

# LET'S FLY





# THE WORLD AWAITS

Your airport is your connection to a wider world of travel, business, leisure and adventure. With an ever-expanding facility that delivers more services, more destinations and more comfort than you ever thought possible, YMM is your ticket to a world of endless possibilities.

If the monumental success of our airport in 2012 is any indication, it's sure to be clear skies ahead in 2013 for Canada's fastest-growing regional airport.



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## KEY SUCCESS DRIVERS

- 1 To Optimize the Customer Experience
- 2 To Be Financially Sustainable and Environmentally Responsible
- 3 To Lead a High Performing Airport Team
- 4 To Foster Effective Stakeholder Relations

## MISSION

We are responsible stewards of our airports, achieving superior performance in the conduct of safe, secure, effective and efficient operations. Our airport businesses contribute significantly to the economy of the Region, Alberta and Canada.

## VISION

We are Canada's Premier Regional Airport, connecting the World to the people, resources and opportunities in the Wood Buffalo Region.

## CORE VALUES

### Excellence in Safety, Security and Environmental Performance

We conduct our businesses in a culture of safety and security that promotes best practices and sharing of experience and mutual support. We are sensitive to and support sustainable environmental processes.

### Commercially Focused, Fiscally Responsible Business Sustainability

We have a commercial operating philosophy and culture. We operate as a robust business maintaining a strategic focus on risk mitigation and financial strength.

### Exemplary Customer Service through Teamwork

We are customer service leaders. Together with our stakeholders, we are Team FlyFortMac with a common goal of superior customer service.

### Leadership

We value leadership with integrity and innovation in support of our Vision.

# ALL SYSTEMS, CHECK. LET'S FLY!

With the new air terminal building set to open next spring, record passenger growth and new air services, Fort McMurray Airport Authority (FMAA) is ready to rocket into a new era. Here are some reasons why.



## **MORE PASSENGERS, MORE FLIGHTS**

Our passenger numbers are soaring. We had a record-breaking year in 2012, with more than 957,000 domestic and international passengers, a 25 per cent surge from 2011. In fact, Fort McMurray Airport (YMM) led the nation in passenger growth, well ahead of the national average of 4.5 per cent, and making it the 15<sup>th</sup> busiest in Canada, fast catching up to Regina, Saskatoon and Quebec City. The 2013 forecast projects continued double-digit growth numbers, reaching the one-million-passenger mark on a rolling 12-month basis in the first quarter of 2013.

More passengers means more flights, including additional non-stop flights and seat capacity to all of our major domestic destinations: Calgary, Edmonton, Toronto and Vancouver. Additional new domestic destinations are being pursued including Kelowna, Saskatoon, Grande Prairie and Yellowknife. As well, in June 2013 United Airlines will provide a non-stop daily flight to Denver, Colorado, which provides 1,700 daily flights to 180 non-stop destinations in the U.S. and beyond. For vacationers, Sunwing is already providing non-stop seasonal flights to Puerto Vallarta, Mexico and will consider expanding service in the future. In 2013, we will see the introduction of more non-stop services to the U.S. to further delink the dependence on connecting services at Edmonton and Calgary.

The new U.S. and international services are made possible by the introduction of Canada Border Services Agency (CBSA) services, which began operating at YMM in December 2012. With daily service starting in June 2013, this service will become permanent at the airport, which is the first step in realizing 'Port of Entry' status for the airport. Canada Customs services will be available for commercial passenger airlines, cargo airlines and corporate aviation in 2013.

## **A NEW AIR TERMINAL BUILDING**

More passengers and more flights demand more space, facilities and services. And, we're already more than halfway there as our \$258 million airport terminal building (ATB) project is now 65 per cent built. We expect the structure to be finished by the end of 2013 with interior fit-up and operational testing and training commencing in Q1 2013. All work on the ATB is on schedule and will be done in time for a spring 2014 opening.

At 15,000 square metres, the new ATB will be five times larger than the existing terminal. This new space will accommodate up to 1.5 million passengers annually. On airside, the ATB will have four passenger bridges and eight gates. On groundside, there will be close to 2,200 parking stalls.

In the spacious, modern new terminal, customers will have 16 retail and food outlets to choose from for their shopping and dining pleasure. Public art spaces will provide a beautiful and stimulating interior environment, along with the convenience of a forthcoming four-star hotel complete with restaurant, gym/pool, conference rooms and heated pedway connecting to the terminal.

While construction continues, passengers using the YMM today will benefit from a better customer experience and expanded services. These include a new departures lounge that opened in July 2012 and a second 1,700-square-foot baggage facility in December 2012 to accommodate international and overall increased air traffic. Several other improvements will ease service issues created by the overcrowded passenger situation in the current terminal.

## **MAJOR ECONOMIC GENERATOR**

YMM contributes to the local economy in a big way. We annually generate – directly and indirectly – 1,700 jobs, and create \$363 million total economic benefit for the Regional Municipality of Wood Buffalo (RMWB). We expect the positive impacts to grow in the coming years with the new ATB expansion, added domestic and international flights, cargo and commercial land development and achieving international status in 2014.

## **MAKING CONNECTIONS**

We believe an airport is an integral part of a community, not separate from it. Establishing a public transit link between the airport and the city in October 2012 now makes it more convenient to access the airport and gives customers and airport employees the choice to leave their vehicles at home. A transit link also puts us one step closer to realizing our goals on being an environmentally sustainable airport, as well as one that strives to provide excellent customer service and convenience.

## **DEVELOPING THE LAND**

YMM's story is not just the new terminal. We have prime land – 1,266 acres in all – a significant portion of which we will develop for future aviation and non-aviation commercial and industrial use.

Commercial development includes lands on the south, east and west of the new terminal. The RMWB is working with us to implement a utilities plan that will meet the future servicing needs of the airport – water, sewage and roadway access. The current air terminal will be re-purposed to become a general aviation terminal for business aviation, private charters and cargo operations. We are also planning for future projects such as adding another 1,500 feet to the runway to accommodate cargo aircraft when funding becomes available.



YMM contributes to the local economy in a big way. We annually generate – directly and indirectly – 1,700 jobs and create \$363 million total economic benefit for the Regional Municipality of Wood Buffalo.



We are also planning for future projects such as adding another 1,500 feet to the runway to accommodate cargo aircraft when funding becomes available.

## EXPANDING AIR CARGO

The economic growth of our region also boosts our potential for air cargo, particularly with the addition of customs services on a 24-hour basis. Cargo is a vital service to the continued development of the Athabasca Oil Sands region. Our airport is well-positioned to be the air cargo hub for the Athabasca Oil Sands industry and to handle cargo and courier flights at the airport.

Our new air cargo strategy includes introducing daily courier service and setting up charter freighter services for 'heavy lift cargo' now that CBSA is available to handle US and international shipping. It offers a more convenient alternative for the Wood Buffalo Region.

## PART OF THE COMMUNITY

We know soaring to new heights hinges on good relationships with our stakeholders. Our proactive Stakeholder Relations Plan includes communication and community involvement that aligns our stakeholder activities, with our mission statement, vision and core values.

In late 2012, we updated our website and added more information to keep local residents, passengers and stakeholders informed about YMM. As well, we now produce a quarterly newsletter wrapping up the latest air, terminal and customer service news from our airport.

We partner in many regional stakeholder initiatives, such as the Municipal Development Plan, the Comprehensive Regional Infrastructure Sustainability Plan (CRISP) and the new Air Cargo Development Committee to be established in 2013. Further, our CEO is a member of the Athabasca Oil Sands Area Transportation Coordinating Committee that generates recommendations for the Government of Alberta on current and future transportation needs for the Wood Buffalo region.

We are part of the community, participating in the Fort McMurray Chamber of Commerce, Rotary Club and other key community and industrial organizations.

## A STRONG TEAM

Our success is fuelled by our great team, which includes our Board, our staff and our partners. Team FlyFortMac, a customer service initiative that brings together a wide range of staff, tenants and airline partners under one banner, is committed to providing a friendly, top-tier customer experience.

Like any organization, the airport authority continually changes, with board members leaving to take on new endeavours and new skilled people coming in to take the controls. We welcome Bill Werny as our new Vice-President of Operations. Mr. Werny brings to the position three decades of aviation experience, including senior management positions with the Royal Canadian Air Force, STARS Air Ambulance and Government of Alberta aviation programs.

Now in our fourth year of operating as an Airport Authority, we have the team and soon the facilities to provide the service our region demands and deserves. So let's fly onwards and upwards.



Sheldon Schroeder  
Chair, Board of Directors

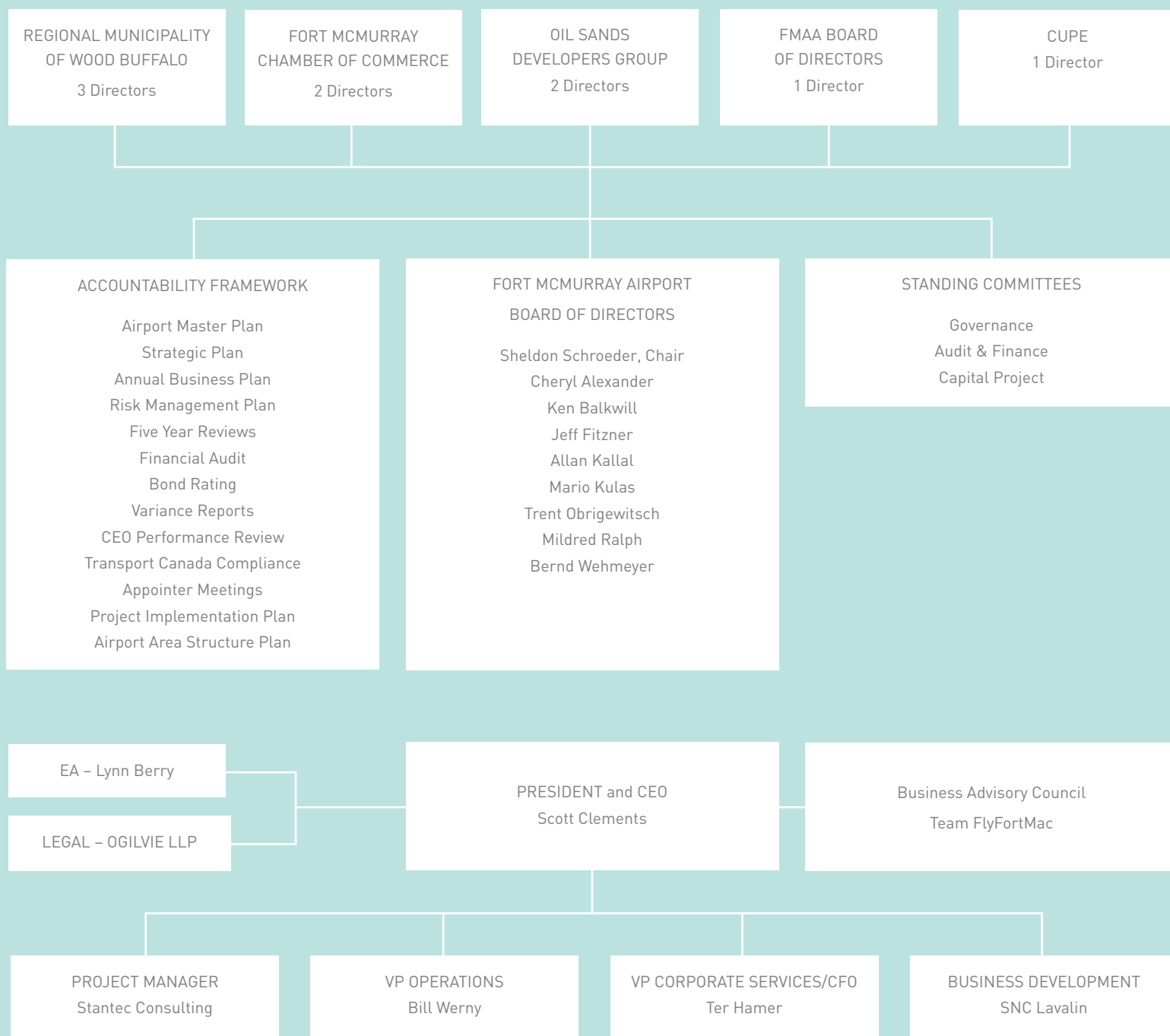


Scott Clements  
President and Chief Executive Officer



Our new air cargo strategy includes introducing daily courier service and setting up charter freighter services for 'heavy lift cargo' now that CBSA is available to handle U.S. and international shipping.

# GOVERNANCE AND ACCOUNTABILITY



# BOARD OF DIRECTORS



**Sheldon Schroeder**

Chair  
Appointed by  
Oil Sands Developers Group



**Cheryl Alexander**

Appointed by  
Fort McMurray  
Airport Authority



**Ken Balkwill**

Appointed by  
CUPE, Local 1505



**Jeff Fitzner**

Appointed by  
Fort McMurray  
Chamber of Commerce



**Allan Kallal**

Appointed by  
Regional Municipality  
of Wood Buffalo



**Mario Kulas**

Appointed by  
Oil Sands  
Developers Group



**Trent Obrigewitsch**

Appointed by  
Regional Municipality of  
Wood Buffalo



**Mildred Ralph**

Appointed by  
Fort McMurray  
Chamber of Commerce



**Bernd Wehmeyer**

Appointed by  
Regional Municipality  
of Wood Buffalo

# MANAGEMENT TEAM

**Scott Clements**

President and Chief Executive Officer

**Bill Werny**

Vice-President, Operations

**Ter Hamer**

Vice-President,  
Corporate Services and CFO

**Clayton Rozak**

Operations, Training and  
Facilities Manager

**Jesse Meyer**

Marketing, Communications and  
Air Service Development Manager

**Pauline Brown**

Duty Manager

**Dale deBruyn**

Financial Services Manager

**Veronica Wakeham**

Human Resources and  
Administration Manager

**Mike MacNeil**

Maintenance Manager

**Elizabeth Spearing**

Safety Coordinator

# NOW CALLING ALL PASSENGERS

Your newly expanded, modernized, customer-focused airport experience is ready for takeoff. It's easy to get on board with more services, facilities and destinations than ever before.

## **BUILDING A PREMIER REGIONAL AIRPORT**

We're redefining the flying experience at the Fort McMurray Airport (YMM). With our new airport terminal building (ATB) on schedule to open spring 2014, we will give customers an exciting new experience when they come to YMM.

The new ATB will make it easier and faster for passengers to move through while experiencing a new level of comfort in spacious departure lounges and exceptional retail and dining choices. As well, a first-class business hotel will be built to provide luxurious accommodation right at the airport terminal.

## **PROVIDING UPGRADES NOW**

Passengers aren't waiting until 2014 to be more comfortable. More room and amenities were added in 2012 to ease congestion at the over-worked existing terminal, including:

- A new passenger lounge complete with 90 additional seats and new washrooms
- A heated, 1,700 sq. ft. second baggage area to ease congestion in the existing terminal
- More flight information screens
- Display highlighting the new terminal building project
- Additional seating pre-security
- Renovated car rental booths
- Renovated washrooms and security kiosk



The new terminal will feature nine dining choices, including two full-service restaurants and a business lounge.



Cost is \$258 million (\$25 million contributed by the Regional Municipality of Wood Buffalo).



The size is approximately 15,000 sq. metres, the size of 2.5 Canadian football fields.







## PASSENGER NUMBERS SURGE IN 2012

YMM soared to new heights in 2012, serving more than 957,000 passengers - a new record at YMM. All-time highs for each month drove passenger numbers 25 per cent greater than 2011.

YMM led all other Canadian airports for growth, obliterating the 4.5 per cent national growth average. Passenger numbers for 2013 will surpass the one-million mark.

## MORE FLIGHTS, LARGER AIRCRAFT, MORE DESTINATIONS

More passengers mean more demand for more flights to more destinations. On top of the existing five air carriers and six non-stop domestic destinations, YMM will be adding even more domestic destinations in the near future. The start of seasonal non-stop flights to international sunspot destinations saves Fort McMurray fliers from connecting flights and long winter drives.

YMM is also thrilled to add the first daily U.S. non-stop service. Starting June 7, 2013, Skywest Airlines will operate a 66-seat United Express scheduled service from YMM to Denver (DEN), Colorado.

This convenient flight eliminates the extra time and cost associated with connecting through either Edmonton or Calgary. As well, passengers at the DEN hub can connect to 180 other destinations.

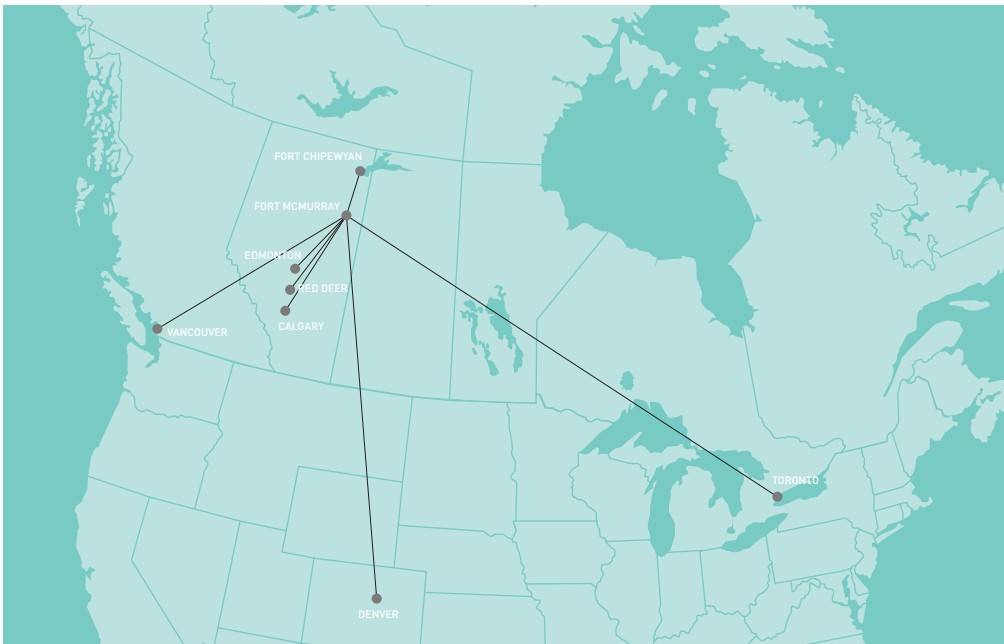


YMM will showcase a hotel with 175 rooms, a restaurant/bar, an exercise area/pool area, room service, meeting/banquet facilities, business centre, underground heated parking and a heated pedway connecting the hotel to the terminal.



YMM served 25 per cent more passengers in 2012 than in 2011.





## KEEPING CUSTOMER FOCUSED

The world has gone digital. People want to be connected to family or business at all times, whether on their home computer or on the move with their smartphone. We have many innovative digital services for our passengers to use.

### Services

- **Website** – The redesigned website provides Internet users easy navigation to any desired information – from flight times to suggested hotel accommodations – as well as information for other stakeholders such as businesses, community organizations, and news media.
- **Cell phone lot** (located along Airport Road beside Lot C parking lot) – This waiting area eases the strain of picking up passengers. Passengers call or text their driver waiting in the lot to let them know they are ready to be picked up at the terminal.
- **Social media** – Social media allows us to have two-way communication with our customers and stakeholders in real-time. Social media users can communicate with us on Facebook and Twitter.
- **Wireless service** – We offer free wireless service for passengers at YMM.

## MAKING IT EASIER TO GET AROUND

We are part of this dynamic community and strive to be more accessible. Thanks to partnerships with the Regional Municipality of Wood Buffalo (RMWB), local service industries, and companies in the Athabasca oil sands, YMM now has regularly scheduled transit and shuttle services that will get you where you need to go.

- **Transportation Options** – Wood Buffalo transit provides regular, affordable and convenient bus services between downtown Fort McMurray and the airport, seven days a week. Schedule information is provided on the RMWB website.
- **Plant Shuttle Service** – Oil sands workers can go directly to their work sites using airport-to-plant shuttle services. Shuttle information is provided on the FlyFortMac website.
- **Hotel Shuttles** – Several hotels in Fort McMurray offer shuttle service. Information is provided on the FlyFortMac website.
- **Taxi and Limo Services** – Information is provided on the FlyFortMac website.

### CURRENT NON-STOP DESTINATIONS FROM FORT MCMURRAY

Calgary  
 Denver, Colorado  
*(beginning June 2013)*  
 Edmonton  
 Fort Chipewyan  
 Red Deer  
 Toronto  
 Vancouver

### SEASONAL DESTINATIONS

Puerto Vallarta, Mexico

### SCHEDULED AIR CARRIERS

Air Canada  
 Air Canada Express  
 McMurray Aviation  
 Northwestern Air  
 Sunwing Airlines  
 United Airlines  
 Westjet

### MAJOR CHARTERED AIR CARRIERS

Canadian North  
 Enerjet  
 Esso  
 Flair Air  
 North Cariboo  
 Shell  
 Suncor  
 Syncrude

# READY FOR TAKE OFF

We laid the groundwork for a smarter, more environmentally and economically sustainable airport – and now the sky is the limit. Proper planning and greater foresight today will help deliver a high-performing airport far into our future.

## **MOVING MORE THAN JUST PASSENGERS**

Athabasca oil sands companies depend on air cargo to bring important machinery parts and spare equipment from around the globe to the region in the fastest time possible. YMM is well-positioned to be the air cargo hub for the industry.

In 2013, YMM is pursuing daily air courier services to local and regional businesses with plans to add air courier services for 'small package cargo' when the new ATB opens.

## **OPENING FORT MCMURRAY TO THE WORLD**

Passengers, workers and equipment come to YMM from many parts of the world, but it is not an international airport yet. Those coming from outside Canada must clear customs at another point of entry – first at either Edmonton or Calgary.

With the opening of the new air terminal building in 2014 and the permanent establishment of Canada Border Services Agency (CBSA) services, Fort McMurray is set to become an international airport. The new status would make it easier for international visitors to come to the Wood Buffalo region while making it easier for local residents to travel outside Canada.



With the opening of the new air terminal building in 2014 and the launching of CBSA official point of entry in November 2012, Fort McMurray is set to apply for international status.





## MAINTAINING ALTITUDE

Sustainability is not just a buzzword for us, it's how we see our business. The airport is here for the long-term, helping to build the economy and community of Fort McMurray and the Wood Buffalo region.

To achieve financial sustainability, we designed our business model to ensure there are always sufficient financial resources available to pursue our objectives and proper due diligence and planning, including:

- Annual and five year comprehensive business and capital plans
- A real estate development plan to encourage the development of airport lands with complementary and compatible land uses and an enterprise risk management program to anticipate and mitigate business risks
- A commercial focus to reduce the dependence on aviation revenue sources and grow non-aviation revenues

We also recognize that day-to-day airport activity and expansion has a direct impact on the surrounding natural environment.

Our goal is to develop a comprehensive environmental sustainability plan that balances environmental, financial and social needs while efficiently operating the airport.

## ATTRACTING BUSINESS RIGHT TO THE AIRPORT

Opportunities abound at YMM for aviation and non-aviation businesses. YMM has 1,267 acres of land ready for development, and is currently overseeing several capital projects along with the ATB construction.



## Commercial development

- YMM is working with the RMWB to develop a sanitary service plan for commercial lots on the east side of the main runway after the existing lagoon is decommissioned in 2013/14.
- Water and sanitary services are being installed to service commercial lots on the west side of the main runway.
- A quick turnaround facility for car rental operations and a ground support equipment building for airline operations will be built in the vicinity of the terminal.
- Forty-six industrial lots south of the main runway are available for development.
- A convenience store and service station will be built at the new terminal entrance.



YMM has 1,267 acres of land ready for development.

## Airside and groundside projects

- Connecting road from ATB to Highway 69 to be finished in 2014.
- Connecting road from RR 85 to main access road also to be completed in 2014.
- Natural gas services, including ATCO pipeline gas station, for the new terminal to be completed in 2013.
- Airside access road, parking lot, parking revenue system, apron, taxiways and three connectors to the main runway on schedule for completion with the new ATB.

# NOW SOARING AT 40,000 FEET

Our dedicated crew and visionary leaders made us the airport of tomorrow. Now with strategic business partnerships and a unified focus on becoming a more progressive, enticing employer, we can be the workplace of tomorrow for hundreds of Albertans, too.

## **TEAM FLYFORTMAC IS READY FOR TAKEOFF**

To become Canada's premier regional airport, we know our services must be customer-focused, friendly and meet or exceed all expectations across the entire airport.

Team FlyFortMac is a customer service concept that brings YMM employees and members from 40 companies that work at the airport under one banner, sharing their unique skills and expertise to create an environment where customers receive a superior customer experience in a safe and secure facility. To achieve it, YMM will work with Team FlyFortMac to:

- Maintain airport operations 24/7
- Create a customer-centered service culture with frontline staff trained to provide consistent high levels of service to passengers
- Provide an Ambassador Program and Customer Service Centre
- Meet and exceed marking standards set by:
  - Transport Canada
  - Annual quality service indexes
  - Airport Council International (ACI) Airport Service Quality Program
  - Management Program

## **BECOMING AN EMPLOYER OF CHOICE**

We want YMM to be one of the top places where people want to work. To provide a safe, well-managed work place that encourages innovative and creative customer service is part of the way to achieve this. Some of the programs to achieve this include:

- An organizational plan that addresses:
  - Staffing requirements when the new terminal opens in 2014
  - Clear descriptions of positions and performance expectations
  - Extensive employee training
  - New leader recruitment and succession planning
  - Widespread employee participation in organizational planning
- An environmental health and safety strategy and wellness program that addresses:
  - Illness prevention
  - Stress management
  - Exercise and health living
  - Overall employee well-being

- A positive employment brand that offers:
  - Stimulating work
  - Workplace rewards
  - Training and development
  - Corporate social responsibility and ethics
  - Opportunities to advance



# WE HOPE YOU ENJOY YOUR STAY IN THE FORT MCMURRAY AREA, OR WHEREVER YOUR TRAVELS MAY TAKE YOU

Welcome to an airport with roots that run deep in the community, providing everything the area and the people within it need to grow and prosper for years to come.

## MAKING AN IMPACT

YMM is a vital contributor to local and provincial economic activity and is a vital element in the Wood Buffalo region's transportation infrastructure. The 2011 economic impact activity generated by construction and 40 on-airport businesses:

- Created 1,700 jobs
- Generated \$118 million in annual labour income
- Made \$245 million in value-added GDP expenditures
- In total, the airport generated \$363 million for the Wood Buffalo region.

The airport's positive impact on the Wood Buffalo region will grow as additional passenger and cargo flights are added in 2013. The opening of the new terminal in 2014 will generate many new jobs and stimulate growth of the airport business community.

The economic impact review was conducted by transportation and aviation experts RP Erikson & Associates.



In 2011, economic impact activity generated by construction and on-airport businesses created 1,700 jobs.





## YOUR ATTENTION, PLEASE

Our Stakeholder Relations Plan builds and maintains effective relationships with our stakeholders. We established a Marketing and Communications role in August, 2012 to engage and build relationships with our many local stakeholders with special attention to regional media on a wide range of topics, from record passenger numbers to the opening of the new departures lounge. We achieved on-air coverage in both radio and television for the ATB expansion project and the new Denver flight.

As well, stories of the expansion project were featured in major industry magazines and publications. The quarterly YMM News newsletter informed stakeholders of the expansion project, our economic impact on the region, and on the new seasonal flights to Mexico.

Moving forward, we will continue to expand these tools to engage and inform our stakeholders of new services and amenities that will make flying at YMM a positive, memorable experience.

## HELPING FORT MCMURRAY SOAR

YMM is as strong as the community it serves. We believe in bringing positive long-term results that benefit the greatest number of people. Our Community Investment Program is designed to support organizations that build communities and help those in need.

The Community Investment Program focuses on three core areas:

- **Youth** – programs that improve accessibility and offer educational opportunities to youth.
- **Aviation Education and History** – programs that preserve and educate the people of Fort McMurray on the region's rich aviation history.
- **Canada's Military** – programs that support the men and women who serve in the Canadian Armed Forces.

In 2012, YMM donated \$17,850 to youth programs and \$7,000 to aviation programs for a total of \$24,850. For 2013, YMM launched a new public information campaign through brochures and on its website, and re-launching its Employee Matching Program. YMM will continue working with organizations and community events associated with our business and values, and encourage Team FlyFortMac members to volunteer wherever possible in the community.



In 2012, YMM donated \$17,850 to youth programs and \$7,000 to aviation programs for a total of \$24,850.



YMM is proud to support the men and women of the Canadian Armed Forces.

# FORT MCMURRAY AIRPORT AUTHORITY MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

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# MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

## **FORWARD LOOKING STATEMENTS**

This MD & A contains information that is forward looking which reflects management's expectations regarding the Authority's future growth, results of operations, performance, and business prospects and opportunities. Wherever possible, words such as "believe", "expect" and similar expressions have been used to identify these forward looking statements. The statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward looking statements. Although the forward looking statements contained in this MD & A are based upon what management believes to be reasonable assumptions, the Authority cannot assure readers that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD & A.

## **INTERIM FINANCIAL INFORMATION**

This Management Discussion and Analysis (MD&A) of Fort McMurray Airport Authority (FMAA) for the Year ended December 31, 2012 should be read in conjunction with the Fort McMurray Airport Authority Unaudited Financial Statements and notes as at December 31, 2012.

The accompanying unaudited financial statements of the FMAA have been prepared by and are the responsibility of the Authority's management. The Authority's unaudited financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Additional information relating to the Authority is posted at [www.flyfortmac.ca](http://www.flyfortmac.ca)

The Fort McMurray Airport Authority was incorporated in December 2009 under the Regional Airport Authorities Act (Alberta) and its first Board was formed effective January 1, 2010. It is the fourth airport authority to form in Alberta. In Alberta, Airport Authorities act as businesses independent of governments, but accountable through regulations and good business practice to users and appointers. Effective January 1, 2010, the Authority completed the process of acquiring the assets of the Fort McMurray Airport from the Municipality.

Fort McMurray Airport is Alberta's air gateway to the Athabasca Oil Sands which is a major contributor to the prosperity of Alberta and Canada. FMAA employs over 60 people, with hundreds of others involved in the many businesses at and near the airport. FMAA is committed to the development of an international air terminal and is considering other major initiatives related to airport activity.

FMAA has experienced significant growth over the last few years, and along with planned growth there is a need to improve the airport infrastructure to serve the needs of the region. The new Airport Terminal Project has commenced that will see the development of a new air terminal building, apron and taxiway development, along with other infrastructure such as parking, roads and utilities. The project is planned to be opened and fully operational by spring 2014.

FMAA, like other airport authorities, is dependent on the level of aviation activity, including passengers at its airport. Fort McMurray Airport is currently served by six air carriers providing regularly scheduled

# MANAGEMENT DISCUSSION & ANALYSIS

## FOR THE YEAR ENDED DECEMBER 31, 2012

passenger service to seven non-stop destinations. In addition, there are eight carriers providing charter passenger services. Currently there are no cargo carriers providing freight or integrated courier services with the two major commercial carriers providing limited cargo capacity in the belly of passenger aircraft serving Fort McMurray Airport .

### **OUTLOOK**

Our aviation forecast for 2012 anticipated a growth in passenger traffic, enplaned and deplaned, to 790,000 passengers, an increase of 3.4% from the 2011 level of 763,708. Our actual results for the year well exceeded expectations, with annual scheduled passenger traffic for year being 16.9% higher over the 2011 calendar year totals or 892,774. Counting Chartered Passengers or 65,041, not included in previous passenger totals, the total passenger count for 2012 was 957,815. A number of major Oil Sands projects were initiated or continued in 2012, fueled by the price of oil approaching near \$100 barrel, which contributes substantially to the airport passenger growth. There should as well be an increase in traffic created by new scheduled and charter air services to Fort McMurray, with our initial International flight to Mexico commenced in December with the cooperation of Canada Border Services Agency (CBSA). In June, 2013, the Airport will see daily flight service to Denver. The Alberta economy has recovered from the economic downturn of the past five years and is returning to a sustainable pace of growth. Over the medium term, strengthening investment, particularly in the unconventional oil sector, will boost employment and incomes in the province, despite weakness in the conventional gas sector. Pipeline capacity and market access remain issues for future expansion.

### **PASSENGER TRENDS**

Growth in passenger activity at the Fort McMurray Airport is inextricably tied to capital expansion in the Athabasca Oil Sands. As we move beyond the downturn experienced in 2008 and into the next major economic cycle, Fort McMurray is well-positioned to enjoy continued air service growth and an expansion of the air service route network. At the international level, FMAA is working to further improve scheduled passenger services in the years ahead. The inclusion of an international component in both the existing and new air terminal buildings coupled with involvement of the CBSA for customs services will see both scheduled and charter international service prior to the opening of the expanded facilities. The Canadian air carrier industry, dominated by Air Canada and WestJet, has experienced a level of success that parallels the Canadian economy. To date, aircraft load factors into Fort McMurray have remained high and coupled with airline revenue experience on a mileage basis well above the Canadian average, both carriers have taken steps to cope with fluctuations in costs and demand and updating their scheduled fleet. Fort McMurray continues to be an important domestic origin/destination airport for both carriers and this role will grow in the years ahead. Scheduled air travel to the north is provided by Tier 3 carriers and continues to be an important part of our service. Other small regional carriers will continue to find niche markets using Fort McMurray Airport as a regional hub.

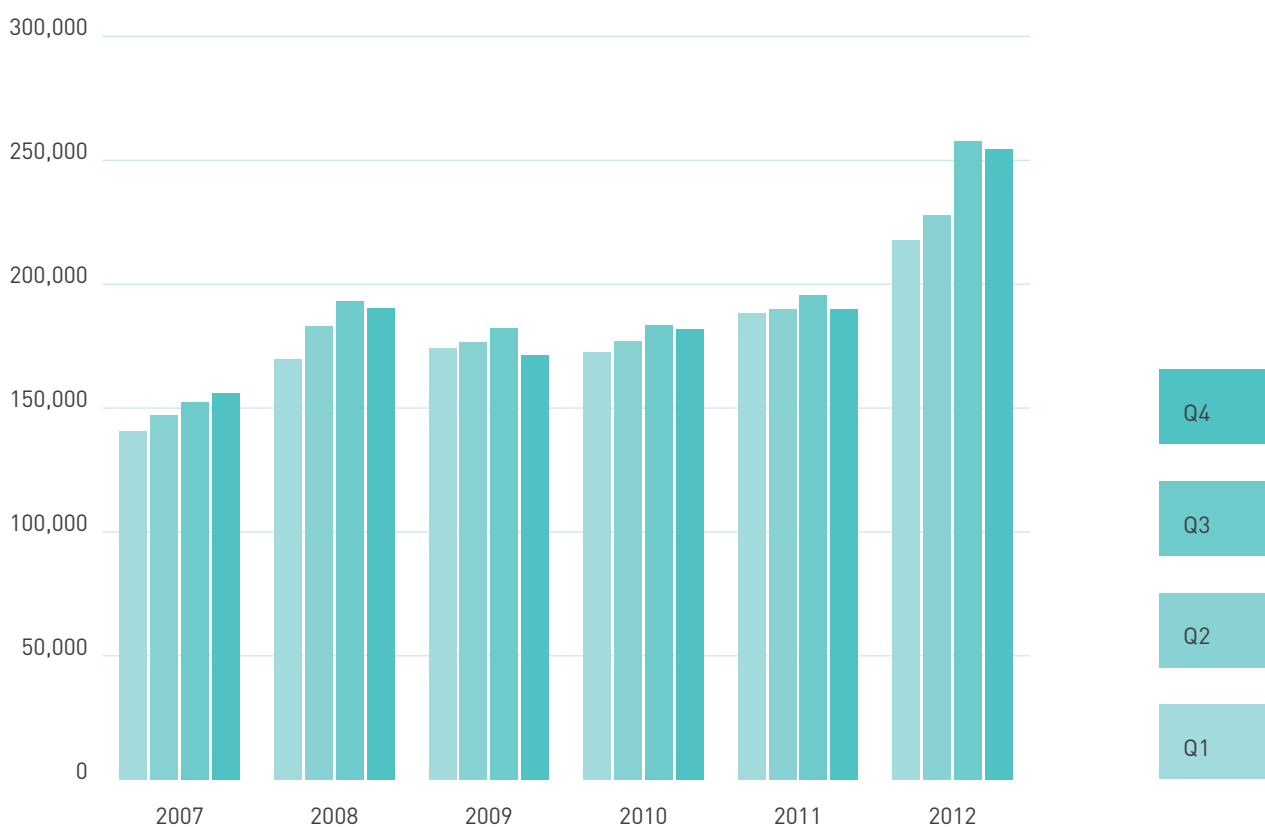
# MANAGEMENT DISCUSSION & ANALYSIS

## FOR THE YEAR ENDED DECEMBER 31, 2012

### PASSENGER ACTIVITY

The following table reflects the passenger activity on a quarterly for 2012 with comparative information from 2007 to 2012. For 2012, 65,041 charter passengers were included in the total. Data prior to 2012 was for scheduled passengers only. For the year ended December 31, 2012, traffic was 892,774 without the charter passengers, an increase of 16.9% or 957,815 with charter passengers, an overall reported increase of 25.4%.

	2007	2008	2009	2010	2011	2012
Q1	140,484	169,521	174,154	172,413	188,305	217,716
Q2	146,994	183,194	176,528	176,847	189,930	227,793
Q3	152,164	192,974	182,278	183,455	195,633	257,691
Q4	156,029	190,298	171,402	181,944	189,840	254,615
Annual	595,671	735,987	704,362	714,659	763,708	957,815



# MANAGEMENT DISCUSSION & ANALYSIS

## STATEMENT OF INCOME

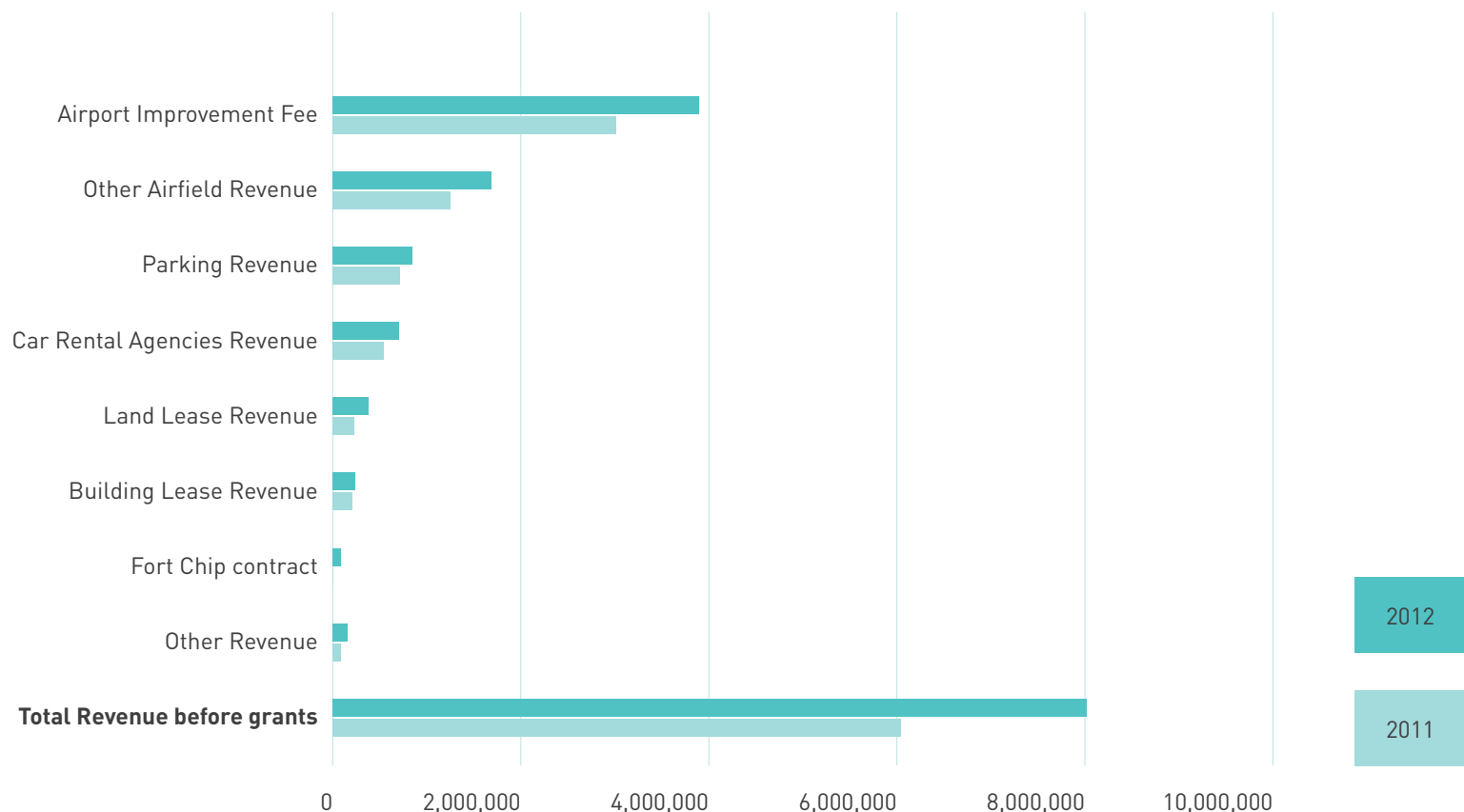
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2012	2011	Change
<b>REVENUE</b>							
Airport Improvement Fee	3,092,980	3,270,800	3,690,610	3,899,300	13,953,690	10,870,629	28.36%
Other Airfield Revenue	1,364,976	1,545,411	1,772,395	1,684,408	6,367,189	5,124,786	24.24%
Parking Revenue	821,623	959,378	655,583	850,540	3,287,123	2,747,812	19.63%
Car Rental Agencies Revenue	436,751	596,477	503,263	707,702	2,244,192	1,947,830	15.21%
Land Lease Revenue	695,250	342,910	330,999	383,169	1,752,329	863,213	103.00%
Building Lease	235,199	275,202	166,223	243,115	919,739	796,152	15.52%
Other Revenue	227,644	191,502	169,796	248,216	837,159	464,539	80.21%
<b>Total Revenue before grants</b>	<b>6,874,422</b>	<b>7,181,681</b>	<b>7,288,868</b>	<b>8,016,450</b>	<b>29,361,421</b>	<b>22,814,963</b>	<b>28.69%</b>
RMWB Grant - Project	0	0	0	0	0	0	0.00%
RMWB Grant - Sustaining	0	1,000,000	0	0	1,000,000	0	0.00%
<b>TOTAL REVENUE</b>	<b>6,874,422</b>	<b>8,181,681</b>	<b>7,288,868</b>	<b>8,016,450</b>	<b>30,361,421</b>	<b>22,814,963</b>	<b>33.08%</b>
<b>EXPENSES</b>							
Salaries & Wages	1,481,142	1,550,775	1,569,987	1,623,870	6,225,774	5,289,709	17.70%
Operating	611,960	444,778	411,094	576,021	2,043,853	2,073,525	-1.43%
General & Administrative	523,592	452,627	653,574	787,192	2,416,986	1,674,174	44.37%
AIF Fee Handling	197,642	201,728	231,740	233,496	864,606	702,950	23.00%
Customs / CBSA	0	0	0	17,718	17,718	0	0.00%
Loss on Disposal of Assets	(59,781)	0	0	0	(59,781)	(5,000)	1095.62%
Authority Board Costs	36,612	55,285	71,227	36,310	199,433	207,651	-3.96%
Other Expenses	0	10,600	2,085	1,415	14,100	21,654	-34.88%
<b>TOTAL EXPENSES</b>	<b>2,791,166</b>	<b>2,715,792</b>	<b>2,939,708</b>	<b>3,276,023</b>	<b>11,722,689</b>	<b>9,964,663</b>	<b>17.64%</b>
<b>EBITA</b>	<b>4,083,256</b>	<b>5,465,889</b>	<b>4,349,160</b>	<b>4,740,427</b>	<b>18,638,732</b>	<b>12,850,300</b>	<b>45.05%</b>
<b>INTEREST &amp; AMORTIZATION</b>							
Amortization Expense	2,598,420	2,748,507	2,753,970	2,941,897	11,043,346	10,921,574	1.11%
Interest - Operations	0	0	0	0	0	37,522	-100.00%
<b>INTEREST &amp; AMORTIZATION</b>	<b>2,598,420</b>	<b>2,748,507</b>	<b>2,753,970</b>	<b>2,941,897</b>	<b>11,043,346</b>	<b>10,959,096</b>	<b>-100.00%</b>
<b>NET REVENUE (DEFICIENCY)</b>	<b>1,484,836</b>	<b>2,717,382</b>	<b>1,595,190</b>	<b>1,798,530</b>	<b>7,595,386</b>	<b>1,891,203</b>	<b>301.65%</b>
<b>NET ASSETS, BEGINNING</b>	142,223,411	143,708,247	146,425,629	148,020,818	142,223,411	140,332,208	1.35%
<b>NET ASSETS, END OF PERIOD</b>	143,708,247	146,425,629	148,020,818	149,819,349	149,818,796	142,223,411	5.34%

# MANAGEMENT DISCUSSION & ANALYSIS

## STATEMENT OF REVENUES

THREE MONTHS ENDED DECEMBER 31, 2012

	Three months ended December 31		
	2012	2011	Change
<b>REVENUE</b>			
Airport Improvement Fee	3,899,300	3,011,580	29.48%
Other Airfield Revenue	1,684,408	1,246,228	35.16%
Parking Revenue	850,540	719,062	18.28%
Car Rental Agencies Revenue	707,702	538,503	31.42%
Land Lease Revenue	383,169	227,523	68.41%
Building Lease Revenue	243,115	209,105	16.26%
Fort Chip contract	87,500	0	0.00%
Other Revenue	160,716	91,031	76.55%
<b>Total Revenue before grants</b>	<b>8,016,450</b>	<b>6,043,032</b>	<b>32.66%</b>
RMWB Grant - Project Financing	0	0	0.00%
RMWB Grant - Sustaining Capital	0	0	0.00%
<b>Total Revenue</b>	<b>8,016,450</b>	<b>6,043,032</b>	<b>32.66%</b>

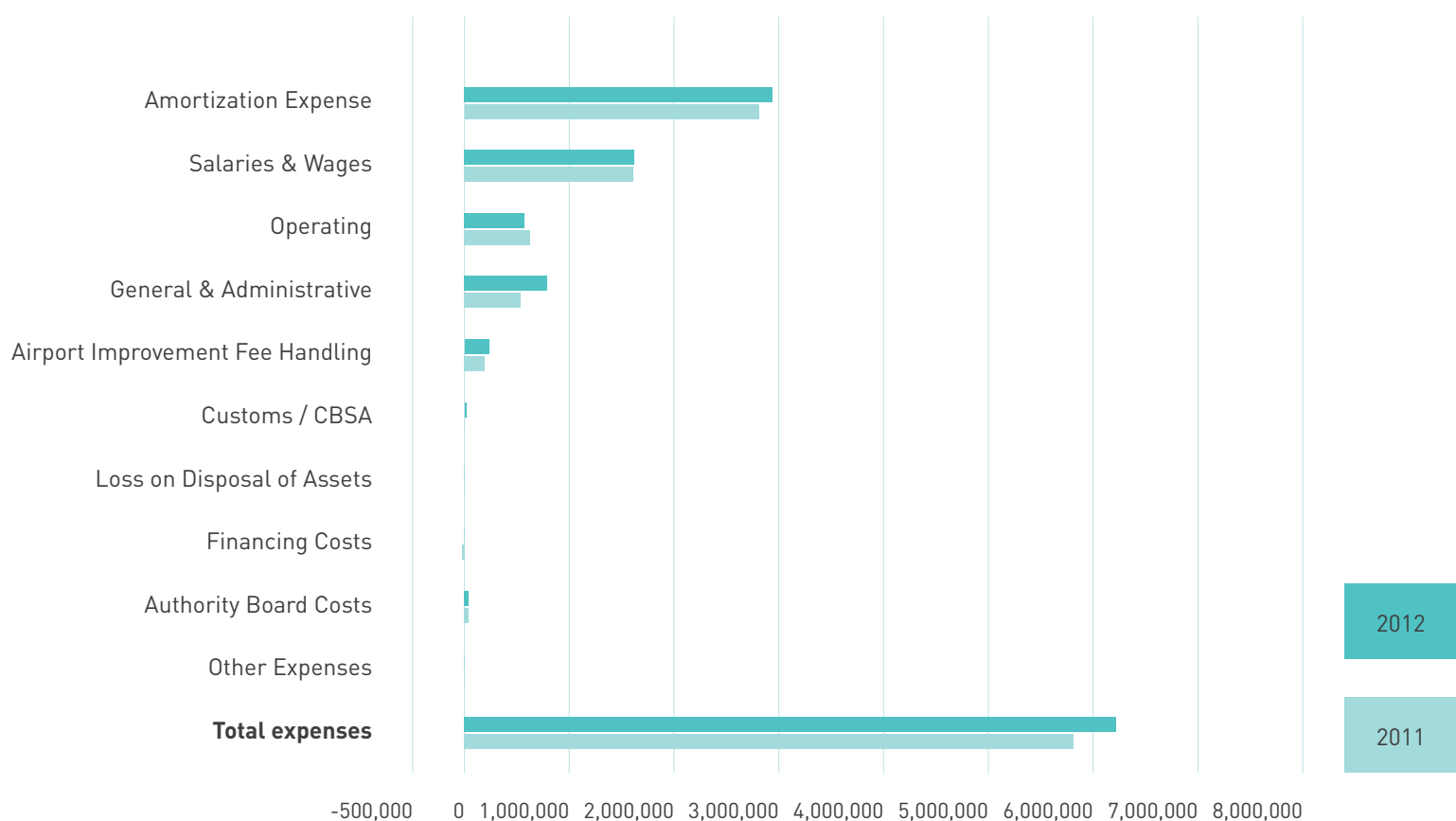


# MANAGEMENT DISCUSSION & ANALYSIS

## EXPENSE ANALYSIS

THREE MONTHS ENDED DECEMBER 31, 2012

	Three months ended December 31		
	2012	2011	Change
<b>EXPENSES</b>			
Amortization Expense	2,941,897	2,808,281	4.56%
Salaries & Wages	1,623,870	1,613,933	0.62%
Operating	576,021	624,102	-7.70%
General & Administrative	787,192	539,048	46.03%
Airport Improvement Fee Handling	233,496	190,987	22.26%
Customs / CBSA	17,718	0	0.00%
Loss on Disposal of Assets	0	0	0.00%
Financing Costs	0	(1,165)	-100.00%
Authority Board Costs	36,310	39,204	-7.38%
Other Expenses	1,415	0	0.00%
<b>Total expenses</b>	<b>6,217,920</b>	<b>5,814,390</b>	<b>6.85%</b>



# MANAGEMENT DISCUSSION & ANALYSIS

## OPERATIONAL ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2012

For the three months ended December 31, 2012, FMAA had net income of \$1.8 Million. This is a \$1.58 Million over the same period in 2011. Operating Revenues increased by \$1.98 M to \$8.01 M or 32.7% driven largely by a passenger increase over 25%. Operating Expenses increased by \$398 Thousand or 6.85%, primarily in staff salaries, wages and General and Administrative Costs.

Amortization for the three months ended December 31, 2012 totaled \$2.94 M an increase of 4.56% over the same period for 2011.

There is a 7% AIF handling fee included in expenses paid to the airlines for collecting the AIF on behalf of FMAA. For the final quarter of 2012, this amounted to \$233 thousand (2011: \$191 thousand).

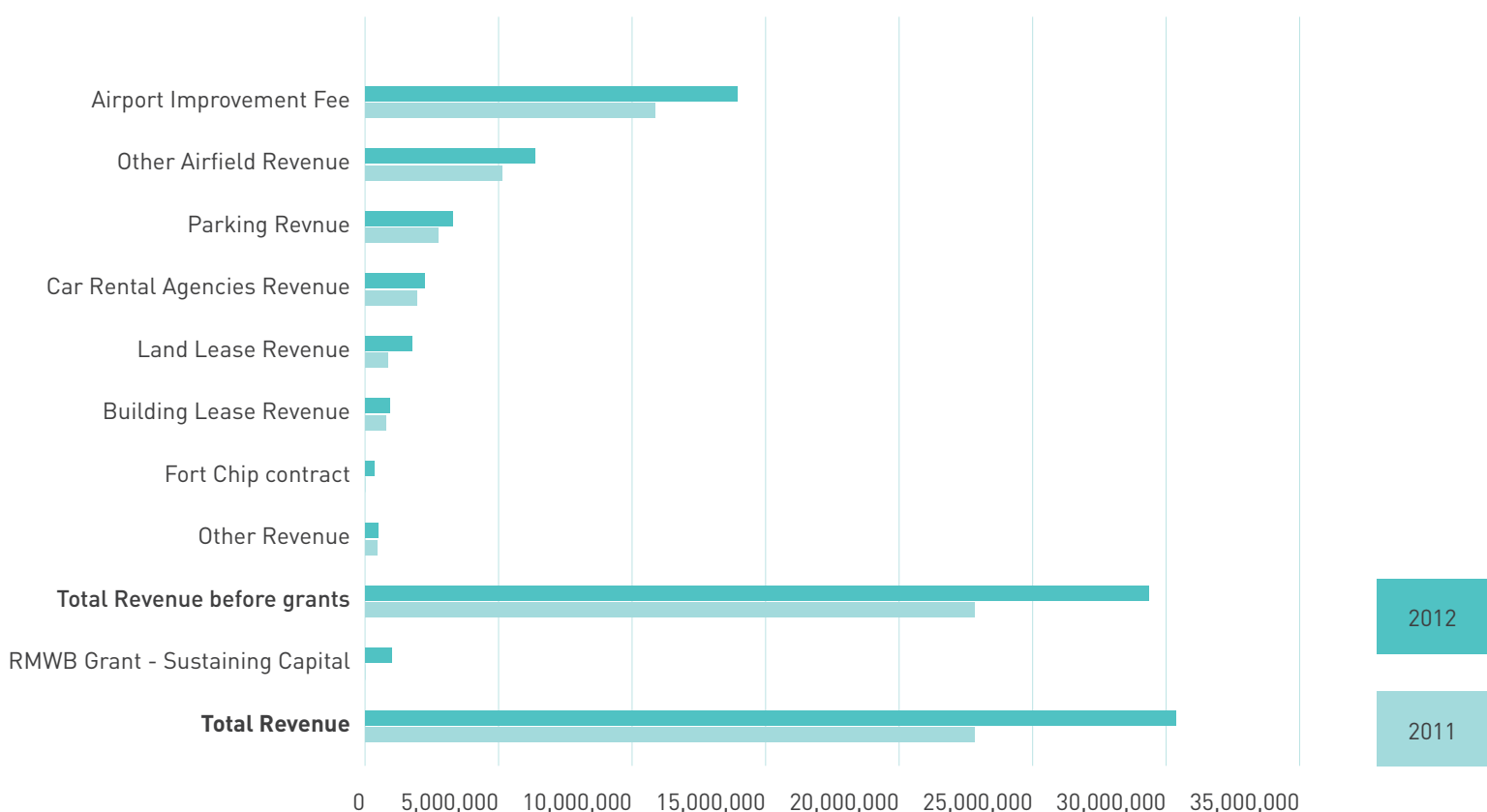
# MANAGEMENT DISCUSSION & ANALYSIS

## STATEMENT OF REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2012

12 months ended December 31

	2012	2011	Change
<b>REVENUE</b>			
Airport Improvement Fee	13,953,690	10,870,629	28.36%
Other Airfield Revenue	6,367,189	5,124,786	24.24%
Parking Revenue	3,287,123	2,747,812	19.63%
Car Rental Agencies Revenue	2,244,192	1,947,830	15.21%
Land Lease Revenue	1,752,329	863,213	103.00%
Building Lease Revenue	919,739	796,152	15.52%
Fort Chip contract	346,042	0	0.00%
Other Revenue	491,117	464,539	5.72%
<b>Total Revenue before grants</b>	<b>29,361,421</b>	<b>22,814,961</b>	<b>28.69%</b>
RMWB Grant - Project Financing	0	0	0.00%
RMWB Grant - Sustaining Capital	1,000,000	0	0.00%
<b>Total Revenue</b>	<b>30,361,421</b>	<b>22,814,961</b>	<b>33.08%</b>

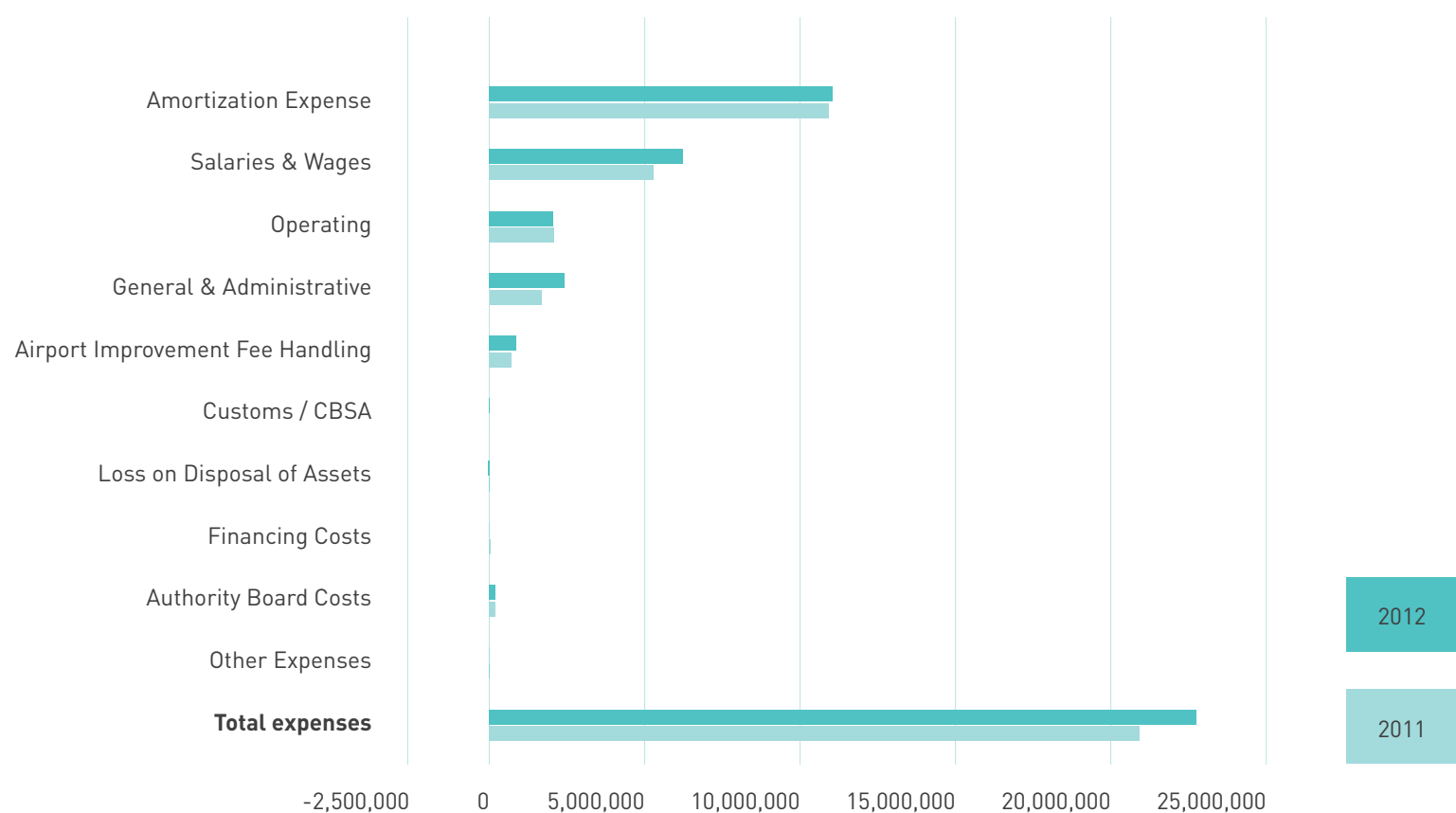


# MANAGEMENT DISCUSSION & ANALYSIS

## STATEMENT OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	12 months ended December 31		
	2012	2011	Change
<b>EXPENSES</b>			
Amortization Expenses	11,043,346	10,921,574	1.11%
Salaries & Wages	6,225,774	5,289,709	17.70%
Operating	2,043,853	2,073,525	-1.43%
General & Administrative	2,416,986	1,674,174	44.37%
Airport Improvement Fee Handling	864,606	702,950	23.00%
Customs / CBSA	17,718	0	100.00%
Loss on Disposal of Assets	(59,781)	(5,000)	1095.62%
Financing Costs	0	37,522	-100.00%
Authority Board Costs	199,433	207,651	-3.96%
Other Expenses	14,100	21,654	-34.89%
<b>Total expenses</b>	<b>22,766,035</b>	<b>20,923,759</b>	<b>8.80%</b>



# MANAGEMENT DISCUSSION & ANALYSIS

## OPERATIONAL ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

For the year ended December 31, 2012, FMAA had net income of \$7.6 Million including a \$1 Million grant from the Regional Municipality of Wood Buffalo to assist in renovations to the existing Air Terminal Building. Excluding the Municipal grant, the net income is a \$4.7 M improvement over 2011.

Operating Revenues increased by \$6.55 M or 28.6%, driven in large part from a scheduled passenger increase of 16.9%, coupled with higher tariff and fee charges, resulting in increases in all revenue sources. In addition, AIF-Equivalent fees from Charter aircraft were \$1.71 M compared to \$.92 M in 2011, which fees commenced in March of that year.

Airport Improvement Fee (AIF) and the AIF Equivalent (AIF-E) AIF-Equivalent Fee are the largest components of revenue and are levied for each departing passenger using the air terminal building on aircraft of ten seats or more. The AIF and AIF-E for Charter flights are used to fund the redevelopment and expansion of the airport facilities, and to repay interest and principal when debt is used for redevelopment and expansion. Since March 1, 2010, departing passengers have been charged an AIF at a rate of \$20.00 for destinations outside the region, and \$10 within the region. For the first two months of 2010, all AIF rates were \$10 per departing passenger. Effective March 1, 2011 the AIF and AIF-E rates increased to \$30 for departing passengers outside of the region.

Operating Expenses also increased by \$1.76 M, some \$.94 M of which is accounted for by salary and wage cost increases, General and Administrative increases of \$.74 M, primarily caused by increased professional and consulting fees, with offsets including a net \$60 Thousand gain on an equipment disposal.

There is a 7% AIF handling fee included in expenses paid to the airlines for collecting the AIF on behalf of FMAA. For 2012, this amounted to \$865 thousand (2011: \$703 thousand).

Amortization for the year period totaled \$11.0 M compared to 2011's \$10.92 M, an increase of 1.01%.

# MANAGEMENT DISCUSSION & ANALYSIS

## FIVE YEAR FINANCIAL OUTLOOK

This five year financial outlook is based on current assumptions that are believed to be most likely given the current economic climate over this period. Passenger volumes, parking use, leasing activity, construction costs and capital investments are all critical supporting assumptions. Dollar amounts rounded to the nearest \$1,000.

<b>Fort McMurray Airport Forecast 2012-2017</b>	Budget 2012	Actual 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
Passengers	790,000	957,815	1,000,000	1,033,514	1,064,865	1,094,054	1,116,757
<b>REVENUE</b>							
Airport Improvement Fee	11,589	13,954	14,052	14,523	13,250	15,373	15,692
Other Airfield revenue	5,338	6,367	6,818	7,329	7,853	8,391	8,908
Parking revenue	3,057	3,287	3,537	3,659	3,873	4,138	4,393
Car rentals	1,892	2,244	2,237	2,312	2,382	2,448	2,499
Land lease/rental	1,005	1,753	1,938	3,478	4,048	4,133	4,792
Building lease/rental	790	920	958	1,917	1,989	2,044	2,086
Fort Chipewyan	350	346	350	350	350	350	350
Other	335	491	455	464	473	482	488
<b>Total before Grants</b>	<b>24,355</b>	<b>29,362</b>	<b>30,345</b>	<b>34,033</b>	<b>35,932</b>	<b>37,359</b>	<b>39,208</b>
Grants - RMWB - Sustaining	1,000	1,000					
Grants - RMWB - Project	0	0	0	400	800	800	800
<b>TOTAL REVENUE</b>	<b>25,355</b>	<b>30,362</b>	<b>30,345</b>	<b>34,433</b>	<b>36,732</b>	<b>38,159</b>	<b>40,008</b>
<b>EXPENSES</b>							
Salaries, wages & benefits	5,903	6,226	8,213	11,016	12,090	13,043	13,979
General & administrative	2,138	2,417	2,777	3,638	3,809	3,896	3,994
AIF collection fees	745	865	881	911	938	964	984
Customs / CBSA	558	18	700	0	0	0	0
Operations expense/Other	2,377	1,998	2,022	3,053	3,144	3,238	3,335
Authority / director costs	263	199	386	397	409	422	434
<b>TOTAL EXPENSES</b>	<b>11,984</b>	<b>11,723</b>	<b>14,980</b>	<b>19,014</b>	<b>20,392</b>	<b>21,563</b>	<b>22,726</b>
EBITA	13,370	18,639	15,364	15,418	16,340	16,596	17,282
Amortization & Interest	10,983	11,043	11,213	22,254	26,934	26,891	26,839
Net Earnings/(-Loss)	2,388	7,596	4,152	-6,836	-10,594	-10,295	-9,557

# MANAGEMENT DISCUSSION & ANALYSIS

## FIVE YEAR FINANCIAL OUTLOOK

### EBITA Allocations and Utilization - Five Year Projections- NEAREST \$1,000

Fort McMurray Airport PROJECT - Rounded to nearest \$1,000	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
EBITA - Project	13,170	14,012	14,825	15,209	15,508
Advances - ACFA		0	0	0	0
RMWB Grants / Deferred	6,250	5,850	-800	-800	-800
Project Interest Capitalized	-9,344	-4,672	0	0	0
Project Expenditures	-67,089	-11,111	0	0	0
ACFA Principal payments	0	-1,852	-3,835	-4,019	-4,210
ACFA Interest Expense	0	-4,672	-9,212	-9,028	-8,837
AVAILABLE TO PROJECT	-57,012	-2,444	978	1,362	1,661
Project Funds, Beginning	119,141	62,129	59,685	55,928	57,290
Project Funds, End of Year	62,129	59,685	55,928	57,290	58,952
ACFA - Debt Coverage ratios	1.66	1.41	1.60	1.65	1.70

#### Notes to Project EBITA :

ACFA loan total now \$198 Million after final draw of \$78 M on September 15, 2012.

Payments are interest only until September 15, 2014 after which payments will be \$6,523,452 bi-annually.

Interest is capitalized until the opening of the new terminal schedules for April, 2014.

Project EBITA is made up of net AIF and AIF-E fees. For 2012, \$500,000 of AIF-E has been allocated for Sustaining Capital.

Fort McMurray Airport OPERATIONS - nearest \$000	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017
EBITA - Operations	\$2,194	\$1,407	\$1,516	\$1,387	\$1,774
Sustaining Capital	-\$1,204	-\$642	-\$1,400	-\$1,400	-\$1,400
Net Cash Flow	\$990	\$765	\$116	(\$13)	\$374
Operation Funds, Beginning	\$9,371	\$10,361	\$10,638	\$10,753	\$10,740
Operation Funds, End of Year	\$10,361	\$10,638	\$10,753	\$10,740	\$11,114

Operations EBITA is net EBITA net of that allotted to Projects.

# MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

## CAPITAL ASSET MANAGEMENT

### Maintenance Capital

\$3.27 million was invested in sustaining capital expenditures at the airport for 2012. A grant of \$1 Million towards upgrades to the existing ATB was received from the RMWB.

### Capital Expenditure Projections – 2013 to 2017

The following table summarizes the projected maintenance and air terminal building project capital expenditures that are required for the next five years at Fort McMurray Airport.

(Nearest \$1,000)	2013	2014	2015	2016	2017
<b>Capital Expenditures</b>					
Maintenance	\$1,204	\$642	\$1,400	\$1,400	\$1,400
ATB Project	\$67,089	\$11,111	\$0	\$0	\$0
Total Capital Expenditures	\$70,073	\$11,753	\$1,400	\$1,400	\$1,400

### New Terminal Building

In 2012, FMAA invested over \$67 million towards construction of the New Terminal Building which was announced on December 10, 2010 and is slated to open the second quarter of 2014. Total funds invested to date now total \$126.4 million. This new Air Terminal Building will have an area of some 15,000 square meters and up to eight gates, initially served by four bridges, the others being ground loading gates. The building is under construction on a site south of the existing air terminal building with a new access planned from Highway 69. The terminal will be a highly functional and efficient building with many amenities aimed at a high-level of customer satisfaction and service. Improvements will include all aspects of service: road access, parking, check in, security, hold room space, baggage handling, food and beverage, retail, rental car facilities, arrivals level convenience, barrier free and general passenger experience. There is also a provision to make the terminal an International Airport, with flights for both cargo and passengers going to and from the USA and Mexico. The total investment in the Terminal as of December 31, 2012 is approximately 63% of the total estimated construction costs.

### Grant - Regional Municipality of Wood Buffalo

A total grant of \$25 Million was approved by the Regional Municipality to assist FMAA in construction of the new airport terminal, \$1 Million of which was identified for updates to the existing terminal building. Of this, one half was received in the first half of 2012, with the balance to be paid in equal amounts of \$6.25 Million the next two years. According to Generally Accepted Accounting Principles, the \$24 M for the new terminal facility will be recognized in revenue commencing in 2014 at the rates at which the property is amortized at that time.

# FORT MCMURRAY AIRPORT AUTHORITY FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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Statement of Operations & Net Assets	39
Statement of Cash Flows	40
Notes to the Financial Statements	41

# FORT MCMURRAY AIRPORT AUTHORITY

## STATEMENT OF MANAGEMENT ACCOUNTABILITY

These audited financial statements of the Fort McMurray Airport Authority ("the Authority") for the year ended December 31, 2012 have been prepared by and are the responsibility of the Authority's management. The Authority's financial statements include disclosures necessary for a fair presentation of the statements of financial position, results of operations and net assets and cash flows of the Authority and have been prepared in accordance with Canadian accounting standards for not for profit organizations ("GAAP"), and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Finance and Audit Committee of the Board of Directors meets periodically with management and independent auditors to review significant accounting, internal controls, and auditing matters. They also review and recommend the annual financial statements of the Authority to the Board of Directors.



Scott Clements  
President and Chief Executive Officer



Ter Hamer  
Vice President Corporate Services  
and Chief Financial Officer

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10180 - 101 Street  
Edmonton AB T5J 4E4  
Canada

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## Independent Auditor's Report

To the Board of Directors of the Fort McMurray Airport Authority

We have audited the accompanying financial statements of Fort McMurray Airport Authority, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fort McMurray Airport Authority as at December 31, 2012, and the results of its operations and its cash flows for the year ended December 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants  
April 26, 2013

# FORT MCMURRAY AIRPORT AUTHORITY

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	2012 \$	2011 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	9,548,989	5,937,986
Restricted cash and investments (Note 3)	119,607,091	29,687,762
Accounts receivable	3,600,114	2,615,773
Inventory	187,368	164,974
Mortgage receivable (Note 4)	20,364	20,401
Investments (Note 7)	0	74,850
Prepaid expenses	71,370	60,378
	<b>133,035,296</b>	<b>38,562,124</b>
Tangible capital assets (Note 5)	242,285,613	183,085,969
Intangible assets (Note 6)	34,054	29,951
Long-term investments (Note 7)	313,882	282,427
Mortgage receivable (Note 4)	527,751	546,926
	<b>376,196,596</b>	<b>222,507,397</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	16,380,276	10,283,987
Deferred revenue – QTA facility (Note 3)	497,524	0
Unamortized deferred capital contributions (Note 9)	11,500,000	0
	<b>28,377,800</b>	<b>10,283,987</b>
<b>TERM DEBT (Note 8)</b>	<b>198,000,000</b>	<b>70,000,000</b>
	<b>226,377,800</b>	<b>80,283,987</b>
COMMITMENTS (Note 11)		
CONTINGENCIES (Note 13)		
<b>NET ASSETS</b>		
Net assets	149,818,796	142,223,410
	<b>376,196,596</b>	<b>222,507,397</b>

APPROVED BY THE BOARD

 Director

 Director

# FORT MCMURRAY AIRPORT AUTHORITY

## STATEMENT OF OPERATIONS & NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 \$	2011 \$
<b>REVENUE</b>		
Airport improvement fee	12,246,900	9,950,550
AIF - equivalent fee	1,706,790	920,079
Other airfield revenue	6,367,189	5,124,786
Parking revenue	3,287,123	2,747,812
Car rental agencies revenue	2,244,192	1,947,830
Land lease revenue	1,752,329	863,213
Building lease revenue	919,739	796,152
Other revenue	837,159	464,539
Contributions from Regional Municipality of Wood Buffalo (Note 9)	1,000,000	0
<b>TOTAL REVENUE</b>	<b>30,361,421</b>	<b>22,814,961</b>
<b>EXPENSES</b>		
Amortization expense	11,043,346	10,921,574
Salaries & wages	6,225,774	5,289,709
Operating	2,043,853	2,073,525
General & administrative	2,416,986	1,674,174
Airport improvement fee handling	864,606	702,950
Customs/Canada Border Services Agency expenses	17,718	0
Gain on disposal of tangible capital assets	(59,781)	(5,000)
Financing costs	0	37,522
Authority Board costs	199,433	207,651
Other expenses	14,100	21,654
<b>TOTAL EXPENSES</b>	<b>22,766,035</b>	<b>20,923,759</b>
<b>NET REVENUE</b>	<b>7,595,386</b>	<b>1,891,202</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>142,223,410</b>	<b>140,332,208</b>
<b>NET ASSETS, END OF YEAR</b>	<b>149,818,796</b>	<b>142,223,410</b>

# FORT MCMURRAY AIRPORT AUTHORITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 \$	2011 \$
<b>OPERATING</b>		
Net revenue	7,595,386	1,891,202
Items not affecting cash:		
Gain on disposal of tangible capital assets	(59,781)	(5,000)
Amortization of tangible capital assets	11,004,309	10,879,322
Amortization of intangible assets	35,003	38,218
Amortization of long-term investment	4,034	4,034
	18,578,951	12,807,776
Change in non-cash working capital items		
Accounts receivable	(984,341)	(1,290,071)
Inventory	(22,394)	25,117
Prepaid expenses	(10,992)	21,873
Accounts payable and accrued liabilities	6,436,289	8,466,332
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	23,997,513	20,031,027
<b>INVESTING</b>		
Net change in restricted cash	(89,919,329)	(29,687,762)
Repayments of mortgage receivable	19,212	16,972
Expenditures on new airport terminal building	(67,718,220)	(43,390,557)
Purchase of tangible capital assets	(2,765,952)	(1,666,013)
Purchase of intangible assets	(39,106)	(17,347)
Proceeds from disposal of tangible capital assets	0	25,000
Net change in long-term investments	39,361	359,377
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	(160,384,034)	(74,360,330)
<b>FINANCING</b>		
Increase in deferred revenue – QTA facility	497,524	0
Contribution from Regional Municipality of Wood Buffalo	11,500,000	0
Proceeds from long-term debt	128,000,000	70,000,000
Repayment of long-term debt	0	(14,926,192)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	139,997,524	55,073,808
<b>Net cash inflow</b>	3,611,003	744,505
Cash and cash equivalents, beginning of year	5,937,986	5,193,481
Cash and cash equivalents, end of year	<b>9,548,989</b>	<b>5,937,986</b>

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 1. NATURE OF OPERATIONS

The Fort McMurray Airport Authority (The "Authority") was incorporated December 1, 2009 and began operating January 1, 2010, under the provisions of the Regional Airports Authorities Act (Alberta) (the "Act") for the purpose of managing the Fort McMurray Airport (the "Airport") in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. In accordance with the provisions of the Act, all Authority surpluses are applied towards promoting its purposes, and no dividends are paid out of the surpluses. Surpluses in these financial statements are described as net assets.

The Authority is considered to be a not-for-profit organization under Section 149 of the Income Tax Act (Canada) and, accordingly, is exempt from payment of income tax.

#### Transfer of Assets

Effective January 1, 2010 the Authority entered into a Transition and Transfer Agreement with the Regional Municipality of Wood Buffalo ("RMWB") to transfer the assets and operations of the Fort McMurray Regional Airport Commission (the "Commission") to the Authority. Tangible capital assets of the Commission were transferred to the Authority for a nominal amount through a Bill of Sale, Assignment and Assumption Agreement. Tangible capital assets were recorded on the transfer at the carrying amount of the Commission.

The RMWB, through Council Resolution dated January 26, 2010, formally transferred the membership and interest in the Commission to the Authority to be effective January 1, 2010. The Authority assumed the operations of the former Commission as a subsidiary of the Authority, appointing the Authority's Chief Executive Officer and Chief Financial Officer as sole directors of the Commission. Upon transfer, the assets, liabilities and net assets of the Commission were assumed by the Authority.

### 2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("GAAP") and reflect the following significant accounting policies:

#### Controlled Entities

The Authority has elected not to consolidate controlled entities as allowed under GAAP. The investment controlled by these entities is recorded at cost in the statement of financial position and prescribed disclosure is presented in the notes to the financial statements. The Authority has incorporated a wholly owned subsidiary, YMM Inc., which is currently dormant and had no activity in the year. The cost of the investment of \$1,459 (2011 - \$1,459) is comprised of incorporation and legal costs incurred, and is recorded in prepaid expenses.

#### Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash on deposit with financial institutions and short-term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents also include bank indebtedness consisting of overdrawn bank accounts. Bank indebtedness is included in cash and cash equivalents as it regularly fluctuates from being positive to overdrawn.

#### Accounts Receivable

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts where considered necessary.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### Inventory

Inventory is valued at the lower of cost and the net realizable value with the cost being determined on a first in, first out basis.

### Tangible Capital Assets

Tangible capital assets exclude the cost of facilities constructed on airport lands which are owned by tenants. Tangible capital assets are recorded at cost less accumulated amortization and impairment losses. Interest directly attributable to the acquisition, construction or development of tangible capital assets is capitalized.

Amortization is based on their estimated useful life at the following rates using the straight line method:

Buildings	15-34 years
Maintenance Equipment	10 years
Airside/Groundside Paving Structures	10 years
Airside Lighting Structures	10 years
Parking Lots	6-20 years
Apron Expansion	11 years
Light Vehicle Fleet	4-5 years
Fire Trucks	10 years
Firefighter Equipment	5 years
Furniture & Fixtures	5 years
Computer Hardware	3 years

### Intangible Assets

Intangible assets with a finite life are accounted for at cost. Amortization is based on their estimated useful life using the straight-line method over two years.

### Investments

Investments are recorded at cost. Earnings from these investments are recognized only to the extent received or receivable. The Authority recognizes an impairment loss in net earnings, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

### Impairment of Long-Lived Assets

When a long-lived asset no longer has any long-term service potential to the Authority, the excess of its net carrying amount over any residual value is recognized as an impairment loss and expensed in the statement of operations and net assets. No impairment loss was recorded for the year ended December 31, 2012.

### Revenue Recognition

The Authority recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the user is fixed or determinable and collection is reasonably assured. Specifically, revenue generated from Airport Improvement Fees, Airfield revenues, fees charged for parking, car rental agencies, land lease, building lease and other revenues are recognized as the airport facilities are utilized. Concession revenues are charged on a monthly basis and are recognized on a percentage of sales or

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

specified minimum rent basis. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenues.

### Airport Improvement Fees

The Authority derives revenue from the Airport Improvement Fee ("AIF"), which is collected by air carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada and air carriers serving airports that are signatories to the agreement. AIF revenue is used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities, at the Fort McMurray Airport. Effective March, 2011 the AIF was set at \$30, excepting for departures to local area destinations where it is \$10.

### Airport Improvement Fee – Equivalent

In addition, effective March 1, 2011, the Authority derives revenue from the Airport Improvement Fee – Equivalent ("AIF-E") for charter aircraft exceeding ten seats at the same rates as for the AIF described above. There was no charge prior to March 2011 for the AIF-E.

### Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year.

### Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value when the Authority becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

Investments in unlisted shares are measured at cost less any reduction for impairment.

Investments in listed shares and derivative financial instruments that are not designated in a qualifying hedging relationship are measured at fair value at the statement of financial position date. The fair value of listed shares is based on quoted bid prices while the fair value of the derivative financial instruments is based on fair value confirmation received from the banker with whom those instruments are negotiated. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Transaction costs related to financial instruments measured at fair value are expensed as incurred.

Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Authority recognizes in operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in operations in the period the reversal occurs.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 3. RESTRICTED CASH AND INVESTMENTS

	December 31 2012 \$	December 31 2011 \$
GIC investments	113,006,904	0
RBC current account	6,135,451	29,687,762
RBC current account – QTA project	464,736	0
<b>Total</b>	<b>119,607,091</b>	<b>29,687,762</b>

Restricted cash and investments is held by the Authority for the purpose of airport improvement, all restricted cash is held in the Authority's name and may only be applied for the purposes it was originally received for.

#### ACFA term debt proceeds

The Authority has received proceeds from term debt (Note 8) in advance for the new airport terminal building. During the current financial year the Authority invested loan proceeds received to date into two RBC GIC's. An investment of \$40,000,000 was made in a fixed 1-year term GIC which matures on September 13, 2013 and yields a return of 1.63% per annum. The second GIC of 73,000,000 is a fixed 1-year term and matures on September 17, 2013. The yield for this GIC is 1.56% per annum. The Authority may draw on this GIC based on its cash flow needs. The yield rate for this GIC reduces as and when the Authority draws on it. Interest earned of \$513,326 on these GICs has been netted off against the cost of construction of the new airport terminal.

The remaining loan proceeds of \$6,135,451 (2011 – \$29,687,762) are held in a separate bank account.

#### RBC current account – Quick Turn Around (QTA) project

This cash is received from the car rental agencies (the "agencies") operating from the airport. The money is to be applied for the purposes of developing a quick turn-around facility at the airport which will include a fuel station and car wash. Per the rental agreement between the Authority and the agencies the agencies are required to charge customers \$6 per day which in turn will be remitted to the Authority to finance the QTA development.

### 4. MORTGAGE RECEIVABLE

In 2010, the Authority assumed a mortgage receivable previously advanced by the Commission to a former member of Senior Management. The mortgage bears interest at 3.5% per annum, principal and interest payments of \$1,437 biweekly and is due May, 2033. The loan is secured by the related asset.

The current portion of the mortgage is \$20,364 (2011 - \$20,401) and the long-term portion of the mortgage is \$527,751 (2011 - \$546,926). The total amounts owing to the Authority as of December 31, 2012 are \$548,115 (2011 - \$567,327). Interest income earned for the year ended December 31, 2012 was \$19,333 (2011 - \$19,948). The loan was repaid in full January 2013.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 5. TANGIBLE CAPITAL ASSETS

	December 31, 2012		December 31, 2011	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	24,690,500	0	24,690,500	24,690,500
Buildings	151,640,693	2,944,385	148,696,308	80,271,200
Maintenance Equipment	334,535	63,850	270,685	243,951
Groundside Paving Structure	9,683	2,421	7,262	8,231
Airside Paving Structure	44,191,819	13,244,489	30,947,330	35,366,567
Airside Lighting Structures	2,372,111	697,343	1,674,768	1,911,980
Parking Lots	2,565,656	925,008	1,640,648	1,956,136
Apron Expansion	41,535,313	11,327,813	30,207,500	33,983,438
Light Vehicle Fleet	5,285,318	2,259,000	3,026,318	3,340,168
Fire Trucks	1,357,262	407,179	950,083	1,085,810
Firefighter Equipment	48,874	23,520	25,354	23,520
Furniture & Fixtures	167,774	82,448	85,326	106,655
Computer Hardware	205,042	141,511	63,531	97,813
	<b>274,404,580</b>	<b>32,118,967</b>	<b>242,285,613</b>	<b>183,085,969</b>

In the prior year the Authority entered into an agreement to replace a piece of mobile equipment with two new units at a cash cost of \$1,633,725 conditional upon the trade in of the existing unit. The first unit was collected in 2011 and \$795,000 was paid. The second unit was collected in January 2012 and the balance of \$838,725 was paid. The transactions were recorded at the fair value of the equipment received \$1,115,000 (2011 - \$1,135,000). The first leg of the transaction gave rise to a deferred gain \$340,000 which was recorded in accounts payable in 2011. Upon the disposal of the existing piece of mobile equipment in 2012, the net book value amounted to \$556,494 and a net gain of \$59,781 arising has been recognized.

Included in buildings are \$126,356,863 (2011 - \$58,925,287) of costs related to assets under construction. These assets are not subject to amortization. The Alberta Capital Finance Authority holds a General Security Agreement over all Personal Property of the Fort McMurray Airport Authority.

Net interest for the year ended December 31, 2012 incurred during the construction of tangible capital assets of \$4,691,464 (2011 - \$1,475,492) is included as part of the cost of the assets.

### 6. INTANGIBLE ASSETS

	December 31, 2012		December 31, 2011	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
<b>Computer Software</b>	<b>124,216</b>	<b>90,162</b>	<b>34,054</b>	<b>29,951</b>

Intangible assets with a finite life are accounted for at cost less accumulated amortization and impairment losses. Amortization is based on their estimated useful life using the straightline method over two years.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 7. INVESTMENTS

The Authority holds certain investments as follows:

	December 31, 2012	December 31, 2011
Guaranteed Deposits	\$	\$
Scotia Bank - 1.9% Matures July, 2014	143,933	141,242
Royal Bank of Canada - 2% Matured August, 2012	0	74,850
Alberta Oilsands Inc.	0	2
Hotel Investment - south airport terminal building	32,800	0
Hotel Investment - Nova Hotel	137,149	141,183
	313,882	357,277
Less Current	0	74,850
	<b>313,882</b>	<b>282,427</b>

#### 995442 NWT Ltd. (Nova Hotel)

The Authority has a 30-year lease with 995442 NWT Ltd. for a hotel at the airport. The Authority's investment in 995442 NWT Ltd. consists of the engineering and legal costs to review the lease agreement. The hotel opened September, 2010, and pays a nominal monthly rent plus a percentage of gross revenue. The carrying costs are amortized over the remaining life of the lease.

#### Hotel - south airport terminal building

The Authority has accepted a Request for Proposals ("RFP") application for a new hotel on the south side of the runway to be opened in 2015. The Authority's investment consists of costs involved to date with the creation of the RFP and reviews related to same. The carrying costs will be amortized over the life of the lease once the facility has opened.

### 8. TERM DEBT

#### Alberta Capital Finance Authority ("ACFA")

On March 7, 2011, the Authority secured long-term financing for construction of the new Airport Terminal Building scheduled to open April, 2014. The new facility has estimated total construction costs of \$198,000,000. Quarterly draws totalling \$198,000,000 were set between March 2011 and September 2012 at a fixed rate of 4.719% for thirty years, due March 15, 2041. Interest only payments commenced September 2011 with principal and interest payments scheduled to commence September 2014 in the amount of \$13,046,904 annually. The debenture is secured by a first charge on all Authority assets. A Letter of Credit with a due date of March 16, 2013 for an amount of up to \$10,000,000 in support of the debenture issued by the ACFA has been arranged by the RBC, pari passu with ACFA.

Capital Debt relating to the Authority at year-end is \$198,000,000 (2011 - \$70,000,000).

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Under the terms of the ACFA facility, when debentures are outstanding, the Authority is required to maintain an Interest Coverage Ratio of not less than 1.25:1 and net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis. All covenants have been met.

Principal payments required in the next five years and thereafter are as follows:

	\$
2013	Nil
2014	1,851,542
2015	3,835,384
2016	4,018,491
2017	4,210,382
Thereafter	184,084,201
<b>Total</b>	<b>198,000,000</b>

### 9. RELATED PARTY TRANSACTIONS

#### Mortgage Receivable

The Authority assumed a mortgage receivable to a former member of senior management. This mortgage has since been repaid. See Note 3 for particulars.

#### Regional Municipality of Wood Buffalo

The RMWB is an appointee of three directors to the Board of Directors of the Authority, and had previously appointed all directors to the predecessor Board of Directors of the Commission. The net assets of the Commission were transferred to the Authority with an effective date of January 1, 2010.

On May 24, 2011, the Council of the RMWB approved a matching funding grant of \$25,000,000 to the Authority - \$24,000,000 of the grant is to provide civil works to support the development of the new airport terminal building.

The Authority has received \$12,500,000 as the first instalment of the grant with the balance of the funds to be received as follows:

2013 - \$6,250,000  
2014 - \$6,250,000

Per the grant agreement \$1,000,000 of the total funding is to be used at the discretion of the Authority for the purpose of providing customs and immigration facilities within the existing airport terminal. Due to the discretionary and unrestricted nature of this funding it was recorded as revenue during the current financial year.

The remaining \$11,500,000 received has been utilized as intended and has been spent in the year. Amounts are recorded in unamortized deferred capital contributions on the statement of financial position. This balance will be amortized over the life of the assets to which it relates and will commence as and when the related assets are available for use.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 9. RELATED PARTY TRANSACTIONS (CONTINUED)

In 2010, the RMWB approved a By-Law which waives the RMWB portion of property taxes while leaving the Authority responsible for only that portion of the property taxes that are paid to the Provincial Government, as well as that portion of the property taxes used for senior citizen support.

#### Staff Housing

The Authority owns seven staff housing units all of which are rented to current employees. The rental charge is based on the housing policy of the RMWB. It is slightly below the perceived market rent in the community and has been treated as a taxable benefit to the involved employees. The rents for 2012 totalled \$151,357 (2011 - \$147,552) and the direct expenses associated with these totalled \$39,083 (2011 - \$29,440).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 10. PENSION AND RETIREMENT PLANS

Employees of the authority participate in the Local Authorities Pension Plan ("LAPP"), which is one of the multi-owner plans covered by the Public Sector Pension Plans Act of Alberta.

Total service contributions by the Authority to the LAPP for 2012 were \$390,623 (2011 - \$323,683).

The Authority has a defined contribution supplementary retirement plan for two senior executives. The expense recorded in the statements for 2012 totalled \$37,282 (2011 - \$30,979). The Authority requires members to contribute to the plan at a rate equal to that required by LAPP.

### 11. COMMITMENTS

In 2011 the Authority commenced construction of a new Airport Terminal and related site works with a projected opening of spring, 2014, the approximate total construction cost of which is \$198,200,000. In 2011, the new Airport Terminal contract was awarded for \$78,200,000 and the site works contract was awarded for \$49,100,000. There were no new contracts related to this project awarded during the year that had outstanding commitments as at year-end.

### 12. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash and cash equivalents, accounts receivable, mortgage receivable, long-term investments and other like amounts that will result in future cash receipts, as well as accounts payable and accrued liabilities, long-term debt and other like amounts that will result in future cash outlays.

#### Credit risk

The Authority is exposed to credit risk as it provides credit to a large number of customers in the normal course of its operations. This risk is minimized through the Authority's diverse customer base and assessment of potential customer's financial condition prior to extending credit.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 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. In seeking to minimize the risk from interest rate fluctuations, the Authority manages exposure through its normal operating and financing activities. The Authority is exposed to interest rate risk with respect to term loans subject to refinancing. The ACFA project financing has been secured for the 30-year term of the note at 4.719%.

### 13. CONTINGENCIES

In the normal course of operations, there are pending claims against the Authority or assumed from the predecessor Commission. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, it is not possible to predict the ultimate outcome of these claims, if any, which may result.

As part of the new terminal building development, the Authority requires supporting infrastructure such as water, sewer and upgraded road access which are offsite airport lands to be provided for the new airport terminal. The estimated total costs of such supporting infrastructure are \$4,714,500. The costs that will be borne by the Authority will be based on construction undertaken and paid at that time. As at year-end, funding has not been secured for these estimated future costs.

### 14. ECONOMIC DEPENDENCE

Revenue generated from major airlines such as Air Canada/Air Canada Express and WestJet account for approximately one-half of total revenues on a recurring basis. In addition, passengers flying with these airlines generate a significant portion of remaining revenue amounts. The Authority's ability to continue variable operations is dependent on Air Canada/Air Canada Express and WestJet continuing to fly to and from the Airport. As of the financial statement date, the Authority believes that their relationship with these airlines will continue into the foreseeable future.

### 15. CAPITAL MANAGEMENT

The Authority's objectives when managing capital are:

- To safeguard the Authority's ability to continue as a going concern;
- To provide adequate capital to fund the Authority's growth, without charging Air Terminal users any more than is reasonably required; and
- To meet debt covenants of current and future debt obligations.

- Liquidity Risk

The Authority actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

Management believes that future cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Authority's financial liabilities. Further, management also believes that the financing secured from ACFA for the new Airport Terminal project being planned will be adequately serviced by the Airport Improvement Fees payable by departing passengers.

# FORT MCMURRAY AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

### 16. DIRECTOR & OFFICER REMUNERATION

This information is provided pursuant to The Regulations of the Not-for-profit Corporations Act (S.C. 2009, c. 23) and represents the total compensation paid and expenses reimbursed to each director for the year end December 31, 2012.

#### DIRECTOR REMUNERATION

	2012		2011	
	Gross Pay \$	Travel \$	Gross Pay \$	Travel \$
Alexander, Cheryl	9,651	659	5,467	1,525
Balkwill, Kenneth	15,995	6,340	2,775	1,564
Fitzner, Jeff	13,450	439	13,692	0
Kallal, Allan	22,017	2,300	8,040	0
Kulas, Mario	0	3,747	0	2,369
McKenzie, Jonathan	0	0	31,925	4,243
Obrigewitsch, Trent	10,700	995	0	0
Ralph, Mildred	12,250	1,103	12,025	0
Schroeder, Sheldon	34,150	1,055	13,417	697
Wallis, Peter	14,933	2,758	20,351	6,748
Wehmeyer, Bernd	12,150	680	7,754	0
Wells-Devaney, Roxanne	0	0	10,700	3,447
Williams, Roy		0	0 13,408	1,599

#### OFFICER REMUNERATION

	Gross Pay \$	Travel \$	Dev. & Training \$	2012	2011
				Total \$	Total \$
President & CEO	276,204	43,329	8,742	328,275	305,965
COO (a)	401,714	10,567	5,510	417,791	230,770
CFO/VP Corporate Services	186,862	7,242	2,568	196,672	211,041

Officer Compensation includes base salary, bonus, pension, employer paid contributions and taxable benefits.

(a) Included in gross pay is \$220,000 related to severance that has been expensed in the December 31, 2012 financial statements.

**YMM** FORT McMURRAY  
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