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Financial statements of  
Niagara Central  
Airport Commission

December 31, 2019

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## Independent Auditor's Report

To the Board Members, Members of Council  
Inhabitants and Taxpayers of the Corporation of the City of Welland

### Opinion

We have audited the financial statements of the Niagara Central Airport Commission (the "Commission"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2019, the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
April 20, 2020

## Niagara Central Airport Commission

### Statement of operations

Year ended December 31, 2019

	Notes	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
<b>Revenue</b>				
Grants	3	167,510	167,510	82,219
Rentals		75,000	90,493	79,689
Other		12,000	80	37,974
Fuel net earnings (Schedule 1)		45,000	28,204	6,425
Donations		—	1,270	1,435
Interest		—	571	1,138
		<b>299,510</b>	<b>288,128</b>	208,880
<b>Expenses</b>				
Repairs and maintenance		80,000	74,495	23,012
Amortization		60,000	70,069	60,346
Salaries and wages		38,000	38,365	33,526
Property taxes	8	40,000	25,667	28,010
Promotion and marketing		45,000	18,783	8,793
Interest on loans		41,710	14,815	12,560
Interest		10,000	2,302	—
Insurance	8	10,000	12,481	17,535
Legal, audit and accounting		7,100	10,379	4,353
Office		13,000	10,234	14,519
Consulting		—	6,968	14,145
Light, heat and water		13,000	6,383	2,709
Honorariums		1,700	1,425	1,249
		<b>359,510</b>	<b>292,366</b>	220,757
Annual deficit		<b>(60,000)</b>	<b>(4,238)</b>	(11,877)
Accumulated surplus, beginning of year		<b>1,338,144</b>	<b>1,338,144</b>	1,350,021
<b>Accumulated surplus, end of year</b>		<b>1,278,144</b>	<b>1,333,906</b>	1,338,144

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

**Niagara Central Airport Commission**  
**Statement of change in net debt**  
Year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Notes			
<b>Annual deficit</b>	<b>(60,000)</b>	<b>(4,238)</b>	<b>(11,877)</b>
Amortization of tangible capital assets	60,000	70,069	60,346
Acquisition of tangible capital assets, net	—	(6,078)	(236,708)
Credit received for tangible capital asset	—	79,789	—
	<b>60,000</b>	<b>143,780</b>	<b>(176,362)</b>
Purchase of fuel inventory	(50,000)	(91,345)	(157,589)
Sale of fuel inventory	50,000	112,932	126,938
	—	21,587	(30,651)
Acquisition of prepaid expenses	—	(1,354)	(1,354)
Use of prepaid expenses	—	1,354	1,354
	—	—	—
Increase (decrease) in net financial assets	—	161,129	(218,890)
Net debt, beginning of year	<b>(347,124)</b>	<b>(347,124)</b>	<b>(128,234)</b>
<b>Net debt, end of year</b>	<b>(347,124)</b>	<b>(185,995)</b>	<b>(347,124)</b>

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

# Niagara Central Airport Commission

## Statement of financial position

As at December 31, 2019

	Notes	2019 \$	2018 \$
<b>Financial assets</b>			
Cash		198,615	254,537
Investments		29,947	29,944
Accounts receivable		43,073	46,129
		<b>271,635</b>	330,610
<b>Liabilities</b>			
Accounts payable and accrued liabilities		37,317	211,162
Loans payable	4	372,840	412,350
Capital lease obligation	7	47,473	54,222
		<b>457,630</b>	677,734
Net debt		<b>(185,995)</b>	(347,124)
<b>Non-financial assets</b>			
Prepaid expenses		1,354	1,354
Fuel inventory		25,685	47,272
Tangible capital assets (Schedule 2)		1,492,862	1,636,642
		<b>1,519,901</b>	1,685,268
Accumulated surplus	5	<b>1,333,906</b>	1,338,144

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

On behalf of the Commission

\_\_\_\_\_, Director

\_\_\_\_\_, Director

## Niagara Central Airport Commission

### Statement of cash flows

Year ended December 31, 2019

	2019	2018
	\$	\$
<b>Operating activities</b>		
Annual deficit	(4,238)	(11,877)
Non-cash item		
Amortization	70,069	60,346
Decrease (increase) in accounts receivable	3,056	(26,227)
(Decrease) increase in accounts payable and accrued liabilities	(173,845)	188,486
Decrease in deferred grant revenue	—	(33,716)
Decrease (increase) in fuel inventory	21,587	(30,651)
	<b>(83,371)</b>	146,361
<b>Investing activities</b>		
Increase in investments	(3)	(1,138)
Acquisition of tangible capital assets, net	(6,078)	(180,967)
Credit received for tangible capital asset	79,789	—
	<b>73,708</b>	(182,105)
<b>Financing activities</b>		
Repayment of capital lease	(6,749)	(1,519)
Increase in loans payable	—	173,000
Repayment of loans payable	(39,510)	(15,421)
	<b>(46,259)</b>	156,060
Change in cash	(55,922)	120,316
Cash, beginning of year	254,537	134,221
<b>Cash, end of year</b>	<b>198,615</b>	254,537

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



# Niagara Central Airport Commission

## Notes to the financial statements

December 31, 2019

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### 1. Nature of operations

Niagara Central Airport Commission (the "Commission") operates a two-runway airport offering a year-round fixed-base operation. The Commission is funded by the four nearby municipalities; City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet.

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

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

### 2. Accounting policies

The financial statements of the Commission are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Commission are as follows:

#### *Reporting entity*

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Commission.

#### *Budget figures*

The budget approved by the Commission for 2019 is reflected on the statements of operations and change in net debt.

#### *Revenue recognition*

The Commission's grant revenues are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

Rentals, fuel and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

#### *Investment*

Investment consists of a guaranteed income certificate which is recorded at amortized cost.

#### *Inventory*

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

#### *Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing Commission services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Runways, taxiways and aprons	7 years
Buildings	20 years
Machinery and equipment	5 to 20 years
Infrastructure	20 years
Computer hardware	5 years

## Niagara Central Airport Commission

### Notes to the financial statements

December 31, 2019

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## 2. Significant accounting policies (continued)

### *Tangible capital assets (continued)*

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

### *Reserves for future expenditures*

Certain amounts, as approved by the Commission, are set aside in reserves for future operating and capital expenses.

### *Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Commission may undertake in the future. Significant accounting estimates include allowance for doubtful accounts and useful lives of tangible capital assets. Actual results could differ from those estimates.

## 3. Grants

	<b>Actual 2019</b>	Actual 2018
	\$	\$
Operating		
City of Welland	<b>93,806</b>	41,820
City of Port Colborne	<b>31,827</b>	21,995
Town of Pelham	<b>30,152</b>	13,251
Township of Wainfleet	<b>11,725</b>	5,153
	<b>167,510</b>	82,219

**Niagara Central Airport Commission**  
**Notes to the financial statements**  
December 31, 2019

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**4. Loans payable**

	<b>Actual 2019 \$</b>	Actual 2018 \$
Due to the City of Welland, bearing interest of 4.3% per annum repayable in annual instalments of \$12,123 commencing June 15, 2019.	<b>91,007</b>	99,151
Due to the City of Welland, bearing interest of 3.5% per annum repayable in annual instalments of \$16,533 commencing June 15, 2018.	<b>115,817</b>	128,403
Due to the City of Port Colborne, bearing interest of 4.3% per annum repayable in annual instalments of \$4,113 commencing August 24, 2019.	<b>30,629</b>	33,370
Due to the City of Port Colborne, bearing interest of 3.5% per annum repayable in annual instalments of \$6,012 commencing June 15, 2018.	<b>42,115</b>	46,692
Due to the Town of Pelham, bearing interest of 4.3% per annum repayable in annual instalments of \$3,897 commencing June 15, 2019.	<b>29,252</b>	31,870
Due to the Town of Pelham, bearing interest of 3.5% per annum repayable in annual instalments of \$5,411 commencing June 15, 2018.	<b>37,904</b>	42,023
Due to the Township of Wainfleet, bearing interest of 4.3% per annum repayable in annual instalments of \$1,515 commencing June 15, 2019.	<b>11,376</b>	12,394
Due to the Township of Wainfleet, bearing interest of 3.5% per annum repayable in annual instalments of \$2,190 commencing June 15, 2018.	<b>14,740</b>	18,447
	<b>372,840</b>	412,350
Amounts relating to interest expense	<b>7,417</b>	12,560
	<b>365,423</b>	399,790

**4. Loans payable (continued)**

Principal repayments on loans payable consist of the following:

	Regular principal payment \$
2020	52,469
2021	52,469
2022	52,469
2023	52,469
2024 and thereafter	155,547
	<u>365,423</u>

**5. Accumulated surplus**

	2019 \$	2018 \$
Consists of		
Operating deficit	(175,120)	(314,662)
Reserves (Note 6)	16,164	16,164
Investments in tangible capital assets	1,492,862	1,636,642
	<u>1,333,906</u>	<u>1,338,144</u>

**6. Reserves**

	2019 \$	2018 \$
Reserves set aside for specific purposes		
Capital expenditures		
Balance, beginning of year	16,164	16,164
Funds used to acquire tangible capital assets	—	—
Balance, end of year	<u>16,164</u>	<u>16,164</u>

## Niagara Central Airport Commission

### Notes to the financial statements

December 31, 2019

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#### 7. Obligations under capital lease

The Commission leased tractor equipment under a capital lease in the current year. Principal and interest payments due in the years ended December 31 are:

	<b>2019</b>	2018
	<b>\$</b>	\$
Principal		
2019	—	9,113
2020	<b>9,113</b>	9,113
2021	<b>9,113</b>	9,113
2022	<b>9,113</b>	9,113
2023	<b>9,113</b>	9,113
Thereafter	<b>18,225</b>	18,225
	<b>54,676</b>	63,788
Amounts representing interest	<b>(7,203)</b>	(9,566)
	<b>47,473</b>	54,222

#### 8. Related party transactions

The Commission is funded by the four nearby municipalities: City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet (Note 3). These four municipalities each have a non-controlling interest in the Commission.

Property taxes of \$25,667 (\$28,010 in 2018) were paid to the Town of Pelham. All transactions are in the normal course of operations, and are recorded at the exchange value.

#### 9. Runway 16/34, Taxiway Bravo & Taxiway Alpha Rehabilitation

The Commission had significant rehabilitation work performed on multiple phases of runways and taxiways in fiscal 2018 which was determined to be not satisfactory. As such, payment of the full invoice balance of \$180,322 (inclusive of HST) was recorded as payable as at December 31, 2018. The amount was fully capitalized to tangible capital assets, along with partial amortization.

However, during 2019, a Settlement Meeting between the Commission and the contractor who performed the work was held where a mutual agreement was made for only fifty percent of the invoice balance to be paid. The pre-tax balance of \$79,789 was credited against the opening balance of the tangible capital asset in Schedule 2.

**Niagara Central Airport Commission**  
**Schedule 1 – Schedule of fuel operations**  
Year ended December 31, 2019

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	<b>2019</b>	2018
	<b>\$</b>	\$
<b>Sales</b>	<b>141,136</b>	133,363
<b>Cost of sales</b>		
Inventory, beginning of year	<b>47,272</b>	16,621
Purchases	<b>91,345</b>	157,589
	<b>138,617</b>	174,210
Inventory, end of year	<b>25,685</b>	47,272
	<b>112,932</b>	126,938
<b>Net earnings</b>	<b>28,204</b>	6,425

**Niagara Central Airport Commission**  
**Schedule 2 – Schedule of tangible capital assets**  
Year ended December 31, 2019

	Land \$	Runways, taxiways and aprons \$	Buildings \$	Machinery and equipment \$	Infra- structure \$	Computer hardware \$	2019 \$	2018 \$
<b>Cost</b>								
Beginning of year	1,048,950	2,079,402	547,959	103,351	133,251	2,459	3,915,372	3,678,664
Add: additions during the year	—	—	4,828	1,250	—	—	6,078	236,708
Less: credit received for runway	—	(79,789)	—	—	—	—	(79,789)	—
End of year	1,048,950	1,999,613	552,787	104,601	133,251	2,459	3,841,661	3,915,372
<b>Accumulated amortization</b>								
Beginning of year	—	1,704,757	409,731	45,495	116,288	2,459	2,278,730	2,218,384
Add: amortization during the year	—	54,871	10,317	3,063	1,818	—	70,069	60,346
End of year	—	1,759,628	420,048	48,558	118,106	2,459	2,348,799	2,278,730
<b>Net book value</b>	1,048,950	239,986	132,739	56,042	15,145	—	1,492,862	1,636,642

Included in machinery and equipment is an asset under capital lease with a cost of \$55,741 (\$55,741 in 2018) and net-book value of \$52,442 (\$55,277 in 2018).