

SECTION 5

Financial Statements of

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Year ended December 31, 2007

Financial Statements of

**SUDBURY AIRPORT COMMUNITY
DEVELOPMENT CORPORATION**

Year ended December 31, 2007

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Financial Statements Index

Year ended December 31, 2007

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AUDITORS' REPORT

To the Board of Directors

We have audited the statement of financial position of **Sudbury Airport Community Development Corporation** as at December 31, 2007 and the statements of operations and changes in fund balances 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 Corporation as at December 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow, Secretary - Nipissing LLP

COLLINS BARROW, SUDBURY - NIPISSING LLP
Chartered Accountants, Licensed Public Accountants

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP
Chartered Accountants, Licensed Public Accountants

KPMG LLP

KPMG LLP
Chartered Accountants, Licensed Public Accountants

Sudbury, Canada
May 7, 2008

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	Operating fund	Capital fund	Total 2007	Total 2006
				(as restated - note 8)
Assets				
Current assets:				
Petty cash	\$ 1,000	\$ -	\$ 1,000	1,000
Accounts receivable	1,178,459	-	1,178,459	1,238,020
Prepaid expenses	62,035	-	62,035	11,814
Inventory	83,335	-	83,335	98,162
	1,324,829	-	1,324,829	1,348,996
Capital assets (note 2)	-	11,336,103	11,336,103	10,982,528
	\$ 1,324,829	\$ 11,336,103	\$ 12,660,932	12,331,524

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 519,209	-	\$ 519,209	625,441
Other liabilities:				
Payable to the City of Greater Sudbury (note 4)	117,113	-	117,113	962,805
Employee benefit obligations (note 5)	218,119	-	218,119	218,627
Deferred capital contributions (note 6)	-	6,324,826	6,324,826	5,742,388
	335,232	6,324,826	6,660,058	6,923,820
Fund balances	470,388	5,011,277	5,481,665	4,782,263
Commitments (note 7)				
Contingent liability (note 9)				
	\$ 1,324,829	\$ 11,336,103	\$ 12,660,932	\$ 12,331,524

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2007, with comparative figures for 2006

	Operating fund	Capital fund	Total 2007	Total 2006
				(as restated - note 8)
Revenue:				
Supplementary terminal fees	\$ 1,608,010	\$ -	\$ 1,608,010	\$ 1,486,406
Amortization of deferred capital contributions	-	350,999	350,999	314,652
Rentals and concessions	974,563	-	974,563	868,277
National landing fees	549,377	-	549,377	461,828
Terminal fees	424,946	-	424,946	365,440
Services	248,931	-	248,931	206,780
Miscellaneous	1,081	-	1,081	56,877
Interest	9,839	-	9,839	-
	3,816,747	350,999	4,167,746	3,760,260
Expenses:				
Wages and benefits	1,174,270	-	1,174,270	1,089,006
Security and commissionaires	422,324	-	422,324	371,826
Materials	273,022	-	273,022	290,437
Amortization	-	646,857	646,857	590,482
Energy costs	256,101	-	256,101	241,974
Purchased services	258,211	-	258,211	212,488
Repairs and maintenance	143,906	-	143,906	194,058
Administration (note 4)	109,962	-	109,962	100,392
Insurance	79,646	-	79,646	81,173
Professional development	49,739	-	49,739	58,094
Property taxes	57,706	-	57,706	56,822
Miscellaneous	18,360	-	18,360	36,079
Interest	5,216	-	5,216	29,523
Bad debt (recovery)	(26,976)	-	(26,976)	(3,076)
	2,821,487	646,857	3,468,344	3,349,278
Excess (deficiency) of revenue over expenses	995,260	(295,858)	699,402	410,982
Fund balances, beginning of year (note 8)	(457,877)	5,240,140	4,782,263	4,371,281
Fund transfers	(66,995)	66,995	-	-
Fund balances, end of year	\$ 470,388	\$ 5,011,277	\$ 5,481,665	\$ 4,782,263

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2007, with comparative figures for 2006

	2007	(as restated - note 8)
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 699,402	410,982
Adjustments for:		
Amortization of capital assets	646,857	590,482
Amortization of deferred capital contributions	(350,999)	(314,652)
	995,260	686,812
Changes in non-cash working capital:		
Accounts receivable	59,561	(305,434)
Prepaid expenses	(50,221)	(11,814)
Inventory	14,827	3,664
Employee benefit obligations	(508)	(1,000)
Accounts payable and accrued liabilities	(106,232)	(47,226)
	912,687	325,002
Cash flows from financing activities:		
Deferred capital contributions	933,437	388,419
Cash flows from investing activities:		
Purchase of capital assets	(1,000,432)	(724,358)
Net increase (decrease) in cash	845,692	(10,937)
Payable to City of Greater Sudbury, beginning of year	(962,805)	(951,868)
Payable to City of Greater Sudbury, end of year (note 4)	\$ (117,113)	(962,805)

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

The Sudbury Airport Community Development Corporation (the "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 by encouraging, facilitating and supporting 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) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which includes government grants and contributions. The principles under this method are summarized as follows:

Unrestricted contributions are recognized as revenue when received.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset is amortized.

Landing fees, terminal fees, rentals and concessions are recognized as revenue in the fiscal period when the respective service is performed.

(b) Inventory:

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

(c) Capital assets:

Capital assets are recorded at cost. Amortization 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
Runway	15 years

Assets under construction are not amortized until they are placed into use.

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

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

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 periods specified. Actual results could differ from those estimates.

(e) Pensions and employee benefits:

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Corporation's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Actuarial gains (losses) or the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains and losses are amortized over the average remaining service period of active employees.

(f) Accounting changes:

The Canadian Institute of Chartered Accountants ("CICA") has issued several new standards which are effective for the Corporation for the reporting period beginning on January 1, 2008. The following accounting standards relate to financial instruments: Section 3855, Financial Instruments - Recognition and Measurement, Section 3862, Financial Instruments - Disclosures, Section 3863, Financial Instruments - Presentation, Section 3865, Hedges, Section 1530, Capital Disclosure. In addition, there is a new accounting standard related to inventories: Section 3031, Inventories.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

2. Capital assets:

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	\$ 6,366,738	969,913	6,366,738	753,887
Equipment	2,119,440	413,438	2,009,844	282,038
Runway	4,936,879	703,605	4,046,043	404,174
Transferred assets	2	–	2	–
	13,423,059	2,086,956	12,422,627	1,440,099
Less accumulated amortization	2,086,956		1,440,099	
	\$ 11,336,103		10,982,528	

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 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 for consideration of \$1.00. The option expires April 1, 2010.

4. Payable to City of Greater Sudbury:

The SACDC is operated by the City of Greater Sudbury (the “City”) in accordance with an operating agreement between the parties. Under terms of the agreement employees remain employed by the “City” however the Corporation is responsible for reimbursing the City for all employee related costs.

Consequently, cash flows of the SACDC flow through the City. The resulting payable at December 31, 2007 in the amount of \$117,113 (2006 - \$962,805) bears interest at the City’s average monthly rate of return on investments plus 1% and has no specified terms of repayment. In the event that the account is in a receivable balance, the SACDC earns interest at the City’s average monthly rate of return on investments.

Included in expenses is \$81,707 (2006 - \$79,293) charged by the City for the provision of administrative services. In addition, net interest in the amount of \$(4,623) (2006 - \$29,523) was (earned) charged during the year.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

5. Employee benefit obligations:

Details of the obligations are as follows:

	2007	2006
Other post-employment benefits	\$ 103,000	99,000
Vacation pay	115,119	119,627
	\$ 218,119	218,627

- (i) Accumulated sick leave benefits accrue to certain employees of the Corporation and are paid out either on approved retirement, or upon termination or death.
- (ii) Other post employment benefits represent the Corporation's share of the cost to provide certain employees with extended benefits upon early retirement.
- (iii) The following table sets out the results as determined by the actuarial valuation completed in March 2008 for each of the plans, as at December 31, 2007:

	2007	2006
Accrued benefit liability, beginning of year	\$ 165,000	134,000
Benefit cost	6,000	5,000
Interest cost	9,000	5,000
Benefit payments	(15,000)	(13,000)
Actuarial costs	(3,000)	34,000
Accrued benefit liability, end of year	162,000	165,000
Unamortized gain (loss)	(59,000)	(66,000)
	\$ 103,000	99,000

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	WSIB	Sick Leave	Other Post Employment Benefits
Expected inflation rate	3%	3%	3%
Expected level of salary increases	N/A	3%	3%
Interest discount rate	4.5%	4.5%	4.5%

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets.

Details of the change in deferred capital contributions are as follows:

	2007	2006
Balance, beginning of year	\$ 5,742,388	5,668,621
Add: Contributions received in the year	933,437	388,419
Less: Amount amortized to revenue	(350,999)	(314,652)
Balance, end of year	\$ 6,324,826	5,742,388

7. 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 Commissionaires for the provision of security services. The approximate annual payments are as follows:

2008	\$ 372,000
2009	157,300
	\$ 529,300

8. Employee future benefits accounting:

During the year, the Corporation retroactively commenced accounting for employee future benefits. As a result the December 31, 2006 financial statements have been restated to reflect this change. The fund balance has been reduced by \$99,000 and liabilities were increased by a corresponding amount.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2007

9. Contingent liability:

Pursuant to funding agreements 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.

10. Fair value of financial instruments:

The carrying values of the Corporation's 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.

11. Comparative figures:

Certain 2007 comparative figures have been reclassified to form with the financial statement presentation adopted in the current year.