

**RED DEER REGIONAL AIRPORT
AUTHORITY**

**Independent Auditor's Report and
Financial Statements**

December 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Directors of Red Deer Regional Airport Authority

We have audited the accompanying financial statements of Red Deer Regional Airport Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT, continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Red Deer Regional Airport Authority as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Red Deer County, Alberta

March 16, 2018

Collins Barrow Red Deer LLP

Chartered Professional Accountants

RED DEER REGIONAL AIRPORT AUTHORITY

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RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Financial Position

As at December 31, 2017

	2017	2016
ASSETS		
Current assets		
Cash (note 3)	\$ 138,236	\$ 1,200,569
Accounts receivable	129,060	303,492
Inventory	52,886	30,915
Deposit	-	39,830
	<u>320,182</u>	<u>1,574,806</u>
Capital assets (note 4)	<u>20,049,111</u>	<u>20,320,429</u>
	<u>\$ 20,369,293</u>	<u>\$ 21,895,235</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 143,367	\$ 933,086
Deferred revenue (note 6)	95,667	541,054
Current portion of long-term debt (note 7)	52,676	78,746
	<u>291,710</u>	<u>1,552,886</u>
Long-term debt (note 7)	<u>205,576</u>	<u>258,116</u>
Unamortized capital contributions (note 8)	<u>19,338,003</u>	<u>19,510,244</u>
	<u>19,835,289</u>	<u>21,321,246</u>
NET ASSETS		
Unrestricted	<u>534,004</u>	<u>573,989</u>
	<u>\$ 20,369,293</u>	<u>\$ 21,895,235</u>

Approved by the board:

_____ Member

_____ Member

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Changes in Net Assets

Year ended December 31, 2017

	2017	2016
Net assets, beginning of year	\$ 573,989	\$ 578,391
Deficiency of revenues over expenditures	<u>(39,985)</u>	<u>(4,402)</u>
Net assets, end of year	<u>\$ 534,004</u>	<u>\$ 573,989</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Operations

Year ended December 31, 2017

	2017	2016
Revenues		
Land leases	\$ 368,717	\$ 345,141
De-icing - airplanes	319,936	242,291
Rent	102,312	99,049
Airport landing fees	89,620	88,098
Passenger facility fee	89,412	83,898
Airport facility fees	88,175	93,150
Aircraft parking	74,116	57,520
Fuel levy	57,523	42,701
Other	30,236	53,356
	<u>1,220,047</u>	<u>1,105,204</u>
Expenditures		
Wages and benefits	873,713	785,097
Contracted services	194,723	143,903
Repairs and maintenance	142,770	127,572
Utilities, insurance and property taxes	137,291	136,603
Other	91,985	81,876
Marketing	65,102	54,402
De-icing - airplanes	59,016	82,556
Fuel	33,732	18,222
Office and administration	29,122	37,762
Travel	20,768	17,930
Interest on long-term debt	2,698	1,801
Bad debts	-	6,097
	<u>1,650,920</u>	<u>1,493,821</u>
Deficiency of revenues over expenditures before the following items	<u>(430,873)</u>	<u>(388,617)</u>
Capital asset transactions		
Amortization of capital contributions (note 8)	620,818	272,681
Amortization of capital assets	(694,379)	(340,871)
	<u>(73,561)</u>	<u>(68,190)</u>
Deficiency of revenues over expenditures before municipal contributions	<u>(504,434)</u>	<u>(456,807)</u>
Municipal contributions	<u>470,000</u>	<u>490,000</u>
Excess (deficiency) of revenues over expenditures before misappropriation of funds	<u>(34,434)</u>	<u>33,193</u>
Misappropriation of funds (note 9)	<u>(5,551)</u>	<u>(37,595)</u>
Deficiency of revenues over expenditures	<u>\$ (39,985)</u>	<u>\$ (4,402)</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from tenants and customers	\$ 1,397,669	\$ 987,004
Municipal contributions	470,000	490,000
Cash paid to suppliers and employees	(1,617,530)	(1,561,279)
Interest paid	(2,698)	(1,801)
Misappropriation	(5,551)	(37,595)
	<u>241,890</u>	<u>(123,671)</u>
Investing activities		
Purchase of capital assets	(1,225,613)	(8,289,334)
Redemption of Guaranteed investment certificate	-	29,335
	<u>(1,225,613)</u>	<u>(8,259,999)</u>
Financing activities		
Capital contributions received	-	9,324,190
Repayment of long-term debt	(78,610)	(78,797)
Proceeds of long-term debt	-	335,000
	<u>(78,610)</u>	<u>9,580,393</u>
Increase (decrease) in cash	(1,062,333)	1,196,723
Cash, beginning of year	1,200,569	3,846
Cash, end of year	\$ 138,236	\$ 1,200,569

Excluded from the statement of cash flows is \$40,000 (2016 - \$842,551) of capital asset purchases that are included in accounts payable.

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2017

1. Nature of Operations

Red Deer Regional Airport Authority was incorporated under the Alberta Regional Airports Authorities Act. The purpose of the Authority is to manage and operate the Red Deer Regional Airport in a safe, secure and efficient manner, expanding aviation related industrial development and promoting and encouraging improved airline and transportation services for the benefit of the greater Red Deer region.

The Authority is exempt from tax under section 149(1) of the Income Tax Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations 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 period. Significant areas requiring the use of estimates include: allowance for doubtful accounts, the initial value of donated capital assets, valuation of capital assets, inventory valuation and obsolescence and the estimated useful lives of capital assets. Specifically, the Authority relies on outside sources for the amount of fuel levy revenue and passenger facility fee revenue it records. Actual results may differ from management's best estimates as additional information becomes available in the future.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and temporary bank overdrafts which form an integral part of the Authority's cash management.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is assessed at each balance sheet date and a write-down is recorded as necessary. The amount of the write down may be reversed (up to the original amount of the write down) where there is a change in economic circumstances.

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies, continued

Capital assets

Purchased capital assets are recorded at cost. Contributed assets are recorded at estimated fair value at the date of contribution. The Authority provides for amortization using the declining balance method at rates designated to amortize the cost of the capital assets over their estimated useful lives. Amortization rates are as follows:

Runways	8% Declining balance
Buildings	4% Declining balance
Equipment	20% Declining balance
Motorized equipment	30% Declining balance
Computer hardware	30% Declining balance

One half amortization is calculated in the year of acquisition. No amortization is calculated in the year of disposition.

Capital contributions

Capital contributions are deferred and amortized on the same basis and rates as the related capital assets.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital contributions are recorded as deferred revenue until the amount is invested in capital assets, then transferred to unamortized deferred capital contributions. These invested capital contributions are amortized to revenue in the same period as the related amortization expense of the funded capital asset.

Fees, rentals, leases, de-icing and other income are recognized as revenue when received or when the service is provided if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

Volunteers assist the Authority in carrying out its activities. Because of the difficulty in determining fair value and the fact that such assistance would not otherwise be purchased, contributed services are not recognized in the financial statements.

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2017

2. Significant Accounting Policies, continued

Financial instruments

The Authority measures its financial instruments initially at fair value and subsequently at amortized cost.

3. Cash

	<u>2017</u>	<u>2016</u>
Unrestricted (deficiency) cash	\$ 50,048	\$ (128,029)
Restricted cash	<u>88,188</u>	<u>1,328,598</u>
Cash	<u>\$ 138,236</u>	<u>\$ 1,200,569</u>

Restricted cash consists of cash restricted to use for runway expansion and other capital projects.

The Authority has a TD Business line of credit to a maximum of \$250,000 bearing interest at prime (currently 3.45%) plus 2.00% and is secured by a general security agreement over all assets. At year end this line of credit is not drawn upon.

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2017

4. Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net</u>	<u>2016 Net</u>
Land	\$ 7,666,090	\$ -	\$ 7,666,090	\$ 7,666,090
Runways	16,679,907	5,302,948	11,376,959	11,563,541
Buildings	1,451,777	663,527	788,250	805,672
Equipment	1,133,496	963,498	169,998	216,820
Motorized equipment	723,566	678,418	45,148	64,497
Computer hardware	38,888	36,222	2,666	3,809
	<u>\$ 27,693,724</u>	<u>\$ 7,644,613</u>	<u>\$ 20,049,111</u>	<u>\$ 20,320,429</u>

Included in Runways is unamortized construction in progress of \$39,365 (2016 - \$8,827,426).

Included in Buildings is unamortized construction in progress of \$14,805 (2016 - nil).

5. Accounts Payable and Accrued Liabilities

	<u>2017</u>	<u>2016</u>
Accounts payable and accrued liabilities	\$ 67,245	\$ 68,194
Runway holdback	40,000	842,551
Payroll remittances payable	30,054	22,341
Goods and Services Tax payable	6,068	-
	<u>\$ 143,367</u>	<u>\$ 933,086</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2017

6. Deferred Revenue

	<u>2017</u>	<u>2016</u>
Prepaid leases	\$ 47,479	\$ 44,289
Capital grants	<u>48,188</u>	<u>496,765</u>
	<u>\$ 95,667</u>	<u>\$ 541,054</u>

In the year, \$448,577 of capital grants were utilized to acquire capital assets. There were no capital grants received.

7. Long-term Debt

	<u>2017</u>	<u>2016</u>
Loan from Red Deer County repayable in annual installments of \$46,000 with final payment due 2022. The loan is non interest bearing.	\$ 230,000	\$ 276,000
TD Canada Trust loan repayable in monthly blended payments of \$657 with interest at 4.79% per annum, due November 2021. Collateral is provided by a plow with a net book value of \$20,825 and a general security agreement.	28,252	34,481
Repaid during the year	-	26,381
	<u>258,252</u>	<u>336,862</u>
Current portion	<u>52,676</u>	<u>78,746</u>
	<u>\$ 205,576</u>	<u>\$ 258,116</u>

The estimated principal repayments are as follows:

2018	\$ 52,676
2019	53,003
2020	53,346
2021	53,252
2022	<u>45,975</u>
	<u>\$ 258,252</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2017

11. Financial Instruments

The Authority's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Authority is not exposed to significant interest, currency, market, liquidity or credit risk arising from these financial instruments except as follows:

Credit risk

The Authority is exposed to credit risk as it grants credit to its customers in the normal course of operations. To mitigate this risk the Authority regularly reviews its accounts receivable list, and follows up with letters and phone calls.

Interest rate risk

The Authority is exposed to interest rate price risk as certain long-term debt bears interest at fixed interest rates.

12. Directors' and Officers' Remuneration and Expenses

As required by the Regional Airports Authorities Act (Alberta), the Authority outlines the Directors' and Officers' remuneration and expenses as follows for 2017:

There was no remuneration or expenses paid to the Board of Directors.

Total remuneration to Airport Officers' was \$269,786 (2016 - \$263,500) and expenses reimbursed totaled \$8,647 (2016 - \$4,545).