

RED DEER REGIONAL AIRPORT AUTHORITY



Independent Auditor's Report and
Financial Statements
December 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Red Deer Regional Airport Authority

Opinion

We have audited the financial statements of Red Deer Regional Airport Authority (the "Authority"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Red Deer County, Alberta

March 19, 2021

RSM Alberta LLP

Chartered Professional Accountants

RED DEER REGIONAL AIRPORT AUTHORITY
Contents
December 31, 2020

Financial Statements	Page
Statement of Financial Position	1
Statement of Changes in Net Assets	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 13
Schedule of Revenues	14

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Financial Position

As at December 31, 2020

	2020	2019
ASSETS		
Current assets		
Cash	\$ 228,459	\$ -
Accounts receivable	72,737	65,389
Inventory	2,572	21,861
Prepaid expenses	16,500	-
	<u>320,268</u>	<u>87,250</u>
Lease inducement (note 4)	23,125	23,958
Intangible asset (note 5)	34,165	42,706
Tangible capital assets (note 6)	<u>21,170,263</u>	<u>20,222,237</u>
	<u>\$ 21,547,821</u>	<u>\$ 20,376,151</u>
LIABILITIES		
Current liabilities		
Bank indebtedness (note 3)	\$ -	\$ 163,459
Accounts payable and accruals (note 7)	71,940	85,926
Unearned revenue	37,380	38,773
Current portion of long-term debt (note 9)	75,308	53,346
	<u>184,628</u>	<u>341,504</u>
Deferred capital contributions (note 8)	359,078	192,956
Long-term debt (note 9)	242,287	99,210
Unamortized deferred capital contributions (note 10)	<u>20,288,418</u>	<u>19,259,154</u>
	<u>21,074,411</u>	<u>19,892,824</u>
NET ASSETS (DEFICIENCY)		
Unrestricted (deficiency)	(109,313)	(111,621)
Invested in tangible capital assets	<u>582,723</u>	<u>594,948</u>
	<u>473,410</u>	<u>483,327</u>
	<u>\$ 21,547,821</u>	<u>\$ 20,376,151</u>

Approved by the board:

Director

Director

See accompanying notes

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Changes in Net Assets

Year ended December 31, 2020

	Unrestricted (deficiency)	Invested in tangible capital assets	Total 2020	Total 2019
Balance, beginning of year	\$ (111,621)	\$ 594,948	\$ 483,327	\$ 646,847
Excess (deficiency) of revenues over expenditures	79,862	(89,779)	(9,917)	(163,520)
Investment into tangible capital assets	<u>(77,554)</u>	<u>77,554</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (109,313)</u>	<u>\$ 582,723</u>	<u>\$ 473,410</u>	<u>\$ 483,327</u>

See accompanying notes

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Operations

Year ended December 31, 2020

	2020	2019
Revenues (page 14)	\$ 776,610	\$ 732,552
Expenditures		
Wages and benefits	823,866	840,927
Repairs and maintenance	206,200	122,606
Utilities, insurance and property taxes	169,799	144,590
Contracted services	142,912	147,054
Marketing	75,724	65,403
Board, professional fees and other	40,178	46,496
Office and administration	38,022	31,774
Fuel	26,517	34,573
De-icing airplanes	11,875	5,883
Travel	10,047	11,311
Interest on long-term debt (note 9)	5,928	873
Bad debts	5,680	661
	<u>1,556,748</u>	<u>1,452,151</u>
Deficiency of revenues over expenditures before the following items	<u>(780,138)</u>	<u>(719,599)</u>
Capital asset transactions		
Amortization of deferred capital contributions (note 10)	1,003,938	982,405
Gain on disposal of tangible capital assets	-	22,500
Amortization of tangible capital assets	<u>(1,093,717)</u>	<u>(1,076,826)</u>
	<u>(89,779)</u>	<u>(71,921)</u>
Deficiency of revenues over expenditures before municipal contributions	<u>(869,917)</u>	<u>(791,520)</u>
Municipal contributions	<u>860,000</u>	<u>628,000</u>
Deficiency of revenues over expenditures	<u>\$ (9,917)</u>	<u>\$ (163,520)</u>

See accompanying notes

RED DEER REGIONAL AIRPORT AUTHORITY

Statement of Cash Flows

Year ended December 31, 2020

	2020	2019
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from tenants and customers	\$ 768,700	\$ 753,957
Municipal contributions	845,000	628,000
Cash paid to suppliers and employees	(1,562,015)	(1,462,893)
Interest paid	(5,928)	(873)
	<u>45,757</u>	<u>(81,809)</u>
Investing activities		
Purchase of intangible asset	-	(47,451)
Purchase of tangible capital assets	(2,033,203)	(1,201,360)
Proceeds on disposal of capital assets	-	22,921
	<u>(2,033,203)</u>	<u>(1,225,890)</u>
Financing activities		
Capital contributions received	2,214,325	1,088,390
Repayment of long-term debt	(74,961)	(53,011)
Proceeds of long-term debt	240,000	-
	<u>2,379,364</u>	<u>1,035,379</u>
Increase (decrease) in cash	391,918	(272,320)
Cash (bank indebtedness), beginning of year	(163,459)	108,861
Cash (bank indebtedness), end of year	\$ 228,459	\$ (163,459)

See accompanying notes

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

1. Nature of Operations and Economic Dependence

Red Deer Regional Airport Authority (the "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.

The Authority derives approximately 52% (2019 - 46%) of its revenue from The City of Red Deer and Red Deer County through municipal contributions. Red Deer County has also made capital contributions to support capital asset additions at the airport.

Continued operation of the Airport is dependent upon the continued support of The City of Red Deer and Red Deer County in the form of operating and capital funding.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting 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. 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, 2020

2. Significant Accounting Policies, continued

Tangible 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 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
Computer software	100% Declining balance

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

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of the tangible capital assets is recorded as an expense in the statement of operations. A write-down is not reversed.

*Runways - During the year runway 12-30 was repaved. It is expected that the overlay of new pavement will have a life-span of at least 20 years. Therefore, the cost of the overlay is being amortized on a straight-line basis over 20 years.

Intangible asset

The website is accounted for at cost and is amortized based on a straight-line basis over the estimated useful life of 5 years.

When conditions indicate the intangible asset is impaired, the carrying value of the intangible asset is written down to the asset's fair value or replacement cost. The write down of the intangible asset is recorded as an expense in the statement of operations. A write-down is not reversed.

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies, continued

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

Fees, rentals, leases, de-icing, aircraft parking and other revenue are recognized as revenue when the service is provided if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts collected in advance are recorded as deferred revenue.

The fuel levy is calculated by and remitted to the Authority by third party fuel suppliers. The Authority recognizes revenue in the year in which it is received or receivable if the amount receivable can be reasonably measured 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.

Financial instruments

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

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

3. Bank Indebtedness

The Authority has a TD Business line of credit to a maximum of \$250,000 bearing interest at prime (currently 2.45%) plus 2.00% and is secured by a general security agreement over all assets.

4. Lease Inducement

The lease inducement represents a rent free period provided to a tenant that will be recognized on a straight-line basis over the course of the lease agreement with the tenant.

5. Intangible Asset

	<u>2020</u>	<u>2019</u>
Website (Cost)	\$ 47,451	\$ 47,451
Accumulated amortization	<u>(13,286)</u>	<u>(4,745)</u>
	<u>\$ 34,165</u>	<u>\$ 42,706</u>

Included in amortization of tangible capital assets is amortization on the Website for \$8,541 (2019 - \$4,745).

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

6. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net</u>	<u>2019 Net</u>
Land	\$ 7,666,090	\$ -	\$ 7,666,090	\$ 7,666,090
Runways	19,468,058	8,010,381	11,457,677	10,870,624
Buildings	2,031,575	784,860	1,246,715	1,272,752
Equipment	1,345,001	1,090,649	254,352	275,364
Motorized equipment	868,558	762,468	106,090	106,912
Land improvements	424,590	-	424,590	-
Computer hardware	58,708	43,959	14,749	16,463
Computer software	43,004	43,004	-	14,032
	<u>\$ 31,905,584</u>	<u>\$ 10,735,321</u>	<u>\$ 21,170,263</u>	<u>\$ 20,222,237</u>

Included in Buildings is unamortized construction in progress of \$44,610 (2019 - \$44,610).

Included in Land improvements is unamortized project planning costs for the North & South site developments of \$424,590 (2019 - \$nil).

7. Accounts Payable and Accruals

	<u>2020</u>	<u>2019</u>
Accounts payable and accrued liabilities	\$ 58,010	\$ 71,324
Payroll remittances payable	<u>13,930</u>	<u>14,602</u>
	<u>\$ 71,940</u>	<u>\$ 85,926</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

8. Deferred Capital Contributions

	<u>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 192,956	\$ 46,701
Red Deer County capital contributions	2,214,325	531,000
The City of Red Deer capital contributions	-	531,000
Capital contributions for website	-	26,390
Capital asset additions	(2,033,203)	(915,745)
Intangible asset addition	-	(26,390)
Transfer to operations	<u>(15,000)</u>	<u>-</u>
	<u>\$ 359,078</u>	<u>\$ 192,956</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

9. Long-term Debt

	<u>2020</u>	<u>2019</u>
Loan from Red Deer County repayable in semi-annual installments of \$13,501 with interest charged at a rate of 2.3% . The final payment due in December of 2029.	\$ 218,394	\$ -
Loan from Red Deer County repayable in annual installments of \$46,000 with the final payment due in December of 2022. The loan is non interest bearing.	92,000	138,000
TD Canada Trust loan repayable in monthly blended (principal and interest) payments of \$657 with interest charged at a rate of 4.79% per annum. The final payment is due in November of 2021. Collateral is provided by a plow with a net book value of \$7,143 and a general security agreement.	<u>7,201</u>	<u>14,556</u>
	317,595	152,556
Current portion	<u>75,308</u>	<u>53,346</u>
	<u>\$ 242,287</u>	<u>\$ 99,210</u>

The estimated principal repayments are as follows:

2021	\$ 75,308
2022	68,618
2023	23,141
2024	23,676
2025	24,224
Subsequent years	<u>102,628</u>
	<u>\$ 317,595</u>

RED DEER REGIONAL AIRPORT AUTHORITY

Notes to the Financial Statements

December 31, 2020

12. Directors' and Officers' Remunerations and Expenses

As required by the Regional Airports Authorities Act (Alberta), the Authority outlines the Directors' and Officers' remuneration and expenses as follows for 2020:

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

Airport Officers' totals:

Remuneration - \$280,818 (2019 - \$287,121).

Expenses - \$6,258 (2019 - \$6,744).

Employee Health Spending Account contributions - \$1,764 (2019 - \$3,073).

RRSP contributions - \$4,840 (2019 - \$4,705).

RED DEER REGIONAL AIRPORT AUTHORITY

Schedule of Revenues

Year ended December 31, 2020

	2020	2019
Land leases revenue	\$ 375,681	\$ 373,528
Rental revenue	164,979	99,438
Fuel levy revenue	66,292	82,801
Airport landing revenue	48,680	52,867
Airport facility revenue	41,365	30,526
Aircraft parking	30,661	46,218
De-icing revenue	18,997	14,442
COVID-19 wage subsidy	11,562	-
Other revenue	9,657	23,352
Canada Summer Jobs grant	8,736	9,380
	<u>\$ 776,610</u>	<u>\$ 732,552</u>

See accompanying notes