

# SECTION 4

Financial Statements of

## **SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION**

Year ended December 31, 2003

# **SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION**

Financial Statements Index

Year ended December 31, 2003

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## AUDITORS' REPORT

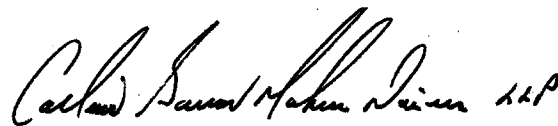
To the Board of Directors

We have audited the balance sheet of **Sudbury Airport Community Development Corporation** as at December 31, 2003 and the statements of earnings and retained earnings and cash flows 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, 2003 and the results of its operations and cash flows 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  
April 30, 2004

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Balance Sheet

December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Assets</b>		
Current assets:		
Petty cash	\$ 850	850
Accounts receivable	1,077,234	2,399,576
Due from City of Greater Sudbury Trust Funds	-	2,369,950
Inventory	112,208	116,429
Prepaid expenses	-	22,915
	1,190,292	4,909,720
Other assets	22,592	30,123
Capital assets (note 2)	7,699,378	3,060,267
	\$ 8,912,262	8,000,110

## Liabilities and Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,079,275	1,149,935
Other liabilities:		
Payable to the City of Greater Sudbury (note 4)	489,942	879,093
Deferred capital grants	3,362,986	1,589,203
	3,852,928	2,468,296
Equity:		
Contributed surplus	2,662,157	2,662,157
Retained earnings	1,317,902	1,719,722
	3,980,059	4,381,879
Commitments (note 5)		
Contingent liability (note 6)		
	\$ 8,912,262	8,000,110

See accompanying notes to financial statements.

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

## Statement of Earnings and Retained Earnings

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Revenue: (Schedule)</b>		
Rentals and concessions	\$ 724,201	711,212
Services	107,747	120,999
National landing fees	438,359	450,612
Supplementary terminal fees	756,230	766,800
Terminal fees	314,820	354,772
Federal grant	44,017	75,983
Interest	27,261	116,052
	2,412,635	2,596,430
<b>Expenses: (Schedule)</b>		
Wages and benefits	1,016,989	817,238
Materials	172,032	192,600
Administration	147,000	151,135
Repairs and maintenance	180,217	142,125
Security and commissionaires	304,610	268,421
Energy costs	176,974	209,154
Insurance	125,157	112,055
Depreciation	90,381	86,782
Property taxes	57,725	76,943
Hydrogeological study	68,922	75,983
Professional development	39,033	29,595
Purchased services	182,449	181,844
Miscellaneous	16,577	24,179
Bad debts	236,389	15,000
	2,814,455	2,383,054
<b>Net earnings (loss)</b>	(401,820)	213,376
Retained earnings, beginning of year	1,719,722	1,506,346
<b>Retained earnings, end of year</b>	\$ 1,317,902	1,719,722

See accompanying notes to financial statements.

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

## Statement of Cash Flows

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Cash flows from operating activities:</b>		
Net earnings (loss)	\$ (401,820)	213,376
Adjustment for:		
Depreciation	90,381	86,782
	(311,439)	300,158
<b>Changes in non-cash working capital:</b>		
Accounts receivable	1,322,342	(1,539,265)
Inventory	4,221	(17,598)
Prepaid expenses	22,915	(22,915)
Accounts payable and accrued liabilities	(70,660)	769,610
	967,379	(510,010)
<b>Cash flows from financing activities:</b>		
Due from City of Greater Sudbury Trust Fund	2,369,950	1,546,886
Deferred capital grants	1,833,422	1,459,203
	4,203,372	3,006,089
<b>Cash flows from investing activities:</b>		
Purchase of capital assets	(4,781,600)	(2,793,471)
	389,151	(297,392)
<b>Net increase (decrease) in cash</b>		
Payable to City of Greater Sudbury, beginning of year	(879,093)	(581,701)
<b>Payable to City of Greater Sudbury, end of year (note 4)</b>	\$ (489,942)	(879,093)

See accompanying notes to financial statements.

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2003

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The Sudbury Airport Community Development Corporation is incorporated without share capital under the laws of Ontario. Its principal business activity 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) Inventory:

Inventory is valued at the lower of cost and replacement cost.

### (b) Other assets:

Other assets, which consist of incorporation costs, are amortized using the straight-line method over five years.

### (c) Capital assets:

Capital assets are recorded at cost. 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	5 to 25 years
Assets under construction	Nil

Assets under construction are not depreciated until they are placed in to use.

In the year of acquisition or usage, half of the annual depreciation charge is taken.

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2003

## 1. 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, 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.

### (e) Deferred capital grants:

Deferred capital grants represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital grants is recorded in the statement of operations at the same rates and terms as the related asset as a reduction of depreciation expense.

## 2. Capital assets:

	2003		2002	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Transferred assets	\$ 2	–	2	–
Buildings	6,335,567	114,555	57,018	5,701
Equipment	1,373,274	33,635	4,720	–
Assets under construction:				
- runway rehabilitation	138,725	–	–	–
- terminal	–	–	1,917,288	–
- runway lighting	–	–	1,086,940	–
	7,847,568	148,190	3,065,968	5,701
Less accumulated depreciation	148,190		5,701	
	\$ 7,699,378		3,060,267	

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.

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2003

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### 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. 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, 2003 in the amount of \$489,942 (2002 - \$879,093) bears no interest and has no specified terms of repayment.

Included in expenses is \$140,918 (2002 - \$140,621) charged by the City of Greater Sudbury for the provision of administrative services.

Included in revenues is \$27,261 (\$116,052) received from the City of Greater Sudbury for interest earned on the funds held in trust.

### 5. Commitments:

- (i) 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, 2003

## 5. Commitments (continued):

(ii) The SACDC is in the process of rehabilitating the airport runway. A summary of the estimated committed costs and sources of financing on completion are approximately as follows:

### Capital Costs:

	Expended to December 31, 2003	Remaining Budget	Total Estimated Cost
Runway rehabilitation	\$ 138,725	2,713,505	2,852,230

### Sources of financing:

	Received to December 31, 2003	Remaining Financing Target	Total Estimated Financing
Government grants	\$ 106,125	2,318,271	2,424,396
SACDC operations	32,600	395,234	427,834
	\$ 138,725	2,713,505	2,852,230

## 6. 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.

## 7. Fair value of financial instruments:

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.

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

## Schedule of Revenue

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Rentals and Concessions:</b>		
Land and office/shop space	\$ 292,179	265,200
Aviation fuels	14,771	12,187
Car parking - rental agencies	20,261	17,246
Car rental agencies	142,212	149,478
Restaurants	6,392	36,596
Miscellaneous	16,863	14,145
Public parking	231,523	216,360
	<u>724,201</u>	<u>711,212</u>
<b>Services:</b>		
Aircraft parking	24,100	22,253
Recoverable services	81,939	97,065
Graham Energy	1,708	1,681
	<u>107,747</u>	<u>120,999</u>
<b>National landing fees:</b>		
- domestic airline	303,455	337,232
- other domestic	134,904	113,153
- other transborder	-	227
	<u>438,359</u>	<u>450,612</u>
Supplementary terminal fees	756,230	766,800
Terminal fees	314,820	354,772
Federal grant	44,017	75,983
Interest income	27,261	116,052
<b>Total revenue</b>	<b>\$ 2,412,635</b>	<b>2,596,430</b>

See accompany notes to financial statements.

# SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

## Schedule of Expenses

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Wages and benefits	\$ 1,016,989	817,238
Materials	172,032	192,600
Administration	147,000	151,135
Repairs and maintenance:		
Equipment rental	8,451	6,639
Repairs - buildings	102,512	36,549
- equipment	69,254	98,937
	180,217	142,125
Energy costs	176,974	209,154
Purchased services:		
Travel	530	956
Telephone	20,636	17,441
Audit	15,287	6,240
Cleaning	124,038	132,632
Consulting	21,958	24,575
	182,449	181,844
Security and commissionaires	304,610	268,421
Miscellaneous	16,577	24,179
Professional development	39,033	29,595
Insurance	125,157	112,055
Depreciation and amortization	90,381	86,782
Property taxes	57,725	76,943
Bad debts	236,389	15,000
Hydrogeological study	68,922	75,983
<b>Total expenses</b>	<b>\$ 2,814,455</b>	<b>2,383,054</b>

See accompany notes to financial statements.