

**COMOX VALLEY AIRPORT COMMISSION**  
Financial Statements  
Year ended March 31, 2018

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## INDEPENDENT AUDITORS' REPORT

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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, 2018 and the statements of changes in net assets, financial performance 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**

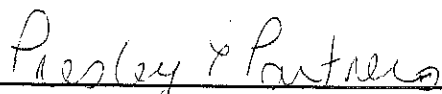
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2018 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.

  
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Chartered Professional Accountants

Courtenay, B.C.  
June 18, 2018

**COMOX VALLEY AIRPORT COMMISSION**

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

	ASSETS		2018 Total	2017 Total
	Operating Fund	Capital Asset Fund		
<b>CURRENT ASSETS</b>				
Cash	\$ 660,946	\$ 352,008	\$ 1,012,954	\$ 3,195,095
Accounts receivable	432,465	64,674	497,139	351,498
Prepaid expenses	12,709	-	12,709	45,743
	1,106,120	416,682	1,522,802	3,592,336
<b>GUARANTEED INVESTMENT CERTIFICATES (Note 3)</b>				
	-	7,947,618	7,947,618	3,809,099
<b>TANGIBLE CAPITAL ASSETS (Note 4)</b>				
	-	10,195,029	10,195,029	10,887,855
<b>AGREEMENT FOR PURCHASE (Note 5)</b>				
	-	1,813,983	1,813,983	1,813,983
	\$ 1,106,120	\$ 20,373,312	\$ 21,479,432	\$ 20,103,273

**LIABILITIES AND FUND BALANCES**

	Operating Fund	Capital Asset Fund	2018 Total	2017 Total
	<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 81,041	\$ -	\$ 81,041	\$ 92,913
Government remittances payable	60,472	-	60,472	58,175
Wages payable	83,120	-	83,120	77,081
Deferred revenue	50,445	-	50,445	47,352
Refundable tenant deposit	31,430	-	31,430	31,430
	306,508	-	306,508	306,951
<b>FUTURE OBLIGATION FOR PROPERTY PURCHASE (Note 5)</b>				
	-	1,803,983	1,803,983	1,803,983
	306,508	1,803,983	2,110,491	2,110,934
<b>FUND BALANCES</b>				
Invested in capital assets	-	18,569,329	18,569,329	16,385,645
Unrestricted	799,612	-	799,612	1,606,694
	799,612	18,569,329	19,368,941	17,992,339
	\$ 1,106,120	\$ 20,373,312	\$ 21,479,432	\$ 20,103,273

COMMITMENTS (Note 6)

Approved by the Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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**COMOX VALLEY AIRPORT COMMISSION**

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2018

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	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>2018 Total</i>	<i>2017 Total</i>
NET ASSETS AT BEGINNING OF YEAR	\$ 1,606,694	\$ 16,385,645	\$ 17,992,339	\$ 16,697,943
NET SURPLUS FOR THE YEAR	1,515,716	(139,114)	1,376,602	1,294,396
INTERFUND TRANSFERS	(2,322,798)	2,322,798	-	-
NET ASSETS AT END OF YEAR	\$ 799,612	\$ 18,569,329	\$ 19,368,941	\$ 17,992,339

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**COMOX VALLEY AIRPORT COMMISSION**

## STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED MARCH 31, 2018

	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>2018 Total</i>	<i>2017 Total</i>
REVENUE				
Advertising	\$ 13,156	\$ -	\$ 13,156	\$ 42,968
Airport improvement fees (Note 7)	-	936,584	936,584	903,625
Concessions - car	533,269	-	533,269	545,457
Concessions - other	93,719	-	93,719	90,318
Concessions - parking	1,065,493	-	1,065,493	909,427
Fuel commissions	128,745	-	128,745	136,220
Interest	-	122,099	122,099	69,076
Miscellaneous	16,468	-	16,468	12,600
Office rentals	198,827	-	198,827	236,744
Terminal fees	1,845,707	-	1,845,707	1,775,903
	<u>3,895,384</u>	<u>1,058,683</u>	<u>4,954,067</u>	<u>4,722,338</u>
EXPENSES				
Airport improvement fees expense (Note 7)	-	69,051	69,051	66,812
Amortization	-	919,224	919,224	902,285
Bad debts	-	-	-	140
Bank charges and interest on callable debt	5,633	-	5,633	6,320
Board expenses (Note 8)	64,624	-	64,624	68,074
Customs recovery	-	-	-	600
Fuel facility expenses	7,245	-	7,245	9,072
Insurance	43,311	-	43,311	50,126
Marketing, public relations and business development	63,443	-	63,443	117,906
Office and miscellaneous	99,528	-	99,528	87,995
Parking administration	112,242	-	112,242	87,633
Professional fees	100,962	-	100,962	129,865
Property taxes	97,000	-	97,000	105,585
Rent	39,277	-	39,277	39,277
Repairs and maintenance	197,364	-	197,364	223,951
Utilities	132,167	-	132,167	127,555
Volunteer expense	15,304	-	15,304	10,625
Wages and benefits (Note 8)	1,401,568	-	1,401,568	1,394,121
	<u>2,379,668</u>	<u>988,275</u>	<u>3,367,943</u>	<u>3,427,942</u>
	<u>1,515,716</u>	<u>70,408</u>	<u>1,586,124</u>	<u>1,294,396</u>
WRITEDOWN OF CAPITAL ASSET	-	(209,522)	(209,522)	-
NET SURPLUS FOR THE YEAR	<u>\$ 1,515,716</u>	<u>\$ (139,114)</u>	<u>\$ 1,376,602</u>	<u>\$ 1,294,396</u>

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**COMOX VALLEY AIRPORT COMMISSION****STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2018**

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	<i>Operating Fund</i>	<i>Capital Asset Fund</i>	<i>2018 Total</i>	<i>2017 Total</i>
<b>CASH FLOWS FROM</b>				
<b>OPERATING ACTIVITIES</b>				
Cash receipts	\$ 3,758,120	\$ 931,301	\$ 4,689,421	\$ 4,736,554
Cash paid to suppliers	(973,100)	(69,053)	(1,042,153)	(1,267,542)
Cash paid to and on behalf of employees	(1,377,070)	-	(1,377,070)	(1,393,312)
Interest received	-	122,099	122,099	69,076
Interest paid	-	-	-	(199)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,407,950	984,347	2,392,297	2,144,577
<b>INVESTING ACTIVITIES</b>				
Purchase of tangible capital assets	-	(435,919)	(435,919)	(65,335)
Purchase of investments	-	(4,138,519)	(4,138,519)	(3,809,099)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(4,574,438)	(4,574,438)	(3,874,434)
<b>FINANCING ACTIVITIES</b>				
Interfund transfers	(2,322,798)	2,322,798	-	-
Repayment of callable debt	-	-	-	(377,467)
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,322,798)	2,322,798	-	(377,467)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(914,848)</b>	<b>(1,267,293)</b>	<b>(2,182,141)</b>	<b>(2,107,324)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,575,794</b>	<b>1,619,301</b>	<b>3,195,095</b>	<b>5,302,419</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 660,946</b>	<b>\$ 352,008</b>	<b>\$ 1,012,954</b>	<b>\$ 3,195,095</b>

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# COMOX VALLEY AIRPORT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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### 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, such as amortization of capital assets, prepaids, accrued payables and the agreement for purchase at the date of the financial statements and the reported amounts of revenues and expenses during the current year. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

#### c) *Tangible Capital Assets*

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 4.

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**COMOX VALLEY AIRPORT COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

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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.

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# COMOX VALLEY AIRPORT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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### 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.

### 3. *GUARANTEED INVESTMENT CERTIFICATES*

Investments are recorded at cost plus accrued interest, maturing at various dates over the next fourteen months.

**COMOX VALLEY AIRPORT COMMISSION**

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

**4. TANGIBLE CAPITAL ASSETS**

	<i>Straight-line</i>		<i>2018</i>		<i>2017</i>
	<i>Basis</i>	<i>Cost</i>	<i>Accumulated</i>	<i>Net</i>	<i>Net</i>
			<i>Amortization</i>		
Land	-	\$ 651,614	\$ -	\$ 651,614	\$ 651,614
Airside	Lease term	8,837,954	4,896,653	3,941,301	4,310,361
Building	Lease term	318,060	133,058	185,002	189,016
Equipment	10 years	415,383	352,182	63,201	79,346
Air terminal building	Lease term	7,796,856	4,446,256	3,350,600	3,674,001
Furniture and fixtures	10 years	317,873	281,571	36,302	45,341
Conveyance equipment	20 years	1,196,940	763,669	433,271	486,340
Fuel facility	Lease term	150,356	62,841	87,515	95,849
Groundside	Lease term	2,379,200	1,103,773	1,275,427	973,397
Computer equipment	3 years	100,505	90,865	9,640	11,912
Expansion Development Costs					
International terminal		-	-	-	209,522
Operations building		161,156	-	161,156	161,156
		\$ 22,325,897	\$ 12,130,868	\$ 10,195,029	\$ 10,887,855

Airside, building, 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, 2018, 10 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.

The costs associated with the International Terminal expansion plans, which totalled \$209,522, were written off to reflect managements assessment that these costs will no longer serve a future benefit to the Commission as future expansion will require new plans and consultations. The writedown has been recognized in income during the current year.

**5. 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 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 commitment could range between \$1,803,983 and \$1,912,900 depending on the timing of when the subdivision occurs. There has been no change to those assumptions in the current year.

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**COMOX VALLEY AIRPORT COMMISSION****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2018**

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**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 \$402,594, 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:

2018	\$	39,277
2019		39,277
2020		39,277
2021		39,277
2022		39,277

**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, 2018, the cumulative capital related expenditures exceed the cumulative AIF revenues and capital grant funding as follows:

	2018	2017
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	11,167,643	10,231,059
AIF interest earned	343,432	221,330
	<hr/>	<hr/>
	19,946,637	18,887,951
AIF administration fees	(811,957)	(742,906)
AIF capital expenditures	(21,376,832)	(21,153,606)
Financing costs	(2,203,827)	(2,203,827)
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	(24,392,616)	(24,100,339)
Net capital expenditures funded by debt and operating fund transfers	\$ (4,445,979)	\$ (5,212,388)

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# COMOX VALLEY AIRPORT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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### 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 \$516,967 (2017 - \$513,150).

Included in board expenses for the current year are fees paid to the Board of the Commission for their services as directors totaling \$49,953 (2017 - \$49,659).

### 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 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 \$497,138 (2017 - \$351,498). Two customers account for 49% of this balance (2017 - two customers accounted for 64%), 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.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to interest rate risk on its fixed interest rate financial instruments. Given the current composition of debt, fixed-rate instruments subject the Commission to a fair value risk. The estimated fair value of the Commission's long-term debt liability on March 31, 2018 is \$1,803,983 (2017 - \$1,803,983). This value is derived using estimates of the timing and amount of future cash payments and current market interest rates.

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# COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

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**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.