



**YLV**

Kelowna International Airport

*2012*  
**FINANCIAL  
STATEMENTS**

December 31, 2012



# Contents

|   | <b>Page</b> |
|---|-------------|
| Independent auditors' report                    | 1           |
| Statement of financial position                 | 2           |
| Statement of operations and accumulated surplus | 3           |
| Statement of changes in net financial assets    | 4           |
| Statement of cash flows                         | 5           |
| Notes to the financial statements               | 6-12        |
| Schedule 1 – Tangible capital assets            | 13          |

# Independent auditors' report

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To the members of Council of the City of Kelowna

We have audited the accompanying financial statements of Kelowna International Airport (the "Airport"), which comprise the statement of financial position as at December 31, 2012, and the statement of operations and accumulated surplus, statement of changes in net financial assets and the statement of 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 public sector accounting standards, 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.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' 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 Airport'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 Airport'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 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 Kelowna International Airport as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kelowna, BC  
April 16, 2013

*Grant Thornton LLP*  
Chartered accountants

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Financial Position**  
**As at December 31, 2012**

|                                     | <b>Actual<br/><u>2012</u></b> | <b>Actual<br/><u>2011</u></b> |
|-------------------------------------|-------------------------------|-------------------------------|
| <b>Financial Assets</b>             |                               |                               |
| Cash and temporary investments      | \$ 13,054,172                 | \$ 20,691,870                 |
| Accounts receivable                 |                               |                               |
| Federal government                  | 194,771                       | 133,178                       |
| Provincial government               | 787,811                       | 223,608                       |
| Trade                               | <u>2,720,444</u>              | <u>1,859,921</u>              |
|                                     | <u>16,757,198</u>             | <u>22,908,577</u>             |
| <b>Liabilities</b>                  |                               |                               |
| Accounts payable                    |                               |                               |
| Federal government                  | 93,354                        | 91,319                        |
| Regional government                 | 140,647                       | 140,647                       |
| Trade                               | 1,930,010                     | 921,114                       |
| Performance deposits                | 244,890                       | 244,084                       |
| Deferred revenue                    | 89,772                        | 86,144                        |
| Debenture debt (Note 4)             | <u>10,340,928</u>             | <u>11,839,984</u>             |
|                                     | <u>12,839,601</u>             | <u>13,323,292</u>             |
| <b>Net Financial Assets</b>         | <u>3,917,597</u>              | <u>9,585,285</u>              |
| <b>Non Financial Assets</b>         |                               |                               |
| Prepaid expenses                    | 130,429                       | 125,092                       |
| Construction in progress (Note 5)   | 17,747,465                    | 5,318,917                     |
| Tangible capital assets (Note 6)    | <u>63,695,076</u>             | <u>64,203,572</u>             |
|                                     | <u>81,572,970</u>             | <u>69,647,581</u>             |
| <b>Accumulated Surplus (Note 7)</b> | <u>\$ 85,490,567</u>          | <u>\$ 79,232,866</u>          |

Contingent liabilities (Note 8)  
 Commitments (Note 9)



S. Samaddar  
 Airport Director



K. Grayston, CGA  
 Director, Financial Services

*See accompanying notes to the financial statements*

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2012**

|   | Budget<br><u>2012</u> | Actual<br><u>2012</u> | Actual<br><u>2011</u> |
|---|-----------------------|-----------------------|-----------------------|
| <b>Revenue</b>                              |                       |                       |                       |
| Sale of services (Note 11)                  | \$ 19,658,951         | \$ 20,082,469         | \$ 18,786,958         |
| Interest earned                             | 171,000               | 196,746               | 235,968               |
| Conditional transfers - Federal government  | 429,350               | 1,062,758             | 408,736               |
| Other capital contributions                 | -                     | 166,401               | 108,745               |
|   | <u>20,259,301</u>     | <u>21,508,374</u>     | <u>19,540,407</u>     |
| <b>Expenditures</b>                         |                       |                       |                       |
| Administration                              | 2,067,645             | 2,087,018             | 1,810,200             |
| Interest                                    | 894,000               | 744,000               | 744,000               |
| Terminal operations                         | 3,604,521             | 3,407,468             | 3,246,976             |
| Airport improvement fee                     | 322,521               | 321,691               | 277,569               |
| Airport policing                            | 374,000               | 372,259               | 360,454               |
| Groundside operations                       | 1,742,223             | 1,635,842             | 1,561,169             |
| Airside operations                          | 2,049,422             | 2,425,548             | 2,135,472             |
| Loss on disposal of tangible capital assets | -                     | -                     | 956                   |
| Amortization                                | -                     | 4,256,847             | 4,141,919             |
|   | <u>11,054,332</u>     | <u>15,250,673</u>     | <u>14,278,715</u>     |
| <b>Excess of Revenue Over Expenditures</b>  | <u>\$ 9,204,969</u>   | <u>6,257,701</u>      | 5,261,692             |
| Accumulated Surplus, beginning of year      |                       | <u>79,232,866</u>     | <u>73,971,174</u>     |
| <b>Accumulated Surplus, end of year</b>     |                       | <u>\$ 85,490,567</u>  | <u>\$ 79,232,866</u>  |

*See accompanying notes to the financial statements*

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2012**

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|   | Budget<br><u>2012</u>        | Actual<br><u>2012</u>             | Actual<br><u>2011</u>      |
|---|------------------------------|-----------------------------------|----------------------------|
| <b>Excess of Revenue Over Expenditure</b>         | \$ 9,204,969                 | \$ <b>6,257,701</b>               | \$ 5,261,692               |
| Amortization                                      | -                            | <b>4,256,847</b>                  | 4,141,919                  |
| Proceeds from disposal of tangible capital assets | -                            | -                                 | 1,947                      |
| Acquisition of tangible capital assets            | (27,782,780)                 | <b>(16,176,899)</b>               | (9,799,593)                |
| Loss on disposal of tangible capital assets       | -                            | -                                 | 956                        |
| Change in prepaid expenses                        | -                            | <b>(5,337)</b>                    | (21,584)                   |
|   | <u>(18,577,811)</u>          | <u><b>(5,667,688)</b></u>         | <u>(414,663)</u>           |
| <b>Net Financial Assets, beginning of year</b>    | <u>9,585,285</u>             | <u><b>9,585,285</b></u>           | <u>9,999,948</u>           |
| <b>Net Financial Assets, end of year</b>          | \$ <u><u>(8,992,526)</u></u> | \$ <u><u><b>3,917,597</b></u></u> | \$ <u><u>9,585,285</u></u> |

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*See accompanying notes to the financial statements*

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

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| Net inflow (outflow) of cash related to the following activities: | <b>Actual<br/>2012</b>      | Actual<br>2011              |
|---|-----------------------------|-----------------------------|
| <b>Operating</b>  |                             |                             |
| Excess of Revenue Over Expenditures                               | \$ 6,257,701                | \$ 5,261,692                |
| Adjustment for non-cash items                                     |                             |                             |
| Amortization  | 4,256,847                   | 4,141,919                   |
| Loss on disposal of tangible capital assets                       | -                           | 956                         |
| Actuarial adjustment on debenture debt                            | (166,401)                   | (108,745)                   |
| Decrease (increase) in assets                                     |                             |                             |
| Accounts receivable   | (1,486,319)                 | (406,567)                   |
| Prepaid expenses  | (5,337)                     | (21,584)                    |
| Increase (decrease) in liabilities                                |                             |                             |
| Accounts payable  | 1,010,931                   | 442,441                     |
| Performance deposits  | 806                         | (211)                       |
| Deferred revenue  | 3,628                       | 58,110                      |
|   | <u>9,871,856</u>            | <u>9,368,011</u>            |
| <b>Capital</b>  |                             |                             |
| Proceeds from disposal of tangible capital assets                 | -                           | 1,947                       |
| Purchase of tangible capital assets                               | (16,176,899)                | (9,799,593)                 |
|   | <u>(16,176,899)</u>         | <u>(9,797,646)</u>          |
| <b>Financing</b>  |                             |                             |
| Repayment of debenture debt                                       | (1,332,655)                 | (1,332,655)                 |
| <b>Net cash outflow</b>   | <b>(7,637,698)</b>          | <b>(1,762,290)</b>          |
| Cash and temporary investments, beginning of year                 | <u>20,691,870</u>           | <u>22,454,160</u>           |
| <b>Cash and temporary investments, end of year</b>                | <b>\$ <u>13,054,172</u></b> | <b>\$ <u>20,691,870</u></b> |
| <b>Supplementary cash flow information</b>                        |                             |                             |
| Interest paid   | <u>\$ 744,000</u>           | <u>\$ 744,000</u>           |

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*See accompanying notes to the financial statements.*

# KELOWNA INTERNATIONAL AIRPORT

## Notes to Financial Statements

December 31, 2012

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### 1. Organization and nature of operations

The Kelowna International Airport (the “Airport”) is controlled by the City of Kelowna (the “City”) and is reported in the City’s financial statements as part of the City’s resources and operations.

The City operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada entered into January 1, 1969 (“the Ground Lease”). The current term of the lease, renewed January 1, 1996 for a period of 39 years, ends on December 31, 2034.

These financial statements reflect only the assets, liabilities and operations of the Airport. The financial statements have been prepared in accordance with Canadian public sector accounting standards.

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### 2. Significant accounting policies

#### Accrual accounting

The accrual method for reporting revenues and expenditures has been used.

#### Cash and temporary investments

Cash and temporary investments represent funds held by and invested in the City of Kelowna pooled investments. The amounts are recorded at cost and are comprised of deposits with banks, guaranteed investment certificates, municipal finance authority bond and money market funds, and provincial and bank issued accrual notes and debentures.

The temporary investments held are readily convertible to cash and are therefore included in cash and temporary investments.

#### Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value of the assets, is amortized on a straight-line basis over their estimated useful lives as follows:

|                         |                |
|-------------------------|----------------|
| Land improvements       | 25 years       |
| Buildings               | 10 to 75 years |
| Infrastructure          | 10 to 75 years |
| Machinery and equipment | 5 to 20 years  |

#### Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value.

#### Intangible assets

Intangible assets include works of art and historic assets. They are not recorded in these financial statements due to the uncertainty as to their value.

**KELOWNA INTERNATIONAL AIRPORT**  
**Notes to Financial Statements**  
**December 31, 2012**

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**2. Significant accounting policies (continued)**

**Interest capitalization**

The airport only capitalizes interest on projects being financed internally which will require debenture borrowing upon completion. Interest is calculated on monthly expenditures using the bank prime rate less 2%.

**Municipal Finance Authority cash deposits and demand notes**

The City, on behalf of the Airport, has issued its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature. The Debt Reserve and Demand Note balances are as follows:

|                           | <u>2012</u>         | <u>2011</u>         |
|---------------------------|---------------------|---------------------|
| Cash Deposits held by MFA | \$ 186,666          | \$ 181,192          |
| Demand Notes Held by MFA  | <u>878,327</u>      | <u>878,327</u>      |
|                           | <u>\$ 1,064,993</u> | <u>\$ 1,059,519</u> |

**Use of estimates**

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. The significant area requiring the use of management estimates relate to the determination of tangible capital assets' estimated useful life and related amortization. Actual results could vary from those estimates.

**Revenue recognition**

Airport improvement fee revenue is recognized as income in the period that passengers depart from the Airport.

Landing fees and terminal fees are generated principally from scheduled airlines and non-scheduled commercial aviation and are recognized when the airport facilities are utilized.

Rentals and fees, car parking revenue and other revenue are recognized when the airport facilities are utilized.

Car rental concession revenue is recognized based on the greater of an agreed percentage of reported concessionaire sales and specified minimum rentals. Other concession revenue is recognized based on an agreed percentage of reported concessionaire sales.

**Ground lease**

The Ground lease is accounted for as an operating lease and has a single rent payment of \$1 for the current 39 year term.

# KELOWNA INTERNATIONAL AIRPORT

## Notes to Financial Statements

December 31, 2012

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### 2. Significant accounting policies (continued)

#### Reserves for future expenditure

Reserves for future expenditure are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditure include funds to finance incomplete projects and accumulations for specific purposes.

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### 3. Future accounting changes

#### PS 3410 – Government transfers

This section replaces the existing Section PS 3410 Government transfers. This section establishes standards for recognition, presentation and disclosure for government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section applies to fiscal years beginning on or after April 1, 2012, with early adoption permitted.

#### PS 3450 – Financial instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

#### PS 2601 – Foreign currency translation

This section revises and replaces the existing Section PS 2600 Foreign currency translation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

#### PS 1201 – Financial statement presentation

This section revises and replaces the existing Section PS 1200 Financial statement presentation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

#### PS 3260 – Liability for contaminated sites

This section establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. The section does not deal with tangible capital asset retirement obligations, liabilities associated with the disposal or sale of a tangible capital asset and acquisition/betterment costs for tangible capital assets that are less than the future economic benefits. This section applies to fiscal years beginning on or after April 1, 2014, with early adoption permitted.

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### 4. Debenture debt

Debenture debt principal is reported net of sinking fund balances. The sinking fund balance at December 31, 2012 was \$5,659,072 (2011 - \$4,160,016). The interest rate on debenture debt is 4.65% and is due in 2018. Principal repayments for the next five years are as follows:

| <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>\$ 1,332,655</u> |

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**KELOWNA INTERNATIONAL AIRPORT**  
**Notes to Financial Statements**  
**December 31, 2012**

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**5. Construction in progress**

Construction in progress is recorded at cost, is not amortized and is comprised of:

|                                | <u>2012</u>          | <u>2011</u>         |
|--------------------------------|----------------------|---------------------|
| Land improvements              | \$ 15,647            | \$ 36,929           |
| Buildings                      | 5,961,911            | 614,634             |
| Engineering structures         | 10,596,907           | 4,543,654           |
| Machinery and equipment        | <u>1,173,000</u>     | <u>123,700</u>      |
| Total construction in progress | <u>\$ 17,747,465</u> | <u>\$ 5,318,917</u> |

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**6. Tangible capital assets**

|                         | <u>Cost</u>           | <u>Accumulated<br/>amortization</u> | <u>2012<br/>Net<br/>book value</u> | <u>2011<br/>Net<br/>book value</u> |
|-------------------------|-----------------------|-------------------------------------|------------------------------------|------------------------------------|
| Land                    | \$ 3,734,692          | \$ -                                | \$ 3,734,692                       | \$ 3,734,692                       |
| Land improvements       | 12,946,749            | 4,763,821                           | 8,182,928                          | 8,534,494                          |
| Buildings               | 47,551,324            | 15,655,589                          | 31,895,735                         | 33,044,210                         |
| Infrastructure          | 31,847,284            | 17,766,465                          | 14,080,819                         | 15,260,923                         |
| Machinery and equipment | <u>11,921,170</u>     | <u>6,120,268</u>                    | <u>5,800,902</u>                   | <u>3,629,253</u>                   |
|                         | <u>\$ 108,001,219</u> | <u>\$ 44,306,143</u>                | <u>\$ 63,695,076</u>               | <u>\$ 64,203,572</u>               |

Schedule 1 provides a break down of tangible capital assets and construction in progress by function showing the cost, accumulated amortization and net book value of the tangible capital assets.

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**7. Accumulated surplus**

|   | <u>Reserves for<br/>future<br/>expenditure</u> | <u>General<br/>surplus</u> | <u>Investment in<br/>tangible capital<br/>assets</u> | <u>Total<br/>2012</u> | <u>Total<br/>2011</u> |
|---|--|----------------------------|--|-----------------------|-----------------------|
| Surplus, beginning of year                | \$ 21,279,112                                  | \$ 271,248                 | \$ 57,682,506  | \$ 79,232,866         | \$ 73,971,174         |
| Excess of revenue<br>over expenditures    | 187,123  | 9,525,711                  | (3,455,133)  | 6,257,701             | 5,261,692             |
| Transfers                                 | 8,193,056                                      | (8,193,056)                | -  | -                     | -                     |
| Acquisition of tangible capital<br>assets | (15,541,585)                                   | -                          | 15,541,585   | -                     | -                     |
| Retirement of debenture debt              | <u>-</u>                                       | <u>(1,332,655)</u>         | <u>1,332,655</u>                                     | <u>-</u>              | <u>-</u>              |
| Surplus, end of year                      | <u>\$ 14,117,706</u>                           | <u>\$ 271,248</u>          | <u>\$ 71,101,613</u>                                 | <u>\$ 85,490,567</u>  | <u>\$ 79,232,866</u>  |

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**KELOWNA INTERNATIONAL AIRPORT**  
**Notes to Financial Statements**  
**December 31, 2012**

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**8. Contingent liabilities**

**Pension liability**

The Airport and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The Airport paid \$261,458 (2011 - \$227,643) for employer contributions while employee contributions were \$207,740 (2011 - \$186,890) to the plan in fiscal 2012.

**Legal actions**

The City is currently engaged in certain legal actions. The outcome and the possible effect on the Airport of these legal actions are not determinable at this time. Accordingly, no provision has been made in the accounts for these actions.

The amount of loss, if any, arising from these contingent liabilities will be recorded in the accounts in the period in which the loss is realized.

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**9. Commitments**

At December 31, 2012, the Airport had entered into construction commitments relating to the Airport capital program amounting to \$4,806,284.

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**10. Airport improvement fees**

The Kelowna International Airport entered into a Memorandum of Agreement (the "Agreement") dated September 23, 1997 with the Air Transport Association of Canada and all major carriers operating from the Airport. The Agreement provides for a consultative process with air carriers regarding the improvement to and expansion of airport facilities and the collection of airport improvement fees (AIF) by air carriers through the carrier's ticketing process. AIF revenues can only be used to fund approved Airport infrastructure projects and associated financing costs.

**KELOWNA INTERNATIONAL AIRPORT**  
**Notes to Financial Statements**  
**December 31, 2012**

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**10. Airport improvement fees (continued)**

Since implementation, AIF fees have been charged at the following rates per departing passenger:

| <u>Effective date</u> | <u>Rate</u> |
|-----------------------|-------------|
| February 1, 1998      | \$5         |
| March 1, 2002         | \$8         |
| November 1, 2007      | \$10        |
| January 1, 2011       | \$12        |
| January 1, 2013       | \$15        |

Airport improvement fee summary since implementation to December 31:

|   | <u>2012</u>            | <u>2011</u>            |
|---|------------------------|------------------------|
| Cumulative AIF revenue                  | \$ 64,116,355          | \$ 56,161,925          |
| Cumulative AIF expenditures             | <u>82,431,355</u>      | <u>69,236,021</u>      |
| Deficiency of revenue over expenditures | <u>\$ (18,315,000)</u> | <u>\$ (13,074,096)</u> |

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**11. Sale of service by object**

|                                | <u>2012</u>          | <u>2011</u>          |
|--------------------------------|----------------------|----------------------|
| Airport improvement fee        | \$ 7,967,484         | \$ 7,691,644         |
| Aircraft parking               | 112,591              | 78,358               |
| Airline CUTE charges           | -                    | 42,551               |
| Airline terminal fees          | 1,932,450            | 1,772,057            |
| Apron equipment parking        | 11,659               | 11,659               |
| Aviation fuel concessions      | 16,202               | 15,249               |
| Car rentals                    | 1,778,471            | 1,700,758            |
| Ground handler concessions     | 56,118               | 58,031               |
| Land lease revenue             | 507,068              | 477,611              |
| Landing fees                   | 2,697,866            | 2,557,531            |
| Other                          | 165,039              | 176,130              |
| Terminal building space rental | 427,186              | 431,789              |
| Terminal concessions           | 649,845              | 643,142              |
| Vehicle parking                | <u>3,760,490</u>     | <u>3,130,448</u>     |
|                                | <u>\$ 20,082,469</u> | <u>\$ 18,786,958</u> |

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**KELOWNA INTERNATIONAL AIRPORT**  
**Notes to Financial Statements**  
**December 31, 2012**

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**12. Expenditures by object**

| Expenditures reported by object comprise: | <u>2012</u>          | <u>2011</u>          |
|---|----------------------|----------------------|
| Salaries and benefits                     | \$ 3,483,911         | \$ 3,178,534         |
| Contract and professional services        | 963,688              | 730,390              |
| Interest expense                          | 744,000              | 744,000              |
| Materials and supplies                    | 4,776,722            | 4,488,391            |
| Equipment                                 | 6,162                | 9,877                |
| Allocations                               | 1,001,563            | 941,905              |
| Cost recoveries                           | (515,462)            | (506,576)            |
| Utilities                                 | 533,242              | 550,275              |
| Amortization                              | <u>4,256,847</u>     | <u>4,141,919</u>     |
|   | <u>\$ 15,250,673</u> | <u>\$ 14,278,715</u> |

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**13. Budget data**

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year and are not subject to audit. Subsequent amendments have been made by Council to reflect changes in the budget as required by law. Amortization of tangible capital assets was not included in the budget. The table below shows the reconciliation between the approved budget and the budget presented in these consolidated financial statements.

|   | <u>Budget Amount</u> |
|---|----------------------|
| <b>Revenues</b>                                   |                      |
| Operating budget                                  | \$ <u>20,258,401</u> |
| <b>Expenses</b>                                   |                      |
| Operating budget                                  | 11,054,332           |
| Capital budget                                    | <u>27,782,780</u>    |
|   | <u>38,837,112</u>    |
| Annual deficit per approved budget                | (18,578,711)         |
| Add: tangible capital asset purchases             | <u>27,782,780</u>    |
| <b>Annual surplus per statement of operations</b> | <u>\$ 9,204,069</u>  |

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**14. Comparative figures**

Certain of the comparative figures have been reclassified to conform to current year financial statement presentation.

**Kelowna International Airport**  
**Schedule 1 - Tangible Capital Assets**  
**As at December 31, 2012**

|  | Machinery & Equipment |                      |                      |                      |                     |                                   |                   | Subtotal<br>Machinery &<br>Equipment | Total<br>2012        | Total<br>2011        |
|--|-----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------------------|-------------------|--------------------------------------|----------------------|----------------------|
|  | Land                  | Land<br>Improvements | Buildings            | Infrastructure       | Vehicles            | Other<br>Machinery &<br>Equipment | Computer          |                                      |                      |                      |
| <b>Cost</b>                                      |                       |                      |                      |                      |                     |                                   |                   |                                      |                      |                      |
| Balance, beginning of year                       | \$ 3,734,692          | \$ 12,839,874        | \$ 47,214,665        | \$ 31,513,781        | \$ 93,773           | \$ 8,186,523                      | \$ 669,560        | \$ 8,949,856                         | \$ 104,252,868       | \$ 95,292,956        |
| Add: additions during the year                   | -                     | 106,875              | 336,659              | 333,503              | 2,690,601           | 271,423                           | 9,290             | 2,971,314                            | 3,748,351            | 8,981,683            |
| Less: disposals during the year                  | -                     | -                    | -                    | -                    | -                   | -                                 | -                 | -                                    | -                    | (21,771)             |
| Balance, end of year                             | <u>3,734,692</u>      | <u>12,946,749</u>    | <u>47,551,324</u>    | <u>31,847,284</u>    | <u>2,784,374</u>    | <u>8,457,946</u>                  | <u>678,850</u>    | <u>11,921,170</u>                    | <u>108,001,219</u>   | <u>104,252,868</u>   |
| <b>Accumulated Amortization</b>                  |                       |                      |                      |                      |                     |                                   |                   |                                      |                      |                      |
| Balance, beginning of year                       | -                     | 4,305,380            | 14,170,455           | 16,252,858           | 32,302              | 4,816,489                         | 471,812           | 5,320,603                            | 40,049,296           | 35,926,245           |
| Add: amortization                                | -                     | 458,441              | 1,485,134            | 1,513,607            | 100,737             | 642,690                           | 56,238            | 799,665                              | 4,256,847            | 4,141,919            |
| Less: accumulated amortization on disposals      | -                     | -                    | -                    | -                    | -                   | -                                 | -                 | -                                    | -                    | (18,868)             |
| Balance, end of year                             | <u>-</u>              | <u>4,763,821</u>     | <u>15,655,589</u>    | <u>17,766,465</u>    | <u>133,039</u>      | <u>5,459,179</u>                  | <u>528,050</u>    | <u>6,120,268</u>                     | <u>44,306,143</u>    | <u>40,049,296</u>    |
| <b>Net Book Value of Tangible Capital Assets</b> | <u>\$ 3,734,692</u>   | <u>\$ 8,182,928</u>  | <u>\$ 31,895,735</u> | <u>\$ 14,080,819</u> | <u>\$ 2,651,335</u> | <u>\$ 2,998,767</u>               | <u>\$ 150,800</u> | <u>\$ 5,800,902</u>                  | <u>\$ 63,695,076</u> | <u>\$ 64,203,572</u> |
| <b>Work in Progress</b>                          | <u>\$ -</u>           | <u>\$ 15,647</u>     | <u>\$ 5,961,911</u>  | <u>\$ 10,596,907</u> | <u>\$ 139,346</u>   | <u>\$ 1,033,654</u>               | <u>\$ -</u>       | <u>\$ 1,173,000</u>                  | <u>17,747,465</u>    | <u>5,318,917</u>     |
|  |                       |                      |                      |                      |                     |                                   |                   | <u>\$ 81,442,541</u>                 | <u>\$ 69,522,489</u> |                      |



# YLW

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