



MEYERS NORRIS PENNY LLP

COMOX VALLEY AIRPORT COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2009

*Management Responsibility for Financial
Statements*

Auditors' Report

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Statement of Changes in Net Assets

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June 8th, 2009

Financial Statements of the Comox Valley Airport Commission

Management Responsibility for Financial Statements

The accompanying Financial Statements and the notes thereto have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Commission's accounting procedures and related safeguards of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. The establishment and maintenance of these policies of reporting systems include the determination of significant estimates, the disclosure of sufficient information about the extent and nature of events having an effect on the Commission in these financial statements, and internal controls including those designed to prevent and detect fraud and error ensuring the compliance with applicable legislative authorities.

The Board of Directors appoints an Audit Committee consisting of four Directors. This committee meets periodically with management and independent auditors to review significant accounting, internal control and auditing matters. The Audit Committee also reviews and approves the annual financial statements of the Commission and the independent auditors report before submission to the Board of Directors for final approval.

The financial information throughout this annual report is consistent with the information presented in these financial statements.

A handwritten signature in black ink, appearing to read 'Ian Heselgrave'.

Ian Heselgrave
Acting Chief Executive Officer

Auditors' Report

To the Directors of Comox Valley Airport Commission:

We have audited the statement of financial position of Comox Valley Airport Commission as at March 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Courtenay, British Columbia

May 22, 2009

Meyers Norris Penny LLP
Chartered Accountants

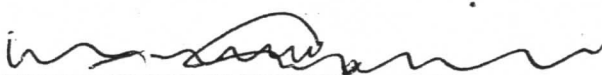
Comox Valley Airport Commission


Statement of Financial Position

As at March 31, 2009

	2009		2008	
	Operating Fund	Capital Assets Fund	Total	Total
Assets				
Current				
Cash	396,220	249,956	646,176	393,815
Accounts receivable	222,218	17,177	239,395	338,966
Prepaid expenses	22,579	10,000	32,579	21,866
	641,017	277,133	918,150	754,647
Interfund Accounts	4,689,729	(4,689,729)	-	-
Property, plant and equipment (Note 3)	-	17,527,782	17,527,782	18,039,699
	5,330,746	13,115,186	18,445,932	18,794,346
Liabilities				
Current				
Deferred revenue (Note 4)	40,614	-	40,614	24,420
Trade accounts	161,311	60,041	221,352	278,233
Wages and deductions	27,861	-	27,861	50,773
Current portion of long-term debt (Note 5)	-	344,520	344,520	628,438
	229,786	404,561	634,347	981,864
Long term debt (Note 5)	-	5,007,437	5,007,437	5,351,864
	229,786	5,411,998	5,641,784	6,333,728
Net Assets				
Invested in property, plant and equipment	-	7,703,188	7,703,188	8,206,251
Unrestricted	5,100,960	-	5,100,960	4,254,367
	5,100,960	7,703,188	12,804,148	12,460,618
	5,330,746	13,115,186	18,445,932	18,794,346

Approved by the Directors


Director


Director

The accompanying notes are an integral part of these financial statements

Comox Valley Airport Commission
Statement of Operations and Changes in Net Assets
As at March 31, 2009

	2009		2008	
	Operating Fund	Capital Assets Fund	Total	Total
Revenue				
Advertising	105,571	-	105,571	93,339
Airport improvement fees (Note 6)	-	719,169	719,169	800,559
Concessions - car	261,493	-	261,493	296,977
Concessions - other	96,596	-	96,596	95,355
Concessions - parking	483,124	-	483,124	517,564
Interest	3,848	3,279	7,127	19,882
Miscellaneous	3,691	-	3,691	-
Office rentals	180,689	-	180,689	184,482
Terminal fees	1,485,424	-	1,485,424	1,646,618
	2,620,436	722,448	3,342,884	3,654,776
Expenses				
Airport improvement fee expense	-	51,532	51,532	56,282
Amortization	-	902,199	902,199	879,412
Bad debts	3,919	232	4,151	2,456
Board expenses	29,487	-	29,487	32,030
Customs	36,207	-	36,207	47,707
Insurance	41,565	-	41,565	38,440
Interest and bank charges	3,495	267,958	271,453	329,150
Marketing	97,052	-	97,052	208,757
Office	71,113	-	71,113	66,352
Professional fees	76,362	3,590	79,952	244,666
Property taxes	87,226	-	87,226	75,909
Rent	39,277	-	39,277	39,277
Repairs and maintenance	229,257	-	229,257	194,184
Sub-contracts	2,190	-	2,190	2,180
Utilities	98,986	-	98,986	87,962
Volunteer expense	11,750	-	11,750	9,498
Wages and benefits	945,957	-	945,957	760,330
	1,773,843	1,225,511	2,999,354	3,074,592
Excess (deficiency) of revenue over expenses	846,593	(503,063)	343,530	580,184
Net assets - beginning of year	4,254,367	8,206,251	12,460,618	11,880,434
Net assets - end of year	5,100,960	7,703,188	12,804,148	12,460,618

The accompanying notes are an integral part of these financial statements

Comox Valley Airport Commission

Statement of Cash Flows

As at March 31, 2009

	2009		2008	
	Operating Fund	Capital Assets Fund	Total	Total
Cash flows from Operating Activities				
Excess (deficiency) of revenue over expenses:	846,593	(503,063)	343,530	580,184
Adjustment for non-cash items:				
Amortization	-	902,199	902,199	879,412
	846,593	399,136	1,245,729	1,459,596
Changes in non-cash working capital				
Net change in amounts receivable and payable	24,741	11,229	35,970	93,304
Change in prepaid expenses	(713)	(10,000)	(10,713)	(424)
	870,621	400,365	1,270,986	1,552,476
Cash flows from Financing Activities				
Interfund advances	(805,194)	805,194	-	-
Advances of long-term debt	-	-	-	300,000
Repayment of long-term debt	-	(628,345)	(628,345)	(479,693)
	(805,194)	176,849	(628,345)	(179,693)
Cash flows from Investing Activities				
Purchase of property, plant and equipment	-	(390,280)	(390,280)	(1,328,382)
Change in cash during the year	65,427	186,934	252,361	44,401
Cash beginning of year	330,793	63,022	393,815	349,414
Cash end of year	396,220	249,956	646,176	393,815
Supplementary Cash Flow Information				
Interest paid	-	267,958	267,958	326,499
Interest received	4,978	3,773	8,751	18,960

The accompanying notes are an integral part of these financial statements

Comox Valley Airport Commission

Notes to the Financial Statements

For the year ended March 31, 2009

1. Incorporation and operations

Comox Valley Airport Commission ("Commission") was granted letters patent under the Canada Corporations Act on February 12, 1996. The Commission has operated the civilian air terminal located on Department of National Defence grounds adjacent to CFB Comox since June 1, 1996.

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

The Commission is exempt from federal and provincial income and capital taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the not-for-profit organization reporting standards and include the following significant accounting policies:

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, plant and equipment purchases, expansion projects and debt repayment.

Property, plant and equipment

Property, plant 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.

Airside	over life of lease	19 years remain
Air terminal building	over life of lease	19 years remain
Building on lot D	straight-line	30 years
Computer equipment		3 years
Conveyance equipment		20 years
Equipment		10 years
Furniture and fixtures		10 years
Groundside	over life of lease	19 years remain

In the year of acquisition, amortization is taken at one-half of the above rates.

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 at passenger departure.

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 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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Accounts payable includes estimates of amounts owing at year end for items such as property taxes, where invoices have not been received. Amortization is based on the estimated useful lives of property, plant and equipment, except for airside, air terminal building and groundside, which are amortized over the term of the existing Department of National Defence lease.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Comox Valley Airport Commission

Notes to the Financial Statements

For the year ended March 31, 2009

Financial instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Commission has classified cash as held for trading. These instruments are initially recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in excess of revenues over expenses.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Net gains and losses arising from changes in fair value are recognized immediately in excess of revenues over expenses.

Loans and receivables:

The Commission has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in excess of revenues over expenses. Total interest income, calculated using the effective interest rate method, is recognized in excess of revenues over expenses.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Carrying value of these assets approximates amortized cost due to their short-term nature. Net gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The Commission has classified trade accounts, wages and deductions and long-term debt as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in excess of revenues over expenses.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Carrying value of trade accounts, wages and deductions approximates amortized cost due to their short-term nature. Carrying value of long-term debt approximates amortized cost. Net gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Financial asset impairment:

The Commission assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in excess of revenues over expenses.

Comox Valley Airport Commission
Notes to the Financial Statements

For the year ended March 31, 2009

3. Property and equipment

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2009 Net book value</i>	<i>2008 Net book value</i>
Land	632,835	-	632,835	629,888
Airside	8,818,168	1,506,552	7,311,616	7,675,787
Air terminal building	7,691,246	1,550,640	6,140,606	6,458,668
Computer equipment	62,482	47,535	14,947	16,986
Building on lot D	263,969	8,318	255,651	235,112
Conveyance equipment	1,187,636	228,059	959,577	1,018,959
Equipment	281,985	90,808	191,177	196,332
Furniture and fixtures	245,042	116,992	128,050	139,346
Groundside	1,936,855	339,313	1,597,542	1,663,418
Work in progress - fuel facility	12,765	-	12,765	-
Work in progress - international terminal	207,772	-	207,772	5,203
Work in progress - operations building	75,244	-	75,244	-
	21,415,999	3,888,217	17,527,782	18,039,699

4. Deferred Revenue

	<i>2009</i>	<i>2008</i>
Deferred revenue - Beginning of year	24,420	13,640
Recognized as revenue during the year	(228,695)	(351,421)
Additions during the year	244,889	362,201
	40,614	24,420

Deferred revenue consists primarily of prepaid rent, prepaid fees received for parking passes and prepaid advertising.

Comox Valley Airport Commission
Notes to the Financial Statements

For the year ended March 31, 2009

5. Long-term debt

	2009	2008
Royal Bank of Canada mortgage; due February 28, 2013, repayable at \$49,448 per month including principal and interest at a fixed rate of 4.79%, secured by 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	5,351,957	5,680,302
Royal Bank of Canada mortgage	-	300,000
	5,351,957	5,980,302
Less: current portion	344,520	628,438
	5,007,437	5,351,864

Principal repayments on long-term debt in each of the next five years are estimated as follows, based on the assumption that the mortgage will be renewed with similar terms:

2010	344,520
2011	361,390
2012	379,085
2013	397,648
2014	417,119

6. Restricted Contributions

	2009	2008
AIF revenue collected	3,839,038	3,119,869
AIF interest earned	24,002	20,723
AIF administration fees	(280,119)	(228,587)
AIF capital expenditures	(20,520,784)	(20,170,233)
Financing costs	(1,238,448)	(970,490)
	(18,176,311)	(18,228,718)

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.

Comox Valley Airport Commission
Notes to the Financial Statements

For the year ended March 31, 2009

7. Commitments

The Commission is committed under a lease agreement for land with total lease payments of \$756,082, assuming there is no change in the payment amount over the term of the lease. Effective May 1, 2009, the Commission entered into an additional lease agreement for land with total lease payments of \$36,000 over a three year term. The expected future minimum lease payments over the next five years are as follows:

2010	50,277
2011	51,277
2012	51,277
2013	40,277
2014	39,277

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. Lease payments have been set for the initial five year period. The annual payment could change in July 2010, but is not expected to decline.

8. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Commission are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

Credit concentration

Financial instruments that potentially subject the Commission to concentrations of credit risk consist primarily of trade accounts receivable. The maximum credit risk exposure is \$239,395 (2008 - \$338,966).

As at March 31, 2009 five customers accounted for 77% (2008 - five customers accounted for 79%) of accounts receivable in the operating fund, and three customers accounted for 76% (2008 - four customers accounted for 98%) of accounts receivable in the capital fund. However, the Commission believes that there is minimal risk associated with the collection of these amounts. The Commission manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Commission does not generally require collateral or other security from customers on trade accounts receivable. Trade accounts receivable in the amount of \$30,534 (2008 - \$84,631) are past due, of which an allowance for doubtful accounts receivable in the amount of \$237 (2008 - \$3,792) has been recorded.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Commission manages exposure through its normal operating and financing activities.

The Commission is exposed to interest rate risk with respect to long-term debt due on demand, which is expected to be repaid within one year, and which are subject to floating interest rates. The Commission's mortgage with a fixed rate of 4.79%, matures at the end of four years (2008 - five years).

Comox Valley Airport Commission
Notes to the Financial Statements
For the year ended March 31, 2009

Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with financial liabilities. The Commission enters into transactions to purchase goods and services on credit; borrow funds from financial institutions or other creditors; and lease premises, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Commission's future net cash flows for the possibility of a negative net cash flow.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Commission does not enter into transactions for which the market price fluctuates and therefore feels that their risk is limited.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission did not enter into any foreign currency transactions during the year, so it is not exposed to foreign currency risk.

Financial asset impairment

At each year-end date, the Commission is required to evaluate and record any other-than-temporary impairment of its financial assets, other than those classified as held for trading. Accordingly, the Commission has compared the carrying value of each of these financial assets to its fair value as at March 31, 2009. A provision for doubtful accounts was the only provision for impairment that was recorded in the current year, as the fair value of all other financial assets tested exceeded their carrying value.

Fair value of financial instruments

The carrying amount of cash, accounts receivable, trade accounts, wages and deductions and current portion of long term debt approximates their fair value due to the short-term maturities of these items.

The fair value of long-term debt is \$5,883,096 (2008 - \$5,796,384), estimated using discounted cash flow analysis and interest rates prevailing at year-end. These estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates, all of which reflect varying degrees of risk.

9. Capital management

The Commission sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Commission manages the following as capital:

	2009	2008
Net assets invested in property, plant and equipment	7,703,188	8,206,251
Unrestricted net assets	5,100,960	4,254,367
	12,804,148	12,460,618

The Commission is not subject to any external capital requirements.

10. Related party transactions

Included in repairs & maintenance expenses for the current year is \$23,302 (2008 - \$11,624) paid to a company that is controlled by one of the board members . These transactions were conducted in the normal course of operations and measured at the exchange amount.

11. Subsequent event

On April 23, 2009 the Commission's board of directors exercised the "without cause" provision of it's contract with the CEO to sever their employment relationship within the terms of the contract. The board has engaged the services of a consulting firm to conduct a national executive search to recruit a new CEO.

12. Correction of an error

During the year the Commission determined that in the prior year land was overstated and building was understated by \$235,112. The retroactive application of this correction of an error had no impact on the results of operations and financial condition of the Commission. Please see note 3 for more information on the carrying values of land and building.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.