

Financial Statements of

**SUDBURY AIRPORT COMMUNITY
DEVELOPMENT CORPORATION**

Year ended December 31, 2018

DRAFT



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sudbury Airport Community Development Corporation

Opinion

We have audited the financial statements of the Sudbury Airport Development Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of income and comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 International Financial Reporting Standards (IFRS), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants, Licensed Public Accountants
Sudbury, Canada
May 28, 2019

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SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 11,805	\$ 45,701
Trade and other receivables (note 4)	2,293,848	779,606
Prepaid expenses	65,420	370,011
Supplies	116,662	97,893
	<u>2,487,735</u>	<u>1,293,211</u>
Property, plant and equipment (note 6)	28,955,787	24,645,449
	<u>\$ 31,443,522</u>	<u>\$ 25,938,660</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 414,315	1,054,027
Payable to the City of Greater Sudbury (note 5)	4,991,692	847,380
	<u>5,406,007</u>	<u>1,901,407</u>
Non-current liabilities:		
Employee benefit obligations (note 7)	365,305	363,202
Deferred capital contributions (note 8)	10,911,028	10,008,353
	<u>16,682,340</u>	<u>12,272,962</u>
Shareholders' equity:		
Retained earnings	14,748,000	13,650,679
Accumulated other comprehensive income	13,182	15,019
	<u>14,761,182</u>	<u>13,665,698</u>
Commitments (note 9)		
Contingent liability (note 10)		
	<u>\$ 31,443,522</u>	<u>\$ 25,938,660</u>

See accompanying notes to financial statements.

Approved on behalf of the board:

Director

Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Income and Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Passenger facility fee	\$ 3,152,546	\$ 2,936,884
Rentals and concessions	2,979,173	2,550,142
National landing fees	907,453	760,759
Capital contributions	885,855	877,784
Services	775,315	625,432
Terminal fees	683,839	677,426
Miscellaneous revenue	171,462	140,115
	9,555,643	8,568,542
Expenses:		
Salaries, wages and benefits (note 5)	2,698,053	2,535,885
Other	832,458	1,006,396
Utilities	563,420	514,685
Maintenance	495,738	216,534
Materials	469,317	695,658
Policing and security	419,562	374,728
Consulting and other professional services	337,052	248,401
Property taxes	242,735	218,914
Administrative charges (note 5)	241,118	240,503
Insurance	148,676	85,006
Depreciation of property and equipment	1,952,977	1,877,186
	8,401,106	8,013,896
Excess of revenues over expenses before undernoted	1,154,537	554,646
Interest expense	(57,216)	(39,308)
	1,097,321	515,338
Other comprehensive income (loss)		
Item that will not be subsequently reclassified to net income - remeasurement of the employee benefit obligation (note 7)	(1,837)	-
Total comprehensive income for the year	\$ 1,095,484	\$ 515,338

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for 2017

	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, January 1, 2017	\$ 15,019	13,135,341	13,150,360
Income for the year	-	515,338	515,338
Balance, December 31, 2017	15,019	13,650,679	13,665,698
Income for the year	-	1,097,321	1,097,321
Remeasurement of employee benefit obligation	(1,837)	-	(1,837)
Balance, December 31, 2018	\$ 13,182	14,748,000	14,761,182

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Comprehensive income for the year	\$ 1,095,484	\$ 515,338
Items not involving cash:		
Depreciation of property and equipment	1,952,977	1,877,186
Amortization of deferred capital contributions	(885,855)	(877,784)
Non-cash employee future benefit obligation expense	1,837	-
	2,164,443	1,514,740
Changes in non-cash working capital:		
Trade and other receivables	(1,514,242)	(262,802)
Payable to the City of Greater Sudbury	4,144,312	(651,190)
Prepaid expenses	304,591	(327,565)
Supplies	(18,769)	(11,030)
Trade and other payables	(639,712)	327,443
Employee obligations benefit	266	35,177
	4,440,889	624,773
Investing activities:		
Purchase of property and equipment	(6,263,315)	(649,842)
	(6,263,315)	(649,842)
Financing activities:		
Capital contributions received	1,788,530	49,526
	1,788,530	49,526
Increase (decrease) in cash during the year	(33,896)	24,457
Cash, beginning of year	45,701	21,244
Cash, end of year	\$ 11,805	\$ 45,701

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

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 address of its registered office is 5000 Air Terminal Drive, Suite T202, Garson, Ontario P3L 1V4.

The objective of the Corporation is to promote community economic development in the City of Greater Sudbury (the "City") with the co-operation 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.

The Corporation is a municipal corporation pursuant to paragraph 149(1)(d.5) of the Income Tax Act (Canada) and is therefore exempt from income taxes having met certain requirements of the Income Tax Act (Canada).

1. Basis of presentation:

These financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved and authorized for issue at the Annual General Meeting on May 28, 2019.

2. Summary of significant accounting policies:

(a) Revenue recognition:

National landing fees, terminal fees, passenger facility fees, rentals and concessions and services are recognized as revenue in the year when the respective service is performed.

Contributions restricted for property and equipment purchases (capital contributions) are deferred and amortized to revenue on the same basis as the related property and equipment is depreciated. Unrestricted contributions are recognized as revenue when received.

(b) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at the following rates:

Land development	20 - 80 years
Buildings	10 - 30 years
Equipment	2 - 80 years
Runway	15 years
Parking lot	20 years

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

2. Summary of significant accounting policies (continued):

(b) Property, plant and equipment (continued):

The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Assets under construction are not depreciated until they are placed into use in the manner intended by management.

(c) Impairment of non-financial assets:

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use (which is the present value of the expected future cash flows of the relevant asset or cash generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Corporation evaluates impairment by examining long-lived assets for impairment indicators and examines any prior years' impairment losses for potential reversals when events or circumstances warrant such consideration.

(d) Employee benefit obligations:

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to payout when an employee leaves the Corporation.

Other post-employment benefits are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The related liability recognized in the statement of financial position is the present value of the obligation at the statement of financial position date. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the term of the related liability.

Actuarial valuations for the sick leave and other post-employment benefit plans are carried out at each statement of financial position date.

Actuarial gains and losses are recognized in full immediately in other comprehensive income and are reported in accumulated and other comprehensive income.

Current service cost, the recognized element of any past service cost, and the interest arising on the liability are included in salaries and benefits on the statement of income and comprehensive income.

Past-service costs are recognized immediately to the extent the benefits are vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

2. Summary of significant accounting policies (continued):

(d) Employee benefit obligations (continued):

i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through the Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefits pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(e) Financial instruments:

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At initial recognition, the Corporation classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

- a) Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise trade and other receivables, and cash which are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- b) Financial liabilities at amortized cost: Financial liabilities at amortized cost comprise trade and other payables and payable to the City of Greater Sudbury. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these items are measured at amortized cost. Financial liabilities are classified as current liabilities if payments are due within 12 months. Otherwise, they are presented as non-current liabilities on the statement of financial position.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

2. Summary of significant accounting policies (continued):

(f) Provisions:

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, when it is more likely than not that the Corporation will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, provisions are measured at the present value of the expenditure expected to settle the Corporation's present obligation.

(g) Accounting standards issued but not yet adopted:

The Corporation is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019 and will replace the existing standard IAS 17. This standard introduces a single lessee accounting model and requires lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019.

3. Changes in accounting policies:

IFRS 15 Revenue contracts with customers:

The Corporation has initially applied IFRS 15 Revenue from Contracts with Customers from January 1, 2018 on a retrospective basis. The following practical expedients have been used in the initial application of this new standard:

For completed contracts, the Corporation did not restate contracts that:

- (i) Began and ended within the same annual reporting period; or
- (ii) Were completed at the beginning of January 1, 2017.

IFRS 15 contains a five step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. There is no material impact on the Corporation's financial statements and its accounting policies from the adoption of IFRS 15.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

3. Changes in accounting policies (continued):

IFRS 9 Financial Instruments:

The Corporation has initially applied IFRS 9 Financial Instruments from January 1, 2018 on a retrospective basis. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for measuring impairment on financial assets, and new general hedge accounting requirements.

Despite the retrospective adoption, the accounting policy change did not result in a significant impact to the financial statements. As a result, the Corporation was not required to make any adjustments to the comparative figures upon initial adoption.

4. Trade and other receivables:

	2018	2017
Trade receivables	\$ 663,309	781,301
Less: provision for impairment	(12,092)	(12,092)
Trade receivables - net	651,217	769,209
Other receivables	1,642,631	10,397
Trade and other receivables	\$ 2,293,848	779,606

The fair values of trade and other receivables approximate their book values due to their short-term nature.

As at December 31, 2018, trade receivables of \$31,830 (2017 - \$54,207) were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. The aging of these trade receivables is as follows:

	2018	2017
31 days to 3 months	\$ 31,517	41,603
3 to 6 months	313	—
Over 6 months	—	12,604
	\$ 31,830	54,207

The provision for impaired trade receivables is recognized in the statement of income and comprehensive income within operating expenses. When a balance is considered uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to operating expenses in the statement of income and comprehensive income when they occur.

Other receivables within trade receivables and other receivables do not contain impaired amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The Corporation does not hold any collateral as security.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

5. Payable to the City of Greater Sudbury:

The Corporation is owned by the City and run in accordance with an operating agreement between the City and the Corporation (the operating agreement). Under the terms of the operating agreement, employees of the corporation remain employed by the City; however, the Corporation is responsible for reimbursing the City for all employee related costs.

All cash receipts and disbursements of the Corporation are received and paid by the City. Therefore, cash flows of the Corporation flow through the City. The resulting payable as at December 31, 2018 in the amount of \$4,991,692 (2017 - \$847,380) is unsecured and the Corporation accrues interest at the City's average monthly rate of return on investments, plus a margin of 1% and has no specified terms of repayment. In the event the account is in a receivable balance, it earns interest at the City's average monthly rate of return on investments.

Included in operating expenses is \$205,096 (2017 - \$200,866) charged by the City for the provision of administrative services. In addition, interest in the amount of \$58,890 (2017 - \$39,308) was paid during the year.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

6. Property, plant and equipment:

Cost:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2017	\$ 15,714,854	8,190,644	10,087,336	2	258,183	464,940	3,555,125	38,271,084
Transfers	472,208	-	-	-	(472,208)	-	-	-
Additions	35,621	97,250	-	-	516,971	-	-	649,842
Balance, December 31, 2017	16,222,683	8,287,894	10,087,336	2	302,946	464,940	3,555,125	38,920,926
Transfers	3,623,860	380,875	-	-	(4,004,735)	-	-	-
Additions	180,824	2,111,217	-	-	3,971,274	-	-	6,263,315
Balance, December 31, 2017	\$ 20,027,367	10,779,986	10,087,336	2	269,485	464,940	3,555,125	45,184,241

Accumulated depreciation:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
Balance, January 1, 2017	\$ 3,405,532	3,655,980	4,610,339	-	-	154,819	571,621	12,398,291
Depreciation expense	543,351	517,789	672,491	-	-	23,247	120,308	1,877,186
Balance, December 31, 2017	3,948,883	4,173,769	5,282,830	-	-	178,066	691,929	14,275,477
Depreciation expense	575,850	561,081	672,491	-	-	23,247	120,308	1,952,977
Balance, December 31, 2018	\$ 4,524,733	4,734,850	5,955,321	-	-	201,313	812,237	16,228,454

Carrying amounts:

	Buildings	Equipment	Runway	Transferred Assets	Assets under construction	Parking Lot	Land Development	Total
At December 31, 2017	\$ 12,273,800	4,114,125	4,804,506	2	302,946	286,874	2,863,196	24,645,449
At December 31, 2018	15,502,634	6,045,136	4,132,015	2	269,485	263,627	2,742,888	28,955,787

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. This transfer included the transfer of all chattels by way of bill of sale and property by way of instruments of grant to the Corporation for consideration of \$2. The Corporation has recorded both the asset and the grant at the exchange amount of \$2 pursuant to the guidance under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

7. Employment benefit obligations:

	2018	2017
Other post-employment and sick leave benefits	\$ 139,316	143,161
Vacation pay	228,989	220,041
	\$ 365,305	363,202

Other post-employment benefits represent the Corporation's share of the cost to provide certain employees with extended benefits on early retirement.

Accumulated sick leave benefits accrue to certain employees of the Corporation and are paid out either on approved retirement, or on termination or death.

The most recent actuarial valuation pertaining to other post-employment and sick leave benefits was as at December 31, 2018.

The movement in the employee benefit obligation and fair value of assets for other post-employment and sick leave benefits during the year is as follows:

	2018	2017
Other post-employment benefits:		
Balance, beginning of year	\$ 143,161	145,583
Current service cost	6,783	6,548
Interest cost	4,842	4,990
Actuarial loss – demographic	36	–
Actuarial loss – economic	1,801	–
Benefits paid	(17,307)	(13,960)
Balance, end of year	\$ 139,616	143,161
Assets:		
Fair value, beginning of year	\$ –	–
Employer contributions	17,307	13,960
Benefits paid	(17,307)	(13,960)
Fair value, end of year	\$ –	–

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

7. Employment benefit obligations (continued):

The amounts recognized in the statement of income and comprehensive income are as follows:

	2018	2017
Current service cost	\$ 6,783	6,548
Interest cost	4,842	4,990
Employee benefit expense recognized in net income	\$ 11,625	11,538
Actuarial loss recognized in OCI	\$ (1,837)	–

The significant actuarial assumptions used in measuring the Corporation's employee benefit obligation for other post-employment and sick leave benefits are as follows:

	2018	2017
Discount rate	3.75%	3.60%
Rate of compensation increase	3.10%	3.10%
Medical cost increase	4.50%	4.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized balance of grants received for the purchase of property, plant and equipment:

Details of the change in deferred capital contributions are as follows:

	2018	2017
Balance, beginning of year	\$ 10,008,353	10,836,611
Add: contributions received in the year	1,788,530	49,526
Less: amount recognized as revenue in the year	(885,855)	(877,784)
Balance, end of year	\$ 10,911,028	10,008,353

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

9. Commitments:

The Corporation has entered into an Assignment, Assumption and Indemnity Agreement, which relates to the Corporation taking on all the rights related to the leasing of land to the Province of Ontario 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 for the land under its tower and space in the administration building.

The Corporation has entered into an agreement with a company for the provision of security services which ends August 31, 2021. The agreement is not set a set amount but rather billed on an hourly basis every month. Rates are expected to increase on average by 4% from 2019-2020 and by 1.5% from 2020-2021.

10. Contingent liability:

Pursuant to funding agreements with Transport Canada, the Corporation may in certain circumstances be considered in default of the agreement. Should the Corporation be considered in default of the agreement, action may be taken, which could result in repayment of funding or cancellation of the agreement.

11. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2018, the Corporation made employer contributions of \$177,552 to OMERS (2017 - \$159,515) which is included within salaries, wages and benefits on the statement of operations.

The Corporation estimates a contribution of \$193,743 to OMERS during the next fiscal year.

12. Related party transactions:

Related parties:

The Corporation enters into transactions with the City in the normal course of operations relating to charges and reimbursements for salaries, management fees and other operating expenses (note 5).

Compensation of key management:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel include the Corporation's Chief Executive Officer.

Compensation paid/payable to key management personnel are as follows:

	2018	2017
Total included in salaries, wages and benefits	\$ 185,740	159,040

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended December 31, 2018

13. Financial instruments and risk management:

Financial instruments are classified into one of the following categories: cash, trade and other receivables and other financial liabilities (comprises trade and other payables and payable to the City). The carrying values of the Corporation's financial instruments are as follows:

	2018	2017
Cash, trade and other receivables	\$ 2,305,652	825,307
Other financial liabilities	5,406,009	1,901,407

Cash, trade and other receivables and trade and other payables carrying values approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

It is not practicable to determine the fair value of the amount payable to the City as there are no fixed repayment terms.

i) Risk management

The Corporation's operating activities result in financial risks that may arise from changes in market risk, credit risk and liquidity risk.

ii) Market risk

The Corporation conducts the majority of its business in Canadian dollars. Accordingly, the Corporation's exposure to foreign currency risk is minimal. The Corporation does not have any external variable rate or term debt. Accordingly, the Corporation has no significant interest rate risk.

iii) Credit risk

The Corporation is subject to credit risk through its financial assets. The Corporation performs ongoing credit valuations of these balances and maintains impairment provisions for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about the customer.

The Corporation derives a substantial portion of its operating revenues from air carriers through landing fees and terminal charges. There is a concentration of service with three air carriers, which represents approximately 92% (2017 - 94%) of terminal fees and national landing fees and 15% (2017 - 73%) of the trade and other receivable balance as at December 31, 2018.

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Notes to Financial Statements

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13. Financial instruments and risk management (continued):

iv) Liquidity risk

The Corporation manages liquidity risk by maintaining adequate cash balances. The table below analyzes the Corporation's financial liabilities based on the remaining period at the statement of financial position date to the contractual maturity date. The following table has been prepared based on the contractual undiscounted cash flows.

	2018		
	Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$ 158,485	247,783	8,047

	2017		
	Less than 1 month	1 month to 12 months	1 year to 5 years
Trade and other payables	\$ 346,920	432,012	275,095

The amount payable to the City has not been included in the above table as there are no fixed repayment terms.

v) Capital risk management

The Corporation defines capital that it manages as its equity. The Corporation's objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet financial obligations as they come due. As at December 31, 2018, the Corporation's retained earnings and accumulated other comprehensive income amounted to \$14,761,182 (2017 - \$13,665,698).

14. Comparative information:

Certain of the 2017 comparative information have been restated to conform with the 2018 presentation.