

ACCOUNTABILITY REPORT

Chairman's Message

The 2006/2007 fiscal year was a reflective year for the Comox Valley Airport Commission. To keep pace with the outstanding results that were being achieved by the corporation, the Board reviewed its bylaws and adopted the best governance practices. This work was guided by pending legislation Bill C-20, *Canada Airports Act*. The Act will provide “a complete corporate governance and accountability framework for airport authorities that addresses matters such as the structure and duties of their board of directors, director eligibility, conflict of interest rules, enhanced disclosure of operational and financial information, and consultation with users and with the public in the region served by the airport.” Although CVAC may not be subject to the legislation when it is enacted, the growth of CVAC's operations which is hosted by the Department of National Defence warranted the adoption of the best governance practices required by the federal government. CVAC's revised bylaws emulate the guidance that is provided by the *Canadian Airports Act*. There is more work to be done but the recent bylaw changes provide a positive change for the future.



The Commission has spent considerable time reviewing the public accountability and transparency criteria required of the many different airport governing authorities. To meet the current public accountability requirements mandated by the federal government, CVAC is required to hold two annual meetings; one with the public and one with the Nominating Entities. Public accountability is an extremely important issue and the Board felt that we could do a better job with respect to accountability and transparency. The Commission provides a valuable service to the public and businesses of the Comox Valley, has been the recipient of taxpayer dollars at all government levels, and makes decisions which impact our community in a very real and direct way. The work of the Commission and its economic role in the Comox Valley make it imperative that we remain accountable and transparent to the community that we serve. Our website has been updated to provide the public with information required of Canadian Airport Authorities and includes our annual reports, correctly referred to as our accountability report.

This role of the Board is to provide strategic planning to the corporation, and to develop and implement corporate policy. Two significant planning tools are being updated: the Airport Master Plan which will identify CVAC's infrastructure needs and their relationship to the infrastructure provided by DND, and an updated Strategic Plan as the goals and objectives of the current plan have already been met. These planning documents will provide the strategic direction the corporation needs for years to come



David L. Mellin
Chair

Comox Valley Airport Commission Overview

The Comox Valley Airport Commission (CVAC) is a without share capital, not for profit corporation federally incorporated under Part II of the Canada Corporations Act. CVAC received its Letters Patent in February 1996. CVAC's mandate is to undertake the management and operation of the commercial civil aviation facilities at Canadian Forces Base (CFB) Comox for the general benefit of the public. CVAC constructed new airport facilities in the south west corner of CFB Comox and holds a 25 year lease for this land from the Department of National Defence.



The Commission's facilities and leased land area are known as the "Comox Valley Airport". These facilities are also informally referred to by the international identifier for the Comox Airfield, "YQQ".

Comox Valley Airport Commission's Mission Statement

CVAC's Mission is to "operate safe, secure and efficient civil aviation facilities and services which consistently exceed the expectations of our customers and communities."

Comox Valley Airport Commission's Vision

To become Vancouver Island's preferred mid-island gateway.

Goals

Five goals are identified in CVAC's five year Strategic Plan:

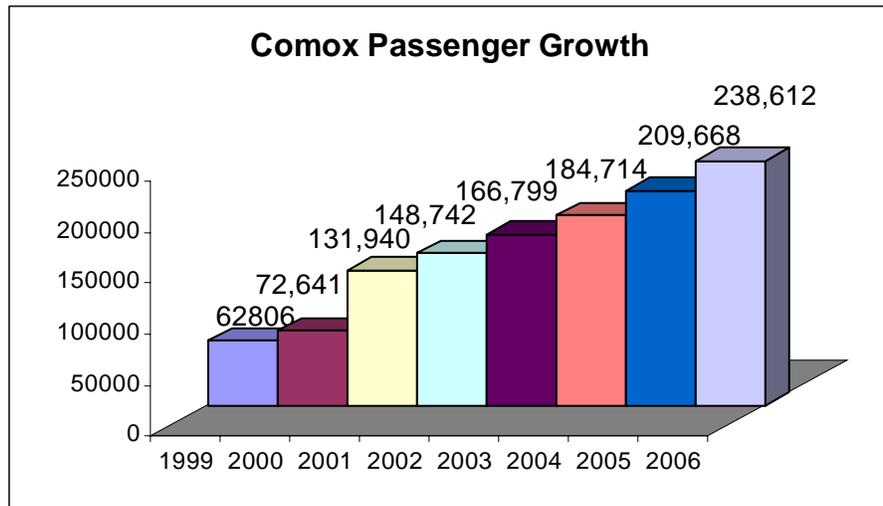
1. Provide facilities that address current and future demands of customers;
2. Promote and foster regional development and community pride;
3. Expand passenger air services;
4. Develop air cargo potential; and,
5. Remain financially viable and cost competitive.

Operations Review and Outlook

2006 in Review

The Comox Valley Airport Commission exceeded all key financial and operational objectives in 2006. Although transborder air service has yet to commence, domestic passenger growth has exceeded all forecasts. The end result is that the total passenger numbers are well ahead of the optimistic growth projections.

Total passenger movements for 2006 were 238,612 which represents an increase of 13.8% over 2005. The Comox Valley Airport is now the sixth busiest airport in British Columbia and 21st in the nation. The Comox Valley Airport Commission is exceptionally pleased to again be voted by customers as the number one airport in Canada in 2006 for customer satisfaction. The survey is conducted by the Canadian Airports Council for its members.



The survey is conducted by the Canadian Airports Council for its members.

Total revenues for fiscal year 2006/2007 increased by 17% for the year while direct operating costs increased marginally. Increased revenues were due to increased passenger numbers and a correspondingly higher return from non-airline revenues. Operating costs are now well defined; increases are largely due to increased activity rates, increased amortization expense, and increased property taxes. Interest and bank charges are reflective of the first full year of debt servicing with total debt as at 31 March 2006 being reduced to \$6.1 million.

The Comox Valley Airport Commission invested an additional \$443,022 to expand the airport infrastructure in the 2006/2007 fiscal year. Included in these investments were:



- Air Terminal Building security upgrades
- Parking lot expansion
- Increased conveyance at the check in counters

Outlook for 2007

The current positive economic environment in British Columbia is being felt through the Comox Valley Airport as it serves the needs of the region. The optimistic forecast growth rate has been upgraded to 9.1% per year through 2015, however, CVAC continues to far exceed those forecasts and is experiencing a growth rate of 30% for the first five months of 2007. This growth will require significant additional investment by the Comox Valley Airport Commission to meet the growing demand. The Comox Valley Airport Master Plan will guide major capital investments while our ongoing continuous improvement process will determine the minor capital requirements.

The Comox Valley Airport Commission investment program is considering the following projects for 2006/2007:

- Additional induction conveyors for passenger check in
- Switch over to municipal water
- Additional long term parking
- Improvements to gravel parking area
- A maintenance and operations building
- A commercial fuel facility



The adequacy of the current facilities to meet the expanding needs of the region will be examined through the Master Planning process. It is anticipated that the development plans will need to be accelerated in recognition of the continuing high passenger growth environment.



David L. Mellin
Board Chair



Chuck Fast
Chief Executive Officer

CEO's Report

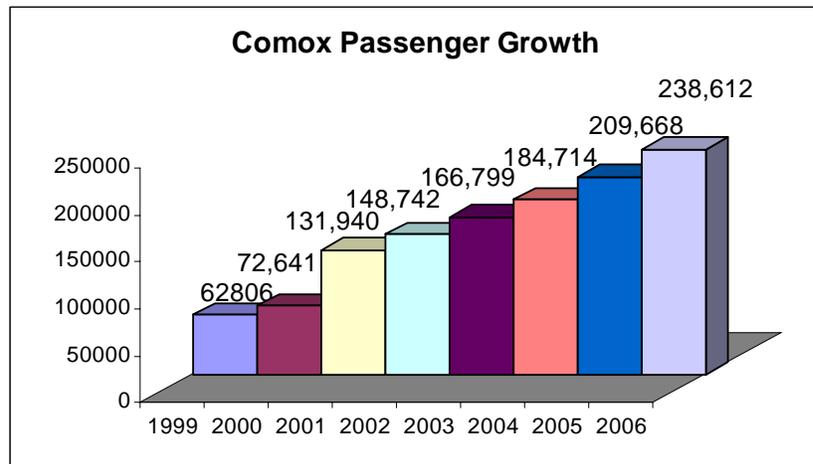
2006 was another very exciting year as the new community airport facilities provided further economic opportunities for the corporation to explore. With the airport's impressive infrastructure provided by DND, and the community's new air terminal building, the Comox Valley now enjoys airport facilities that are truly capable of meeting the needs of the region. Our management team is committed to a continuous improvement process and you will likely have noticed these improvements throughout the year. To be voted by the customers as the number one airport in Canada for customer satisfaction for the third year in a row, is a testament to management's commitment to continuous improvement. We believe that some of our initiatives are truly cutting edge and do provide the highest level of customer service. However, with this extraordinary growth, CVAC will be challenged to continue to provide the necessary infrastructure and services to accommodate further growth.



The Comox Valley Airport Commission has provided four performance targets to gauge the success of the airport. These targets are to be achieved over a five year period. We have just commenced our fifth year of the five year program.

Passengers – 200,000 annually

By the end of 2007, CVAC intended to fly 200,000 passengers annually. This goal was achieved in 2005 largely due to the regional market development primarily through tourism and a continued focus on customer service. This performance target presumed that air service to the US would be part of the passenger growth. The domestic market continues



to show great strength which resulted in WestJet providing direct daily service to Edmonton and Air Canada Jazz providing daily service to Calgary. The Mexico charters are very popular and we hope to provide additional capacity this year.

Capital Reserve

The Comox Valley Airport Commission requires a very aggressive business plan to address the long-term viability of the airport. The plan sets aside funds for future capital improvements and the replacement of the current infrastructure. This \$500,000 funding goal was again met for

the 2006/2007 fiscal year. The funds were used to provide the infrastructure improvements provided this year and to pay down the long term debt.

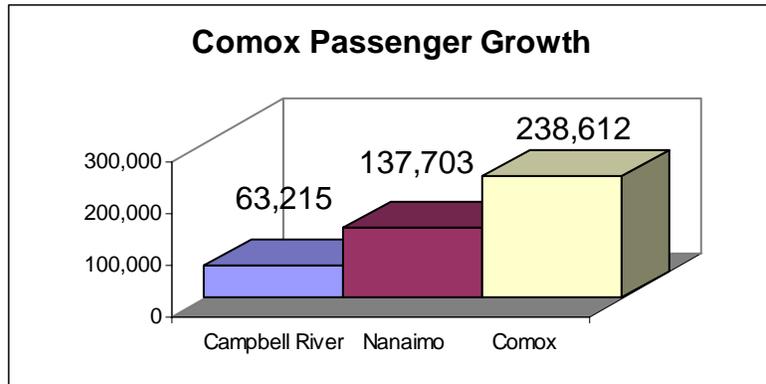
Customer Satisfaction Ranking – 4.0

“To exceed the expectations of our customers and communities” it is necessary to offer a high degree of customer service. Customer satisfaction is measured annually through a program administered by the Canadian Airports Council. The Comox Valley Airport provides customer service through a continuous improvement process that requires a dedicated effort from our staff and our airport volunteers. We were very pleased to receive 4.52 rating in 2006 which maintains us as the number one airport in Canada. We continue to set a high bench mark for future years.



Share of Regional Passengers – 60%

Regional passenger traffic is measured by adding the annual passenger totals of the Campbell River, Comox, and the Nanaimo Airports. CVAC’s market share for 2006 was 54%. To increase market share, the Comox Valley Airport will need to provide new air service for the community.



A special thanks to the airport staff and the volunteers. This was a very exciting year as we continue to improve the service we offer to the travelling public. The flexibility of the staff and the volunteers to accommodate that passenger growth was simply outstanding.

Chuck Fast
 CEO

Comox Valley Airport Volunteers



Comox Valley Airport Staff



Corporate Governance

2007 Board Of Directors



Dave Mellin
Chair
 Executive Committee
 Ex Officio All Standing
 Committees
 Commission Spokesperson



Daryl McLoughlin
Vice Chair
 Executive Committee
 Audit Committee
 Finance Committee



Ken Dawson
Secretary
 Executive Committee
 Governance and Nominating
 Committee (Lead)



Russell Irvine
Treasurer
 Executive Committee
 Finance Committee (Lead)
 Audit Committee (Lead)



Darlene Neuman
Director
 Governance and
 Nominating Committee



Andy Harvie
Director
 Governance and
 Nominating Committee



Gillian Holmes
Director
 Finance Committee



Jay Oddleifson
Director
 Audit Committee
 Finance Committee



Scott Torry
Director
 Finance Committee



Chuck Fast
CEO
 All Committees as
 appropriate
 Spokesperson

Fiscal Year 2006 - 2007

		Apr	May	AGM	Jul	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Terry Law	Past Chair											
Daryl McLoughlin	Vice Chair								A			
Sandy Gray	Past Secretary	A										
Dave Koski	Past Treasurer		A									
Ken Dawson	Secretary		A									A
Andy Harvie	Director							A		A		
Gillian Holmes	Director		A						A			A
Russell Irvine	Treasurer		A									
Richard Kanigan	Director	A						A	A			A
Bob Long	Director								A			
Dave Mellin	Current Chair											
Hillary Perka	Director											
Darlene Newman	Director			A								
Jay Oddleifson	Director											

Note: The areas shaded in green represent the term of the Director

Corporate Officers

Chuck Fast Chief Executive Officer

Corporate Service Providers

CORPORATE BANK

The Royal Bank of Canada

AUDITORS

Meyers Norris Penny LLP

CORPORATE LEGAL

Cook Roberts LLP

Corporate Governance

ACCOUNTABILITY

The Comox Valley Airport Commission is a federally incorporated not-for-profit corporation which provides a public service. The corporate governance processes of the Commission are structured to promote the purposes and business of the Commission as set forth in the Commission's Letters Patent. Pursuant to the Commission's By-Laws, the following bodies nominate Directors to the Board:

- The City of Courtenay, Town of Comox, and the Village of Cumberland each of which nominate one Board member;
- The Regional District of Comox Strathcona Areas A, B, C, and K each of which nominate one Board member
- Chambers of Commerce for the Comox Valley, and Cumberland and District, each nominate one Board member
- Comox Valley Economic Development Society nominates one member

STANDING BOARD COMMITTEES

The Commission's Board of Directors has four standing Committees tasked with general oversight in specific areas. The standing committees and their committee chairs are:

Executive Committee	Dave Mellin
Audit Committee	Russell Irvine
Governance and Nominating Committee	Ken Dawson
Finance Committee	Russell Irvine

PUBLIC AND STAKEHOLDER ACCOUNTABILITY

The Commission strives to achieve a high level of public and stakeholder accountability. The processes involved in achieving this level of accountability include:

- An Annual Public Meeting;
- A published accountability report including audited financial statements;
- A scheduled independent review of management operations and financial performance every five years, including a published report;
- Disclosure of the Canadian Airport Authorities required public information through the web site;
- An annual meeting with all Nominating Entities attended by the Board of Directors and CEO;
- Compliance with the DND Lease;
- Regulatory compliance;
- Meetings with key stakeholders;
- Accessibility compliance for federally regulated transportation;
- Regular meetings with airport operators and tenants; and
- Regular briefings to Comox Valley civic and business organizations

CODE OF BUSINESS CONDUCT AND CONFLICT OF INTEREST POLICY

The Commission Board of Directors has adopted a Code of Conduct and Conflict of Interest Policy. All directors sign an attestation on an annual basis indicating knowledge and compliance with this Policy.

COMPETITIVE TENDERING

The Commission, reports all goods, services and construction contracts in excess of \$100,000 which were entered into during the year and which were not awarded on the basis of a competitive tendering process. The parking lot expansion contract was awarded to H Leighton Contracting as the prime contractor - \$135,860.21. Severe time constraints and uncertain site conditions precluded stipulated price tendering of the project. The contractor was selected on the comparative rates for equipment and labour that was provided by four contractors

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Commission has implemented corporate governance policies and practices which are in alignment with best practices for effective corporate governance. The following information relates to the current corporate governance practices of the Commission:

1. The Board has responsibility for the stewardship of the Commission with the aim of fulfilling the stated purposes as set forth in the Letters Patent.
2. The Board has adopted a strategic planning process that includes a land-use plan, a long-term airport Master Plan and a Strategic Plan. Critical elements of these plans are reviewed by the Board on an annual basis in conjunction with the establishment of annual goals and budget.
3. The Commission had a number of systems in place to identify, manage, and mitigate various risks, including:
 - An organizational structure with dedicated safety, security and emergency planning and response personnel;
 - Corporate policies and plans covering key governance, strategic and financial issues;
 - Risk transfer through contract;
 - Incident reporting and response procedures;
 - An Airport Safety Committee and an Occupational Safety and Health Committee; and,
 - Comprehensive insurance coverage.
4. The Board appoints the CEO. Succession planning, including the appointment, training and evaluation of senior management, which is regularly monitored by the Board.
5. The Commission has a communications policy and program, which include communication processes associated with the general public, industry stakeholders, Nominating Entities and employees.

6. The Commission has a comprehensive management information and reporting system in place, which includes regular reporting to the Board on key financial and operations results.
7. The Board is comprised exclusively of unrelated, non-management Directors. Each Director must sign the Commission's Code of Conduct and Conflict of Interest Policy on an annual basis and follow the procedures prescribed therein with respect to disclosure of any potential conflicts of interest. When a potential conflict of interest arises, the Director does not participate in any Board activities related to such activities.
8. Board appointments are made by the Nominating Entities in accordance with the Commission's By-Laws. The Commission's Governance and Nominating Committee is responsible for providing a list of qualified nominees to the Board for submission to the Nominating Entities for their decision and nomination.
9. The Board has a self-evaluation process in place to review the performance of the Board and Board Committees.
10. Each new Director receives a comprehensive orientation, which includes a meeting with the Chair, CEO, facility tour, a Policies and Procedures Manual, and information regarding Board and corporate operations. Ongoing education on relevant topics is provided to all Board members.
11. A Role Statement has been developed for the Board of Directors and terms of reference have been developed for the Board Officers including the CEO. A Policies and Procedures Manual, approved by the Board, defines the Board and Management authorities. The Commission's corporate objectives are approved by the Board and the CEO is assessed against these objectives on an annual basis.
12. The Board has four standing committees, each Committee Chair reports directly to the Board on the activities of his or her Committee. The Board meets in camera as required at each Board meeting. The Board Chair and the Nominating and Governance Committee ensure that the Board's independence is respected and preserved.
13. The Commission's Governance and Nominating Committee is responsible to the Board for the monitoring of corporate governance issues.
14. All members of the Commission's Audit Committee are Directors who are financially literate. The Committee's responsibilities include;
 - Oversight of corporate level financial policies and issues which affect the overall operation, planning and management of the Commission;
 - Review of financial management policies and issues including annual budgets, banking arrangements, accounting systems and procedures, internal financial controls, significant changes to relevant legislation, insurance policies, statutory remittances, regular financial status reports and oversight of information technology systems; and
 - Monitoring of the external and internal audit programs and preparation of the annual financial statements.



MEYERS NORRIS PENNY LLP

COMOX VALLEY AIRPORT COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2007

***Management Responsibility for Financial
Statements***

Auditors' Report

Statement of Financial Position

Statement of Changes in Net Assets

Statement of Operations

Statement of Cash Flows

Notes to Financial Statements



YQQ

FINANCIAL STATEMENTS OF 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 control 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 compliance with applicable legislative authorities.

The Board of Directors appoints an Audit and Finance Committee consisting of four Directors. This committee meets periodically with Management and independent auditors to review significant accounting, internal control and auditing matters. The Committee also reviews and approves the annual financial statements of the Commission and the independent auditors report before the 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 'Chuck Fast', with a long horizontal stroke extending to the right.

Chuck Fast
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, 2007 and the statements of operations, 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP
Chartered Accountants

Courtenay, British Columbia

May 31, 2007

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF FINANCIAL POSITION - MARCH 31, 2007

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2007</u>	<u>Total 2006</u>
	\$	\$	\$	\$
CURRENT ASSETS				
Cash	179,661	169,753	349,414	145,084
Accounts receivable	262,391	25,098	287,489	228,766
Prepaid expenses and deposits	<u>21,442</u>	<u>-</u>	<u>21,442</u>	<u>10,080</u>
	463,494	194,851	658,345	383,930
INTERFUND ACCOUNTS	2,738,351	(2,738,351)	-	-
PROPERTY, PLANT AND EQUIPMENT (Note 4)	-	17,590,730	17,590,730	18,057,357
INTANGIBLE ASSETS (Note 8)	<u>35,834</u>	<u>37,037</u>	<u>72,871</u>	<u>64,984</u>
	<u>3,237,679</u>	<u>15,084,267</u>	<u>18,321,946</u>	<u>18,506,271</u>
CURRENT LIABILITIES				
Deferred revenue (Note 10)	13,360	280	13,640	43,050
Trade accounts	122,449	42,354	164,803	197,030
Wages and deductions	30,203	-	30,203	21,779
Current portion of long-term debt (Note 9)	<u>-</u>	<u>476,671</u>	<u>476,671</u>	<u>440,004</u>
	166,012	519,305	685,317	701,863
LONG-TERM DEBT (Note 9)	<u>-</u>	<u>5,683,324</u>	<u>5,683,324</u>	<u>6,123,328</u>
	<u>166,012</u>	<u>6,202,629</u>	<u>6,368,641</u>	<u>6,825,191</u>
NET ASSETS				
Invested in property, plant and equipment	-	8,881,638	8,881,638	9,516,716
Unrestricted	<u>3,071,667</u>	<u>-</u>	<u>3,071,667</u>	<u>2,164,364</u>
	<u>3,071,667</u>	<u>8,881,638</u>	<u>11,953,305</u>	<u>11,681,080</u>
	<u>3,237,679</u>	<u>15,084,267</u>	<u>18,321,946</u>	<u>18,506,271</u>

APPROVED BY THE DIRECTORS



Director



Director

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2007

	<u>Operating Fund</u> \$	<u>Capital Fund</u> \$	<u>Total 2007</u> \$	<u>Total 2006</u> \$
BALANCE - BEGINNING OF YEAR				
As previously reported	2,164,364	9,294,972	11,459,336	11,316,880
Change in accounting policy (Note 3)	<u>-</u>	<u>221,744</u>	<u>221,744</u>	<u>94,164</u>
As restated	2,164,364	9,516,716	11,681,080	11,411,044
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>907,303</u>	<u>(635,078)</u>	<u>272,225</u>	<u>270,036</u>
BALANCE - END OF YEAR	<u>3,071,667</u>	<u>8,881,638</u>	<u>11,953,305</u>	<u>11,681,080</u>

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2007

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2007</u>	<u>Total 2006</u>
	\$	\$	\$	\$
REVENUE				
Terminal fees	1,255,087	-	1,255,087	1,066,279
Grant and service agreement revenue	-	-	-	35,562
Airport improvement fees (Note 5)	-	611,154	611,154	523,355
Concessions - car	223,581	-	223,581	174,302
Concessions - parking	332,151	-	332,151	238,743
Office rentals	173,659	-	173,659	161,931
Interest	4,597	2,858	7,455	9,137
Concessions - other	69,430	-	69,430	52,401
Advertising	76,907	-	76,907	82,963
Miscellaneous	5,121	-	5,121	1,736
	<u>2,140,533</u>	<u>614,012</u>	<u>2,754,545</u>	<u>2,346,409</u>
EXPENSES				
Airport improvement fee expense	-	44,014	44,014	39,620
Amortization	-	857,172	857,172	716,941
Bad debts	1,377	-	1,377	3,756
Board expenses	9,481	-	9,481	18,548
Customs	21,872	-	21,872	17,793
Insurance	36,634	-	36,634	33,650
Interest and bank charges	2,185	347,904	350,089	198,115
Marketing	104,710	-	104,710	145,180
Office	44,950	-	44,950	29,885
Professional fees	27,863	-	27,863	34,740
Property taxes	68,663	-	68,663	59,106
Rent	39,277	-	39,277	39,507
Repairs and maintenance	166,436	-	166,436	128,318
Sub-contract	8,860	-	8,860	2,630
Utilities	87,016	-	87,016	70,235
Volunteer expense	6,943	-	6,943	5,497
Wages and benefits	606,963	-	606,963	532,852
	<u>1,233,230</u>	<u>1,249,090</u>	<u>2,482,320</u>	<u>2,076,373</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>907,303</u>	<u>(635,078)</u>	<u>272,225</u>	<u>270,036</u>

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2007

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total 2007</u>	<u>Total 2006</u>
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	907,303	(635,078)	272,225	270,036
Adjustment for non-cash items:				
Amortization	<u>-</u>	<u>857,172</u>	<u>857,172</u>	<u>716,941</u>
	<u>907,303</u>	<u>222,094</u>	<u>1,129,397</u>	<u>986,977</u>
Changes in non-cash working capital				
Net change in amounts receivable and payable	(116,176)	4,239	(111,937)	1,498
Change in prepaid expenses	<u>(13,862)</u>	<u>2,500</u>	<u>(11,362)</u>	<u>24,867</u>
	<u>777,265</u>	<u>228,833</u>	<u>1,006,098</u>	<u>1,013,342</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund advances	(715,275)	715,275	-	-
Advances of long-term debt	-	-	-	6,600,000
Repayment of long-term debt	-	(403,337)	(403,337)	(36,667)
Repayment of short-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,211,033)</u>
	<u>(715,275)</u>	<u>311,938</u>	<u>(403,337)</u>	<u>4,352,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	-	(390,544)	(390,544)	(5,773,941)
Purchase of intangible assets	<u>-</u>	<u>(7,887)</u>	<u>(7,887)</u>	<u>(64,984)</u>
	<u>-</u>	<u>(398,431)</u>	<u>(398,431)</u>	<u>(5,838,925)</u>
CHANGE IN CASH DURING YEAR	61,990	142,340	204,330	(473,283)
CASH				
- BEGINNING OF YEAR	<u>117,671</u>	<u>27,413</u>	<u>145,084</u>	<u>618,367</u>
- END OF YEAR	<u>179,661</u>	<u>169,753</u>	<u>349,414</u>	<u>145,084</u>
SUPPLEMENTARY CASH FLOW INFORMATION:				
Interest paid	-	317,707	317,707	190,602
Interest received	<u>4,234</u>	<u>2,858</u>	<u>7,092</u>	<u>9,972</u>

The accompanying notes are an integral part of these financial statements.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

1. PURPOSE:

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

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

CVAC is exempt from federal and provincial income and capital taxes.

2. SIGNIFICANT ACCOUNTING POLICIES:

a) Fund Accounting

CVAC follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for CVAC's operating activities.

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

b) 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.

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COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

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.

- c) Amortization charges have been calculated applying the straight line method at the following annual rates:

Airside	24 years
Air terminal building	24 years
Computer equipment	3 years
Conveyance equipment	20 years
Equipment	10 years
Furniture and fixtures	10 years
Groundside	24 years

- d) No amortization has been recorded on intangible assets as the assets are not complete. Once the assets are complete, amortization will be calculated by applying the straight line method at an annual rate of 20%.

- e) Use of Estimates: The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. 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 Defense 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.

- f) Recent Accounting Pronouncements:

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments - Recognition and Measurement establishes standards for recognizing and measuring financial

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COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED:

assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments - Disclosure and Presentation discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 Hedges. Section 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Although the requirements of Section 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to Section 4400 Not-For Profit Organizations will require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. There have also been numerous consequential amendments to other Sections.

3. CHANGE IN ACCOUNTING POLICY:

During the year CVAC changed its policy for amortizing property, plant and equipment. Prior to this year CVAC amortized assets in the year of acquisition at 100% of their respective annual rates. This year CVAC changed its policy to amortize assets in the year of acquisition at only 50% of their respective annual rates. This change was made because it was determined that the new policy will provide more reliable and relevant information as property, plant and equipment are now being amortized more accurately over their estimated useful lives. This change in policy has been applied retroactively. The following are the financial statement changes that resulted from this change in accounting policy:

- 2006 opening net assets in the capital fund have increased \$94,164
- 2006 amortization expense has decreased \$127,580
- 2006 property, plant and equipment has increased \$221,744
- 2007 opening net assets in the capital fund have increased \$221,744

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

4. PROPERTY, PLANT AND EQUIPMENT:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	\$	\$	\$	\$
Airside	8,805,354	754,677	8,803,883	378,954
Air terminal building	7,691,246	914,517	7,679,796	596,716
Computer equipment	38,998	27,243	35,795	16,585
Conveyance equipment	1,021,531	113,448	920,814	64,889
Equipment	213,450	40,032	170,052	20,858
Furniture and fixtures	219,715	76,123	216,932	57,238
Groundside	<u>1,707,043</u>	<u>180,567</u>	<u>1,479,520</u>	<u>114,195</u>
	<u>19,697,337</u>	<u>2,106,607</u>	<u>19,306,792</u>	<u>1,249,435</u>
Unamortized cost		<u>17,590,730</u>		<u>18,057,357</u>

5. RESTRICTED CONTRIBUTIONS:

	<u>2007</u>	<u>2006</u>
	\$	\$
Canadian Air Transport Security Authority	-	35,562
Airport improvement fees	<u>611,154</u>	<u>523,355</u>
	<u>611,154</u>	<u>558,917</u>

CVAC 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 CVAC, the Air Transport Association of Canada (ATAC) and the air carriers serving the airport. 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 FINANCIAL STATEMENTS - MARCH 31, 2007

6. COMMITMENTS AND CONTRACTUAL OBLIGATIONS:

The Commission is committed under a lease agreement for land with total lease payments of \$981,925, assuming there is no change in the payment amount over the term of the lease. The expected future minimum lease payments over the next five years are as follows:

	\$
2008	39,277
2009	39,277
2010	39,277
2011	39,277
2012	39,277

Effective June 30, 2003 the CVAC 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, 2009 but is not expected to decline.

CVAC is committed under contract to purchase six new conveyors for a total price of \$134,647.

CVAC is committed under contract to complete a new watermain connection project with an estimated total cost to CVAC of \$59,914.

7. COMPARATIVE FIGURES:

Certain comparative figures have been restated, where necessary, to conform to the current year's presentation.

COMOX VALLEY AIRPORT COMMISSION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

8.	INTANGIBLE ASSETS:	<u>2007</u>		<u>2006</u>	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
		\$	\$	\$	\$
	Strategic plan	35,834	-	35,834	-
	Master plan	37,037	-	29,150	-
		72,871	-	64,984	-
	Unamortized cost	<u>72,871</u>		<u>64,984</u>	

Both of the above plans were works in progress at March 31, 2007 but are expected to be completed in the next year.

9.	LONG-TERM DEBT:	<u>2007</u>	<u>2006</u>
		\$	\$
	Royal Bank of Canada; repayable over 15 years at \$36,667 per month plus interest at prime less .5%, 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 Defense and the Commission and a certificate of all-risk insurance covering the airport terminal building	6,159,995	6,563,332
	Less: principal due within one year	476,671	440,004
		<u>5,683,324</u>	<u>6,123,328</u>

Interest on long-term debt not disclosed separately in these financial statements amounts to \$348,339 (2006 - \$190,602).

The aggregate principal estimated repayable in each of the next five years is as follows:

	\$
2008	476,671
2009	440,004
2010	440,004
2011	440,004
2012	440,004

COMOX VALLEY AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

10.	DEFERRED REVENUE:	2007	2006
		\$	\$
	Deferred revenue - Beginning of year	43,050	1,317
	Recognized as revenue during the year	(43,050)	(1,317)
	Additions during the year	13,640	43,050
	Deferred revenue - End of year	13,640	43,050

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

11. FINANCIAL INSTRUMENTS:

CVAC, as part of its operations, carries a number of financial instruments. It is management's opinion that CVAC is not exposed to significant interest, currency or credit risks arising from these financial instruments, except as otherwise disclosed.

Credit concentration: As at March 31, 2007 four customers accounted for 78% (2006 - three customers for 71%) of accounts receivable in the operating fund, and three customers accounted for 94% (2006 - three customers for 96%) of accounts receivable in the capital fund. CVAC believes that there is no unusual exposure associated with the collection of these receivables. CVAC performs regular credit assessments of its customers and provides allowances for potentially uncollectable accounts receivable.

Fair value of financial instruments: The carrying amounts of cash, accounts receivable, trade accounts and wages and deductions approximate their fair value due to the short-term maturities of these items. The carrying amount of CVAC's long-term debt approximates its fair market value due to the debt's variable interest rate.

Interest rate risk: Interest rate risk is the risk that the value of a financial instrument may be adversely affected by a change in the interest rates. In seeking to minimize risk from interest rate fluctuations, CVAC manages its exposure through its normal operating and financing activities. CVAC is exposed to interest rate risk primarily through its long-term debt, which may be mitigated by locking in the interest rates on bank debt when circumstances warrant.