

COMOX VALLEY AIRPORT COMMISSION
Financial Statements
Year ended March 31, 2016

Contents	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Financial Performance	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12

INDEPENDENT AUDITORS' REPORT

To the Members of Comox Valley Airport Commission

We have audited the accompanying financial statements of Comox Valley Airport Commission, which comprise the statement of financial position as at March 31, 2016 and the statements of financial performance, changes in net assets 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 generally accepted 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

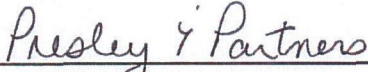
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, the auditors consider internal control relevant to the entity'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 entity'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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Comox Valley Airport Commission as at March 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.


Chartered Professional Accountants

Courtenay, B.C.
June 21, 2016

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016


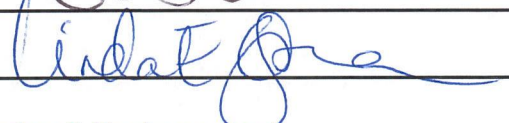
	ASSETS			(Note 4)
	Operating Fund	Capital Asset Fund	2016 Total	2015 Total (RESTATED)
CURRENT ASSETS				
Cash	\$ 722,638	\$ 4,579,781	\$ 5,302,419	\$ 3,391,359
Accounts receivable	346,108	73,817	419,925	385,215
Prepaid expenses	51,362	-	51,362	22,363
	1,120,108	4,653,598	5,773,706	3,798,937
PROPERTY AND EQUIPMENT (Note 3)	-	11,724,807	11,724,807	12,542,122
AGREEMENT FOR PURCHASE (Note 4)	-	1,813,983	1,813,983	1,813,983
	\$ 1,120,108	\$ 18,192,388	\$ 19,312,496	\$ 18,155,042

LIABILITIES AND FUND BALANCES

	Operating Fund	Capital Asset Fund	2016 Total	2015 Total
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 244,927	\$ -	\$ 244,927	\$ 129,520
Government remittances payable	48,887	-	48,887	52,320
Wages payable	76,272	-	76,272	54,406
Deferred revenue	32,487	-	32,487	20,418
Refundable tenant deposit	30,530	-	30,530	30,530
Demand loan payable (Note 5)	-	377,467	377,467	417,115
	433,103	377,467	810,570	704,309
FUTURE OBLIGATION FOR PROPERTY PURCHASE (Note 4)	-	1,803,983	1,803,983	1,803,983
	433,103	2,181,450	2,614,553	2,508,292
FUND BALANCES				
Invested in property and equipment	-	16,010,938	16,010,938	15,347,260
Unrestricted	687,005	-	687,005	299,490
	687,005	16,010,938	16,697,943	15,646,750
	\$ 1,120,108	\$ 18,192,388	\$ 19,312,496	\$ 18,155,042

COMMITMENTS (Note 6)

Approved by the Directors


 _____ Director

 _____ Director

COMOX VALLEY AIRPORT COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2016

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>2016 Total</i>	<i>2015 Total</i>
NET ASSETS AT BEGINNING OF YEAR	\$ 299,490	\$ 15,347,260	\$ 15,646,750	\$ 14,829,825
NET SURPLUS (EXPENDITURE) FOR THE YEAR	1,112,775	(61,582)	1,051,193	816,925
INTERFUND TRANSFERS	(725,260)	725,260	-	-
NET ASSETS AT END OF YEAR	\$ 687,005	\$ 16,010,938	\$ 16,697,943	\$ 15,646,750

COMOX VALLEY AIRPORT COMMISSION
STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED MARCH 31, 2016

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>2016 Total</i>	<i>2015 Total</i>
REVENUE				
Advertising	\$ 36,496	\$ -	\$ 36,496	\$ 34,395
Airport improvement fees (Note 7)	-	886,130	886,130	791,809
Concessions - car	469,714	-	469,714	402,924
Concessions - other	88,509	-	88,509	82,115
Concessions - parking	835,829	-	835,829	734,534
Fuel commissions	123,423	-	123,423	148,070
Miscellaneous	12,715	29,324	42,039	33,457
Office rentals	239,943	-	239,943	185,254
Terminal fees	1,614,341	-	1,614,341	1,602,073
	<u>3,420,970</u>	<u>915,454</u>	<u>4,336,424</u>	<u>4,014,631</u>
EXPENSES				
Airport improvement fee expense (Note 7)	-	64,974	64,974	57,225
Amortization	-	901,040	901,040	914,209
Bad debts	1,070	-	1,070	60
Bank charges and interest on callable debt	3,608	11,022	14,630	18,715
Board expenses (Note 8)	56,953	-	56,953	42,173
Customs recovery	-	-	-	(45,200)
Fuel facility expenses	8,728	-	8,728	18,880
Insurance	54,053	-	54,053	51,862
Marketing, public relations and business development	143,461	-	143,461	213,817
Office and miscellaneous	91,208	-	91,208	116,843
Parking administration	75,588	-	75,588	74,222
Professional fees	87,374	-	87,374	82,800
Property taxes	83,242	-	83,242	90,018
Rent	39,277	-	39,277	39,277
Repairs and maintenance	189,507	-	189,507	158,651
Utilities	123,753	-	123,753	123,567
Volunteer expense	9,428	-	9,428	10,653
Wages and benefits (Note 8)	1,340,945	-	1,340,945	1,229,934
	<u>2,308,195</u>	<u>977,036</u>	<u>3,285,231</u>	<u>3,197,706</u>
NET SURPLUS (EXPENDITURE) FOR THE YEAR	\$ 1,112,775	\$ (61,582)	\$ 1,051,193	\$ 816,925

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>2016 Total</i>	<i>2015 Total</i>
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Cash receipts	\$ 3,404,982	\$ 908,801	\$ 4,313,783	\$ 3,962,473
Cash paid to suppliers	(887,117)	(64,977)	(952,094)	(1,039,807)
Cash paid to and on behalf of employees	(1,316,237)	-	(1,316,237)	(1,217,975)
Interest paid	-	(11,022)	(11,022)	(15,371)
	<u>1,201,628</u>	<u>832,802</u>	<u>2,034,430</u>	<u>1,689,320</u>
INVESTING ACTIVITY				
Purchase of property and equipment	-	(83,722)	(83,722)	(56,927)
FINANCING ACTIVITIES				
Interfund transfers	(725,260)	725,260	-	-
Repayment of callable debt	-	(39,648)	(39,648)	(306,637)
	<u>(725,260)</u>	<u>685,612</u>	<u>(39,648)</u>	<u>(306,637)</u>
INCREASE IN CASH	476,368	1,434,692	1,911,060	1,325,756
CASH AT BEGINNING OF YEAR	246,270	3,145,089	3,391,359	2,065,603
CASH AT END OF YEAR	<u>\$ 722,638</u>	<u>\$ 4,579,781</u>	<u>\$ 5,302,419</u>	<u>\$ 3,391,359</u>

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

1. *INCORPORATION AND OPERATIONS*

The Comox Valley Airport Commission ("the Commission") was granted letters patent under the Canada Corporations Act on February 12, 1996. The Commission has operated the civilian air terminal located on leased land from the Crown on CFB Comox grounds since June 1, 1996. Further, it owns and is developing an adjacent parcel of land on Knight Road to meet further air service demands.

All earnings of the Commission are retained and reinvested in civilian airport operations and development.

The Commission is exempt from federal and provincial income taxes.

2. *SIGNIFICANT ACCOUNTING POLICIES*

The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Fund Accounting*

The Commission follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Commission's operating activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Commission's property and equipment purchases, expansion projects and debt repayment.

b) *Use of Estimates*

The preparation of the financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations 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 revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

c) *Property and Equipment*

Property and equipment are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half of the rates indicated in Note 3.

..... *continued*

2. *SIGNIFICANT ACCOUNTING POLICIES, continued*

d) *Long-lived Assets*

Measurement

Long-lived assets consist of all non-current assets. Long-lived assets for use are measured and amortized as described in the applicable accounting policies.

Impairment

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

e) *Financial Instruments*

Measurement

The Commission initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Commission subsequently measures all its financial assets and financial liabilities at amortized cost unless otherwise disclosed.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

..... continued

2. ***SIGNIFICANT ACCOUNTING POLICIES, continued***

f) *Revenue Recognition*

Restricted contributions are recognized as revenue of the Capital Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenues are receivable when services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements.

Terminal fees are recognized as each passenger enplanes and deplanes.

Airport improvement fee revenue is recognized as each passenger enplanes.

Car concession revenue is recognized monthly based on a percentage of gross monthly revenue from car rental agencies.

Parking concession revenue is recognized as the lot is used.

Office and property rental revenue is recognized monthly per rental agreements.

Other concession revenue is recognized monthly based on a percentage of gross revenue from other concessions.

Advertising revenue is recognized monthly as it is earned.

Fuel commissions revenue is recognized daily based on a percentage of volume used at the fuel facility.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

3. PROPERTY AND EQUIPMENT

	<i>Straight-line</i>		<i>2016</i>		<i>2015</i>	
	<i>Basis</i>	<i>Cost</i>	<i>Accumulated</i>	<i>Net</i>	<i>Net</i>	<i>Net</i>
			<i>Amortization</i>			
Land	-	\$ 651,489	\$ -	\$ 651,489	\$ 651,489	\$ 651,489
Airside	life of lease	8,835,476	4,141,749	4,693,727	5,053,245	5,053,245
Building	life of lease	296,696	100,887	195,809	210,834	210,834
Equipment	10 years	394,250	313,175	81,075	96,399	96,399
Air terminal building	life of lease	7,793,901	3,796,433	3,997,468	4,282,307	4,282,307
Furniture and fixtures	10 years	308,356	263,053	45,303	49,146	49,146
Conveyance equipment	20 years	1,190,327	644,471	545,856	605,372	605,372
Fuel facility	life of lease	150,356	46,172	104,184	105,640	105,640
Groundside	life of lease	1,949,853	919,299	1,030,554	1,109,722	1,109,722
Computer equipment	3 years	92,783	84,119	8,664	7,290	7,290
Expansion Development Costs						
International terminal		209,522	-	209,522	209,522	209,522
Operations building		161,156	-	161,156	161,156	161,156
		\$ 22,034,165	\$ 10,309,358	\$ 11,724,807	\$ 12,542,122	\$ 12,542,122

Airside, air terminal building, fuel facility and groundside assets are amortized over the life remaining on the land lease with the Department of National Defence. As at March 31, 2016, 12 years remain on this lease.

Expansion development costs include plans and designs for future development. No amortization will be recorded until the development is complete.

4. AGREEMENT FOR PURCHASE

In 2010, the Commission entered into a contract to purchase a parcel of land adjacent to their current location for \$2,200,000. This parcel is currently part of a larger parcel which is to be subdivided. The completion date is 30 days following the registration of the Subdivision Plan with the Victoria Land Title Office. A \$10,000 non-refundable deposit has already been paid and \$490,000 is due to be paid upon the completion date. The balance of the purchase price is to be paid, without interest, in 60 monthly instalments of \$28,333.

Management believes that the subdivision will occur some time within the next three to five years. The commitment and agreement for purchase have been valued based on the assumption that it will occur in four years and at a 3% per annum discount rate.

The prior year comparative amounts have been restated to reflect the agreement as being likely to occur effective on the previous balance sheet date. The adjustment to the prior year results in an increase in the total asset balance of \$1,813,983 and liabilities of \$1,803,983. The adjustment has no effect on the previous year's statement of operations or net asset balances.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

5. **DEMAND LOAN PAYABLE**

2016 2015

Demand loan payable to a financial institution, repayable at \$4,220 per month including principal and interest at a variable business prime rate currently at 2.85%, secured by a general security agreement on all property of the Commission, a mortgage of lease in the amount of \$7,000,000 between the Minister of National Defence and the Commission and a certificate of all-risk insurance covering the airport terminal building, matures October 31, 2016

\$ 377,467 \$ 417,115

The principal balance of the loan was paid out in full subsequent to the year end.

6. **COMMITMENTS**

Effective June 30, 2003 the Commission entered into a 25 year lease with the Department of National Defence for the land where the airport is situated.

The Commission is committed under a lease agreement for land with total future lease payments of \$481,149, assuming there is no change in the payment amount over the term of the lease.

Lease payments in each of the next five years are estimated as follows:

2016	\$	39,277
2017		39,277
2018		39,277
2019		39,277
2020		39,277

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

7. AIRPORT IMPROVEMENT FEES

The Commission collects an airport improvement fee (AIF) of \$5 per outgoing passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Commission, the Air Transport Association of Canada (ATAC) and the air carriers serving the airport, entitling the air carriers to withhold a 7% administration fee. By agreement with ATAC, AIF revenues are restricted to pay for the capital and related financing costs of major airport infrastructure development.

To March 31, 2016, the cumulative capital related expenditures exceed the cumulative AIF revenues and capital grant funding as follows:

	2016	2015
Capital Grant Funding:		
Comox Valley Regional District	\$ 4,000,000	\$ 4,000,000
Province of B.C.	2,000,000	2,000,000
Transport Canada	1,900,000	1,900,000
Canadian Airport Authority	535,562	535,562
AIF revenue collected	9,327,434	8,441,304
AIF interest earned	152,251	122,928
	<u>17,915,247</u>	<u>16,999,794</u>
AIF administration fees	(676,094)	(611,120)
AIF capital expenditures	(20,930,380)	(20,864,077)
Financing costs	(2,203,658)	(2,192,666)
	<u>(23,810,132)</u>	<u>(23,667,863)</u>
Net capital expenditures funded by debt and operating fund transfers	<u>\$ (5,894,885)</u>	<u>\$ (6,668,069)</u>

8. MANAGEMENT AND DIRECTOR COMPENSATION

Included in wages and benefits expense for the current year are gross wages paid to the Chief Executive Officer, Operations Manager, Deputy Operations Manager, Facilities Manager, Marketing Manager, and Administration Manager totaling \$484,017 (2015 - \$451,681).

Included in board expenses for the current year are fees paid to the Board of the Commission for their services as directors totaling \$48,975 (2015 - \$37,180)

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

9. FINANCIAL INSTRUMENTS

The Commission is exposed to various risks through its financial instruments. It is management's opinion that the Commission is not exposed to significant concentrations at the financial statement date except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission is exposed to this risk mainly in respect of its accounts payable, demand loan payable and the leases.

Credit risk

Credit risk is the risk that the Commission will incur losses based on credit that it has granted to other parties. The total amount of this exposure is the balance in accounts receivable of \$419,925 (2015 - \$385,215). Two customers account for 54% of this balance (2015 - one customer accounted for 47%), but management feels that the risk of collection of these amounts is minimal due to the past payment history of these customers.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Commission is mainly exposed to interest rate risk.

10. ENVIRONMENTAL MATTERS

The Commission is subject to various laws, regulations and government policies relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to the protection of the environment in general. A risk of environmental liability is inherent in the operations; real estate ownership, operation or control; and other commercial activities of the Commission with respect to both current and past operations. Although the effect on operating results and liquidity cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Commission's financial condition or competitive position.