

SECTION 4

Financial Statements of

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Year ended December 31, 2004

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Financial Statements Index

Year ended December 31, 2004

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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, 2004 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, 2004 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, SUDBURY - NIPISSING LLP
Chartered Accountants



KPMG LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants

Sudbury, Canada
April 11, 2005

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Balance Sheet

Year ended December 31, 2004 with comparative figures for 2003

	2004	2003
Assets		
Current assets:		
Petty cash	\$ 850	850
Accounts receivable	639,933	1,077,234
Inventory	117,926	112,208
	<u>758,709</u>	<u>1,190,292</u>
Other assets	15,061	22,592
Capital assets (note 2)	7,465,452	7,699,378
	<u>\$ 8,239,222</u>	<u>8,912,262</u>
Liabilities and Surplus		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 423,252	1,079,275
Other liabilities:		
Payable to the City of Greater Sudbury (note 4)	238,138	489,942
Deferred capital grants	3,325,781	3,362,986
	<u>3,563,919</u>	<u>3,852,928</u>
Surplus:		
Contributed surplus	2,662,157	2,662,157
Retained earnings	1,589,894	1,317,902
	<u>4,252,051</u>	<u>3,980,059</u>
Commitments (note 5)		
Contingent liability (note 6)		
	<u>\$ 8,239,222</u>	<u>8,912,262</u>

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, 2004 with comparative figures for 2003

	2004	2003
Revenue:		
Supplementary terminal fees	\$ 1,330,280	756,230
Rentals and concessions	732,942	612,144
National landing fees	372,243	438,359
Terminal fees	275,672	314,820
Services	190,450	219,804
Miscellaneous	2,587	-
Federal grant	-	44,017
Interest	-	27,261
	2,904,174	2,412,635
Expenses:		
Wages and benefits	968,461	1,016,989
Security and commissionaires	310,914	304,610
Energy costs	221,789	176,974
Materials	190,949	172,032
Repairs and maintenance	181,477	180,217
Depreciation and amortization	174,178	90,381
Purchased services	162,168	182,449
Administration (note 4)	160,497	147,000
Insurance	140,540	125,157
Property taxes	57,505	57,725
Professional development	31,894	39,033
Miscellaneous	31,871	16,577
Hydrogeological study	22,054	68,922
Interest	12,192	-
Bad debt (recovery)	(27,000)	236,389
	2,639,489	2,814,455
Earnings (loss) before undernoted item	264,685	(401,820)
Gain on disposal of building	7,307	-
Net earnings (loss)	271,992	(401,820)
Retained earnings, beginning of year	1,317,902	1,719,722
Retained earnings, end of year	\$ 1,589,894	1,317,902

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2004 with comparative figures for 2003

	2004	2003
Cash flows from operating activities:		
Net earnings (loss)	\$ 271,992	(401,820)
Adjustments for:		
Depreciation and amortization	174,178	90,381
Gain on disposal of building	(7,307)	-
	<u>438,863</u>	<u>(311,439)</u>
Changes in non-cash working capital:		
Accounts receivable	437,301	1,322,342
Inventory	(5,718)	4,221
Accounts payable and accrued liabilities	(656,023)	(70,660)
Prepaid expenses	-	22,915
	<u>214,423</u>	<u>967,379</u>
Cash flows from financing activities:		
Due from City of Greater Sudbury Trust Fund	-	2,369,950
Deferred capital grants	82,503	1,833,422
	<u>82,503</u>	<u>4,203,372</u>
Cash flows from investing activities:		
Purchase of capital assets	(135,122)	(4,781,600)
Proceeds on sale of building	90,000	-
	<u>(45,122)</u>	<u>(4,781,600)</u>
Net increase in cash	251,804	389,151
Payable to City of Greater Sudbury, beginning of year	(489,942)	(879,093)
Payable to City of Greater Sudbury, end of year (note 4)	\$ (238,138)	(489,942)

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2004

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 basis 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 into 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, 2004

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:

	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Transferred assets	\$ 2	–	2	–
Buildings	6,251,054	326,643	6,335,567	114,555
Equipment	1,445,884	101,197	1,373,274	33,635
Assets under construction:				
- runway rehabilitation	196,352	–	138,725	–
	7,893,292	427,840	7,847,568	148,190
Less accumulated depreciation	427,840		148,190	
	\$ 7,465,452		7,699,378	

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, 2004

3. Option to purchase:

An operating agreement was entered into with Transport Canada 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, 2004 in the amount of \$238,138 (2003 - \$489,942) bears no interest and has no specified terms of repayment.

Included in expenses is \$153,685 (2003 - \$140,918) charged by the City of Greater Sudbury for the provision of administrative services. In addition, net interest in the amount of \$12,192 was charged during the year.

Included in revenues is \$Nil (2003 - \$27,261) received from the City of Greater Sudbury for interest earned on the funds held in trust.

5. Commitments:

- (i) 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.

- (ii) The SACDC entered into an agreement with Canadian Corps of Commissioners for the provision of security services. The approximate annual payments are as follows:

2005	\$ 333,000
2006	344,900
2007	358,400
2008	372,000
2009	157,300
	<hr/>
	\$ 1,565,600

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2004

5. Commitments (continued):

- (iii) 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, 2004	Remaining Budget	Total Estimated Cost
Runway rehabilitation	\$ 192,470	3,209,330	3,401,800
Apron construction	3,882	719,458	723,340
	\$ 196,352	3,928,788	4,125,140

Sources of financing:

	Received to December 31, 2003	Remaining Financing Target	Total Estimated Financing
Government grants	\$ 163,599	2,727,931	2,891,530
SACDC operations	32,753	1,200,857	1,233,610
	\$ 196,352	3,928,788	4,125,140

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 petty cash, accounts receivable, accounts payable and accrued liabilities, and payable to the 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, 2004 with comparative figures for 2003

	2004	2003
Rentals and Concessions:		
Land and office/shop space	\$ 332,326	218,148
Car parking - rental agencies	239,352	231,523
Car rental agencies	161,264	162,473
	732,942	612,144
Services:		
Recoverable services	176,744	201,761
Aircraft parking	13,706	18,043
	190,450	219,804
National landing fees:		
- domestic airline	229,709	303,455
- other domestic	142,534	134,904
	372,243	438,359
Supplementary terminal fees	1,330,280	756,230
Terminal fees	275,672	314,820
Federal grant	-	44,017
Interest income	-	27,261
Miscellaneous revenue	2,587	-
Total revenue	\$ 2,904,174	2,412,635

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Schedule of Expenses

Year ended December 31, 2004 with comparative figures for 2003

	2004	2003
Wages and benefits	\$ 968,461	1,016,989
Materials	190,949	172,032
Administration	160,497	147,000
Repairs and maintenance:		
Repairs - equipment	101,262	69,254
Repairs - buildings	79,295	102,512
Equipment rental	920	8,451
	181,477	180,217
Energy costs	221,789	176,974
Purchased services:		
Building services	119,270	124,038
Telephone	19,485	20,636
Consulting	18,386	21,958
Audit	5,027	15,287
Travel	-	530
	162,168	182,449
Security and commissionaires	310,914	304,610
Depreciation and amortization	174,178	90,381
Insurance	140,540	125,157
Property taxes	57,505	57,725
Professional development	31,894	39,033
Miscellaneous	31,871	16,577
Hydrogeological study	22,054	68,922
Interest	12,192	-
Bad debt (recovery)	(27,000)	236,389
Total expenses	\$ 2,639,489	2,814,455

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