

Financial Statements of the
Sudbury Airport Community
Development Corporation

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Financial Statements Index

Year ended December 31, 2009

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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, 2009 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.

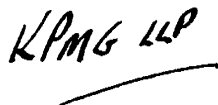
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



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



FREELANDT CALDWELL REILLY LLP
Chartered Accountants, Licensed Public Accountants



KPMG LLP
Chartered Accountants, Licensed Public Accountants

Sudbury, Canada
April 1, 2010

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2009, with comparative figures for 2008

| | Operating Fund | Capital Fund | Total 2009 | Total 2008 |
|--|-------------------|--------------|---------------|---------------|
| Assets | | | | |
| Current assets: | | | | |
| Petty cash | \$ 1,000 | - | 1,000 | 1,000 |
| Accounts receivable | 1,617,767 | - | 1,617,767 | 762,586 |
| Receivable from the City of Greater Sudbury (note 3) | 16,016 | - | 16,016 | 628,620 |
| Prepaid expenses | 6,454 | - | 6,454 | 24,918 |
| Inventory | 99,135 | - | 99,135 | 98,630 |
| | 1,740,372 | - | 1,740,372 | 1,515,754 |
| Capital assets (note 4) | - | 13,446,499 | 13,446,499 | 11,639,724 |
| | \$ 1,740,372 | 13,446,499 | 15,186,871 | 13,155,478 |
| Liabilities and Fund Balances | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 711,122 | - | 711,122 | 400,626 |
| Other liabilities: | | | | |
| Employee benefit obligations (note 6) | 239,480 | - | 239,480 | 226,999 |
| Deferred capital contributions (note 7) | - | 7,487,066 | 7,487,066 | 6,282,420 |
| | 239,480 | 7,487,066 | 7,726,546 | 6,509,419 |
| Fund balances | 789,770 | 5,959,433 | 6,749,203 | 6,245,433 |
| Commitments (note 8) | | | | |
| Contingent liability (note 9) | | | | |
| | \$ 1,740,372 | 13,446,499 | 15,186,871 | 13,155,478 |

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, 2009, with comparative figures for 2008

| | Operating Fund | Capital Fund | Total 2009 | Total 2008 |
|---|-------------------|------------------|------------------|------------------|
| Revenue: | | | | |
| Supplementary terminal fees | \$ 1,478,830 | - | 1,478,830 | 1,686,155 |
| Amortization of deferred capital contributions | - | 414,335 | 414,335 | 387,492 |
| Rentals and concessions | 1,017,159 | - | 1,017,159 | 1,072,408 |
| National landing fees | 633,634 | - | 633,634 | 598,239 |
| Terminal fees | 509,431 | - | 509,431 | 502,641 |
| Services | 265,279 | - | 265,279 | 278,449 |
| Interest | 28,256 | - | 28,256 | 28,577 |
| | 3,932,589 | 414,335 | 4,346,924 | 4,553,961 |
| Expenses: | | | | |
| Wages and benefits | 1,328,976 | - | 1,328,976 | 1,302,508 |
| Security and commissionaires | 335,541 | - | 335,541 | 375,170 |
| Materials | 303,938 | - | 303,938 | 321,324 |
| Amortization of capital assets | - | 821,944 | 821,944 | 725,782 |
| Energy costs | 243,272 | - | 243,272 | 267,529 |
| Purchased services | 238,378 | - | 238,378 | 219,521 |
| Repairs and maintenance | 213,495 | - | 213,495 | 208,492 |
| Administration (note 3) | 116,747 | - | 116,747 | 113,939 |
| Insurance | 84,764 | - | 84,764 | 77,995 |
| Professional development | 72,439 | - | 72,439 | 70,348 |
| Property taxes | 57,350 | - | 57,350 | 67,608 |
| Marketing and promotion | 62,075 | - | 62,075 | 78,223 |
| Bad debt (recovery) | (15,248) | - | (15,248) | 6,793 |
| | 3,041,727 | 821,944 | 3,863,671 | 3,835,232 |
| Excess (deficiency) of revenue over expenses | | | | |
| before undernoted item | 890,862 | (407,609) | 483,253 | 718,729 |
| Gain on sale of equipment | 20,517 | - | 20,517 | 45,039 |
| Excess (deficiency) of revenue over expenses | 911,379 | (407,609) | 503,770 | 763,768 |
| Fund balances, beginning of year | 888,129 | 5,357,304 | 6,245,433 | 5,481,665 |
| Fund transfers | (1,009,738) | 1,009,738 | - | - |
| Fund balances, end of year | \$ 789,770 | 5,959,433 | 6,749,203 | 6,245,433 |

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Excess of revenue over expenses | \$ 503,770 | 763,768 |
| Adjustments for: | | |
| Amortization of capital assets | 821,944 | 725,782 |
| Amortization of deferred capital contributions | (414,335) | (387,492) |
| Gain on sale of equipment | (20,517) | (45,039) |
| | 890,862 | 1,057,019 |
| Changes in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | (855,181) | 415,873 |
| Decrease in prepaid expenses | 18,464 | 37,117 |
| Increase in inventory | (505) | (15,295) |
| Increase in employee benefit obligations | 12,481 | 8,880 |
| Increase (decrease) in accounts payable and accrued liabilities | 310,496 | (118,583) |
| | 376,617 | 1,385,011 |
| Cash flows from financing activities: | | |
| Deferred capital contributions | 1,618,981 | 345,086 |
| Cash flows from investing activities: | | |
| Purchase of capital assets | (2,628,719) | (1,029,403) |
| Proceeds on sale of equipment | 20,517 | 45,039 |
| | (2,608,202) | (984,364) |
| Net increase (decrease) in cash | (612,604) | 745,733 |
| Receivable from (payable to) City of Greater Sudbury, beginning of year | 628,620 | (117,113) |
| Receivable from City of Greater Sudbury, end of year (note 4) | \$ 16,016 | 628,620 |

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2009

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 stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

(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 | 2 to 25 years |
| Runway | 15 years |
| Parking Lot | 20 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, 2009

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 at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for accounts receivable and inventory. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(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) Financial instruments:

The Corporation accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

In accordance with the generally accepted accounting principles of Canada the Corporation has undertaken the following:

- (i) Designated cash and cash equivalents as held-for-trading, being measured at fair value.
- (ii) Accounts receivable and receivable from the City of Greater Sudbury are classified as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and payable to the City of Greater Sudbury are classified as other financial liabilities, which are measured at amortized cost.

The Corporation also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Corporation has selected to account for transactions as at the trade date.

2. Change in accounting policy:

Effective January 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations has no significant impact on the financial statements for the year ended December 31, 2009.

Effective January 1, 2009, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no significant effect on the financial statements for the year ended December 31, 2009.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2009

3. Receivable from the 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 receivable (payable) at December 31, 2009 in the amount of \$16,016 (2008 - \$628,620) is unsecured, 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 \$84,900 (2008 - \$83,212) charged by the City for the provision of administrative services. In addition, net interest in the amount of \$28,256 (2008 - (\$28,577)) was (earned) charged during the year.

4. Capital assets:

| | 2009 | | 2008 | |
|-------------------------------|---------------|--------------------------|------------|--------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Buildings | \$ 7,871,722 | 1,404,700 | 6,416,781 | 1,186,348 |
| Equipment | 3,632,338 | 812,144 | 2,470,646 | 575,134 |
| Runway | 5,287,707 | 1,396,133 | 5,275,621 | 1,044,022 |
| Transferred assets | 2 | - | 2 | - |
| Parking lot | 289,413 | 21,706 | 289,413 | 7,235 |
| | 17,081,182 | 3,634,683 | 14,452,463 | 2,812,739 |
| Less accumulated amortization | 3,634,683 | | 2,812,739 | |
| | \$ 13,446,449 | | 11,639,724 | |

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, 2009

5. 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 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. As at April 1, 2010, the option to purchase was not exercised.

6. Employee benefit obligations:

Details of the obligations are as follows:

| | 2009 | 2008 |
|--------------------------------|-------------------|----------------|
| Other post-employment benefits | \$ 115,000 | 110,000 |
| Vacation pay | 124,480 | 116,999 |
| | \$ 239,480 | 226,999 |

- (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 2010 for each of the plans, as at December 31, 2009:

| | 2009 | 2008 |
|---|-------------------|----------------|
| Accrued benefit obligation, beginning of year | \$ 170,000 | 162,000 |
| Benefit cost | 7,000 | 8,000 |
| Interest cost | 9,000 | 9,000 |
| Benefit payments | (15,000) | (12,000) |
| Actuarial costs | (22,000) | 3,000 |
| | 149,000 | 170,000 |
| Unamortized gain (loss) | (34,000) | (60,000) |
| Accrued benefit obligation, end of year | \$ 115,000 | 110,000 |

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2009

6. Employee benefit obligations (continued):

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:

| | Sick Leave | Other Post Employment Benefits |
|------------------------------------|---------------|--------------------------------------|
| Expected inflation rate | 3% | 3% |
| Expected level of salary increases | 3% | 3% |
| Interest discount rate | 5% | 5.5% |

7. 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:

| | 2009 | 2008 |
|---|--------------|-----------|
| Balance, beginning of year | \$ 6,282,420 | 6,324,826 |
| Add: Contributions received in the year | 1,618,981 | 345,086 |
| Less: Amount amortized to revenue | (414,335) | (387,492) |
| Balance, end of year | \$ 7,487,066 | 6,282,420 |

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2009

8. 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 a Flight Service Station 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:

| | |
|------|------------|
| 2010 | \$ 344,670 |
| 2011 | 354,819 |

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