

SECTION 4

Financial Statements of

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Year ended December 31, 2002

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AUDITORS' REPORT

To the Board of Directors

We have audited the balance sheet of **Sudbury Airport Community Development Corporation** as at December 31, 2002 and the statement of operations for the year then ended. These financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Airport as at December 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

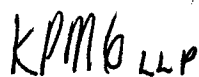
Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional information and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



COLLINS BARROW-MAHEU NOISEUX LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants



KPMG LLP
Chartered Accountants

Sudbury, Canada
May 5, 2003

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Balance Sheet

December 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Petty cash	\$ 850	850
Accounts receivable	2,399,576	860,311
Due from City of Greater Sudbury Trust Funds (note 8)	2,369,950	3,916,836
Inventory	116,429	98,831
Prepaid expenses	22,915	-
	4,909,720	4,876,828
Other assets	30,123	107,350
Capital assets (note 2)	3,060,267	276,351
	\$ 8,000,110	5,260,529
Liabilities and Surplus		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,149,935	380,325
Other liabilities:		
Payable to the City of Greater Sudbury (note 6)	879,093	581,701
Deferred capital contributions (note 4)	1,589,203	130,000
	2,468,296	711,701
Surplus:		
Contributed surplus (note 5)	2,662,157	2,662,157
Retained earnings	1,719,722	1,506,346
	4,381,879	4,168,503
Commitment (note 8)		
Contingent liability (note 9)		
	\$ 8,000,110	5,260,529

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Operations

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Rentals and concessions	\$ 711,212	751,884
Services	120,999	107,089
National landing fees	450,612	402,136
Supplementary terminal fees	766,800	745,660
Terminal fees	354,772	326,926
Federal grant	75,983	60,572
Interest income	116,052	148,336
	2,596,430	2,542,603
Expenditures:		
Wages and benefits	817,238	783,195
Materials	192,600	173,510
Administration (note 6)	151,135	121,655
Equipment	274,620	280,918
Security and commissionaires	268,421	223,431
Energy costs	209,154	199,678
Insurance	112,055	52,668
Depreciation and amortization	86,782	-
Property taxes	76,943	49,478
Hydrogeological study	75,983	-
Professional development	29,595	29,832
Purchased services	49,349	30,125
Miscellaneous	24,179	22,924
Bad debt	15,000	-
	2,383,054	1,967,414
Excess of revenue over expenditures	213,376	575,189
Retained earnings, beginning of year	1,506,346	931,157
Retained earnings, end of year	\$ 1,719,722	1,506,346

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Cash flows from operating activities:		
Excess of revenue over expenditure	\$ 213,376	575,189
Adjustments for:		
Depreciation and amortization	86,782	-
Contributed surplus	-	2,662,157
	<u>300,158</u>	<u>3,237,346</u>
Changes in non-cash working capital:		
Accounts receivable	(1,539,265)	(352,971)
Inventory	(17,598)	31,102
Prepaid expenses	(22,915)	296
Accounts payable and accrued liabilities	769,610	160,823
	<u>(510,010)</u>	<u>3,076,596</u>
Cash flows from financing activities:		
Due from City of Greater Sudbury Trust Fund	1,546,886	(2,985,679)
Deferred capital contributions	1,459,203	130,000
	<u>3,006,089</u>	<u>(2,855,679)</u>
Cash flows from investing activities:		
Purchase of capital assets	(2,793,471)	(302,487)
Net decrease in cash	<u>(297,392)</u>	<u>(81,570)</u>
Payable to City of Greater Sudbury, beginning of year	(581,701)	(500,131)
Payable to City of Greater Sudbury, end of year (note 6)	<u>\$ (879,093)</u>	<u>(581,701)</u>

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2002

The Corporation is incorporated without share capital under the laws of Ontario. The principal business activity of the Corporation is to manage, operate and maintain the Sudbury Airport.

The objective of the Corporation is to promote community economic development in the City of Greater Sudbury ("CGS") with the cooperation and participation of the community strategic planning and increasing self-reliance, investment and job creation within the community through the development and enhancement of the Sudbury Airport.

1. Significant accounting policies:

(a) Basis of accounting:

Accrual accounting:

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(c) Other assets:

Other assets consist of incorporation costs and airport commercial plan. Incorporation costs are amortized using the straight-line method over 5 years.

(d) Capital assets:

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method at the following rates:

Buildings	10 to 30 years
Equipment	10 to 25 years
Assets under construction	Nil

No depreciation is taken on assets under construction until they are placed in use.

(e) 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2002

2. Capital assets:

			2002	2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Transferred assets	\$ 2	–	2	2
Buildings	57,018	5,701	51,317	–
Equipment	4,720	–	4,720	–
Assets under construction:				
- terminal	1,917,288	–	1,917,288	276,349
- runway lighting	1,086,940	–	1,086,940	–
	\$ 3,065,968	5,701	3,060,267	276,351

Transferred assets represent assets acquired pursuant to an agreement with Transport Canada that transferred the Sudbury Airport on March 31, 2000 to the newly incorporated Sudbury Airport Community Development Corporation (“SACDC”). This transfer included the transfer of all chattels by way of bill of sale and property by way of instruments of grant to the SACDC for consideration of \$2.00.

3. Option to purchase:

An operating agreement was entered into whereby the SACDC agreed to manage, operate and maintain the airport. This agreement includes an Option to Purchase for ten years exercisable by Her Majesty on the termination of the provision of the airport services. The option is exercisable in the event of closure of the airport and includes the right to obtain ownership of airport lands, chattels and consumable stock.

4. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of contributions restricted for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and will match the amortization period of the capital assets it funded.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2002

5. Contributed surplus:

The contributed surplus represents Sudbury Airport supplementary terminal fees accumulated to March 31, 2000 and held in Trust by the City of Greater Sudbury.

6. Payable to City of Greater Sudbury:

The SACDC is operated by the City of Greater Sudbury in accordance with an operating agreement between the parties which was signed on December 12, 2002.

Consequently, cash flows of the SACDC flow through the City of Greater Sudbury. The resulting payable at December 31, 2002 in the amount of \$879,093 (2001 - \$581,701) bears no interest and has no specified terms of repayment.

Included in expenditures is \$140,621 (2001 - \$114,429) charged by the City of Greater Sudbury for the provision of administrative services.

7. Lease agreements:

The SACDC entered into a lease arrangement for certain lands that are operated by Transport Canada at the airport. In addition, a rental agreement has been arranged with Transport Canada to rent the building owned by Transport Canada for five years with a five year option to renew.

The SACDC has entered into an Assignment, Assumption and Indemnity Agreement which relates to the SACDC taking on all the rights related to leasing of land to the Province for air ambulance and for the forest fire facility at the airport.

Navcan operates the air navigation and air traffic control at the Airport. There is an agreement with Navcan to perform these functions and a lease has been entered into with them for the land under their tower and space in the administration building.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2002

8. Commitment:

The SACDC is in the progress of expanding and renovating the airport terminal and runway lighting. The air terminal construction is expected to be operational in the fall of 2003. A summary of the estimated committed costs and sources of financing on completion are approximately as follows:

Capital Costs:

	Expended to December 31, 2002	Remaining Budget	Total Estimated Cost
Airport terminal	\$ 1,917,288	4,422,712	6,340,000
Runway lighting	1,086,940	69,885	1,156,825
	\$ 3,004,228	4,492,597	7,496,825

Sources of financing:

	Received to December 31, 2002	Remaining Financing Target	Total Estimated Financing
Government grants	\$ 1,589,203	1,594,098	3,183,301
Funds held in Trust by City of Greater Sudbury and SACDC operations	2,020,927	2,292,597	4,313,524
	\$ 3,610,130	3,886,695	7,496,825

9. Contingent liability:

Pursuant to a funding agreement with Transport Canada the SACDC may in certain circumstances be considered in default of the agreement. Should the SACDC be considered in default of the agreement, action may be taken which could result in repayment of funding or cancellation of the agreement.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2002

10. Fair value of financial assets and financial liabilities:

The carrying values of cash, accounts receivable, due from City of Greater Sudbury Trust Fund, accounts payable and accrued liabilities, and payable to City of Greater Sudbury approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

11. Comparative figures:

Certain of the comparative figures have been reclassified to conform with the presentation adopted in 2002.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Schedule of Revenue

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Rentals and Concessions:		
Land and office/shop space	\$ 265,200	299,788
Aviation fuels	12,187	12,235
Car parking - rental agencies	17,246	14,490
Car rental agencies	149,478	158,030
Restaurants	36,596	35,896
Miscellaneous	14,145	13,519
Public parking	216,360	217,926
	<u>711,212</u>	<u>751,884</u>
Services:		
Aircraft parking	22,253	19,198
Recoverable services	97,065	86,238
Graham Energy	1,681	1,653
	<u>120,999</u>	<u>107,089</u>
National landing fees:		
- domestic airline	337,232	254,764
- other domestic	113,153	145,666
- other transborder	227	1,706
	<u>450,612</u>	<u>402,136</u>
Supplementary terminal fees	766,800	745,660
Terminal fees	354,772	326,926
Federal grant	75,983	60,572
Interest income	116,052	148,336
Total revenue	\$ 2,596,430	2,542,603

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Schedule of Expenditure

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Wages and benefits	\$ 817,238	783,195
Materials	192,600	173,510
Administration	151,135	121,655
Equipment expenses:		
Equipment rental	6,502	15,252
Repairs - buildings	36,549	65,643
Repairs - equipment	98,937	94,352
Cleaning	132,632	105,671
	274,620	280,918
Energy costs	209,154	199,678
Purchased services:		
Travel	956	6,515
Telephone	17,578	12,559
Audit	6,240	4,120
Consulting	24,575	6,931
	49,349	30,125
Security and commissionaires	268,421	223,431
Miscellaneous	24,179	22,924
Professional development	29,595	29,832
Insurance	112,055	52,668
Depreciation and amortization	86,782	-
Property taxes	76,943	49,478
Bad debt	15,000	-
Hydrogeological study	75,983	-
Total expenditures	\$ 2,383,054	1,967,414