bank, line of credit authorized to \$1,500,000 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:

	2017	2016
	\$	\$
Trade	1,707,862	727,829
Wages and benefits	201,909	198,759
Security deposits	<u>236,054</u>	<u>67,635</u>
	<u>2,145,825</u>	<u>994,223</u>

7. UNEARNED REVENUE

Unearned revenue is the 2018 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 but not limited to those projects not funded by Transport Canada's capital funding programs.

9. AIRPORT IMPROVEMENT FUND

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.

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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 185,000 active members and approximately 85,000 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.