



emerging markets, long-term traffic, passengers movement, target, incentives support, guarantees, focus forward future, connected strong, growth success, outlook, promise, routes, hub, growth, stability

small island **HUGE SUCCESS**



## Greetings from the Chairman of the Board and the Chief Executive Officer

Reliable transportation and access have been and still are a defining part of our province. Our Airport is an integral part of the Prince Edward Island community and its success is tightly woven into the performance of the Island's economy.

There were many successes this past year that have impacted the Airport. For starters, airlines in Canada turned a profit and the improved financial strength of our national aviation companies is something that we are all glad to see. Secondly, tourism in Prince Edward Island was strong with growth in both visitations and room nights sold. Lastly, the Island economy posted strong results in many areas including employment, wages, retail sales and population growth.

Our Airport not only benefits from growth in the community, it also plays an integral role as an economic driver for Prince Edward Island. During 2009, **the economic impact of our airport to the Island economy was more than \$90 million.** More than 745 direct and in-direct jobs in Prince Edward Island are sustained because of air travel and the Airport.

Since 2001, traffic at the Airport has grown by more than 110,000 passenger movements, an increase of 64%. We were pleased that 2010 was a year of record breaking traffic and we thank our airline partners for recognizing the demand for air travel in this market and supplying additional capacity. There were a number of changes to our schedule of destinations in 2010, including the discontinuation of direct air service to two U.S. cities, Boston and Detroit, by Delta. We were pleased that Delta added daily service to New York City for the summer season. In addition, we were pleased to see Air Canada add additional capacity with a second daily flight to Ottawa from May to September.



CEO, Doug Newson and  
Chairman, David McKenna  
review business park plans

The meetings and conventions marketplace and events like the Cavendish Beach Music Festival and Live! With Regis and Kelly are further examples of how airports do not operate in isolation from the broader business community. Activities and events in the City of Charlottetown and Prince Edward Island impact business at the Airport. Our provincial and municipal government partners are extremely important to the financial success of the Airport and we would like to extend our thanks again to these partners for both their strategic support in developing better air access to Charlottetown and their financial support.

We are very grateful to our board members who lend their expertise assisting us in growing business at the Airport and we are lucky to have such a talented group of business and community leaders. A special thank you goes out to Mr. Hal Bevan, whose nine-year term ended in 2010. We would also like to thank the staff at the Airport for the work they do every day in ensuring the safety, security and financial viability of our Airport.

The outlook for 2011 is exciting as we begin work on expanding and improving the departures area in the air terminal building to improve passenger movement and facilitate future growth. In 2010, we completed a strategic review of the business park at the Airport and we look forward to implementing some of the ideas from this plan with a focus on expanding non-aeronautical revenue at the Airport.

In terms of passenger traffic in 2011, we are cautiously optimistic as we work to balance forecasts of reduced seat capacity for the summer season with indicators of continued strength in air travel demand. Airlines are strongly focused on maximizing seat occupancy for each flight operated and this could have a slight negative impact on overall passenger traffic.

Sincerely,



David McKenna, Chairman

Sincerely,



Doug Newson, CEO



## Business Planning

### Mission

The Charlottetown Airport is a safe, efficient, friendly, competitive and financially viable airport that facilitates the air transportation needs of the travelling public and supports provincial economic growth.

### Vision

The Charlottetown Airport is a successful, financially self-sustaining and environmentally responsible airport providing the air service support and business park infrastructure necessary to support the business, social and economic development objectives of our community and the province.

The Charlottetown Airport meets or exceeds all safety standards and regulatory requirements, providing a high level of safety to all airport users.

The Charlottetown Airport generates loyalty from the travelling public and provides high levels of customer satisfaction while exhibiting a strong image of success.

The Charlottetown Airport develops and maintains strong partnerships with the PEI business community, government agencies, airlines and other community stakeholders to co-operatively maximize the attraction of air travellers to PEI.

### Strategic Priorities

Charlottetown Airport Authority's five-year strategic plan continues to chart the course of direction for the Airport. In 2010, the focus was on six key strategic goals and numerous action items:

1. Safety, Security & Environment  
Meet or exceed all safety, security and environmental guidelines, standards and regulations.
2. Air Service Accessibility  
Develop and maintain profitable air service routes that increases capacity and passenger growth meeting the needs of the carriers, our communities and the travelling public.
3. High Quality & Safe Airport, Business Park Infrastructure & Services  
Provide facilities, infrastructure and services that contribute to a positive community image and support economic development striving to exceed the expectations of the travelling public, regulators, concessionaires, business park tenants and aviation customers.
4. Community & Customer Appreciation  
Increase community support, passenger loyalty and enhanced awareness of the value of our airport.
5. Optimize Financial Performance  
Operate a fiscally responsible and financially sustainable airport that reduces the operating deficit and ensures sufficient capital reserves are available for capital improvements and major maintenance.
6. Corporate Leadership & Culture  
Sustain and promote a corporate culture that ensures effective board governance and a talented, motivated and professional management team and staff who contribute to a viable airport.



## Marketing & Business Development Review

### Air Service

Passenger traffic for 2010 increased 4.3% versus 2009, with the 289,597 passenger movements in 2010 **being the highest on record in the airport's history**. This is a result of airlines adding seat capacity to Charlottetown and the impact of many successful tourism events and meetings and conventions. Over the past decade the Airport has been on a steady upward growth trend with passenger movements in 2010 being 64% higher than in 2001.



Air Canada continues to provide excellent service to Charlottetown Airport. This was the third year for the direct daily Ottawa service, which was so successful year-round that they added a second daily flight for the spring and summer season. Air Canada also continues to provide daily service to Toronto, Montreal and Halifax.

WestJet Airlines provided similar year round service to 2009 with direct service to Toronto and also provided two flights per day during the busy summer months to meet the needs of the Island's tourism industry.

Sunwing Vacations added an additional direct sun destination service to its 2010 winter schedule, providing Islanders with a choice between two southern destinations, Varadero, Cuba and Punta Cana, Dominican Republic.

In 2010, the merger between Delta Air Lines and Northwest Airlines became official and Delta began to make changes to its airport hubs and destinations. As a result, seasonal direct service to Boston and Detroit was discontinued while daily direct seasonal service to New York City was added.



CEO, Doug Newson reviews the Airport's new 10-year Master Plan

**Passenger Forecasts**

Air travel demand across Canada and globally is expected to continue to grow. At Charlottetown Airport, most flights that were offered in 2010 are scheduled to return. However, Air Canada is reducing their Ottawa seat capacity while Sunwing Vacations returns with only one sun destination for 2011 instead of two. All other carriers will continue with the same service as 2010. Demand for travel is expected to be strong, but reduced total seat capacity for Charlottetown could result in a marginal decline in overall passenger traffic.

**Marketing**

Charlottetown Airport is the sole commercial airport provider in Prince Edward Island, but competition still exists with other modes of travel and air services offered at airports in neighbouring provinces. The Airport must continually stay top-of-mind with Islanders by promoting the ease and convenience of flying from Prince Edward Island.

Through our marketing service partnership with the Dunne Group, the Airport launched a large multi-media campaign in the spring, which included print, online, radio, direct communication and bus shelter advertising to promote destinations and air carriers. Two promotions were implemented to raise awareness of direct service to New York City and Ottawa. These promotions were successful in allowing the Airport to collect an additional 2,500 email addresses in order to re-contact and communicate with travellers on a regular basis throughout the year. Today, the Airport's E-Traveller newsletter allows the Airport to communicate quarterly with more than 5,000 individuals who have registered for contests and travel information.

In 2010, the Airport began engaging with the community through social media, which included the development of a business Facebook page and Twitter account. This has been successful in linking the Airport with frequent travellers and building on our positioning that Charlottetown Airport is a convenient choice for Islanders.



**Operational Review**

The Authority was busy in 2010 working on the design of two major projects; the rehabilitation of runway 10-28 and the main access road/short term parking area. Both design projects were awarded to Hatch Mott MacDonald and construction work will begin on the parking lot in 2011 and the runway in 2012. The other major project in 2010 was the replacement of our three boilers at a cost of \$250,000. The airport should realize more efficiency as a result of this upgrade.

In 2010, the Authority also successfully completed Phase Two of the Transport Canada Safety Management System (SMS). Completion of this phase included additional training for our staff in operational areas that included risk management, hazard analysis and accident investigation.

**Capital Expenditures 2010**

Runway 10-28 Rehabilitation Design	\$70,000
Main Access Road/Short Term Parking Lot Design	\$70,800
Departures Area Expansion Design (final)	\$45,000
Boilers	\$250,000
Hard Surface Repairs	\$139,460
Miscellaneous Small Projects & Equipment	\$47,302
<b>Total</b>	<b>\$622,562</b>



## Financial Review

In 2010, the Authority faced some economic challenges, such as reduced landing and terminal fees resulting from the discontinuation of direct seasonal Boston and Detroit service. Fortunately, there were offsetting factors such as higher overall passenger movements, the addition of a seasonal direct New York flight, and increased parking, concession and airport service revenues.

Overall, continued careful monitoring of operational expenses, coupled with an increase in revenues, resulted in excess revenues of \$1.86 million in 2010, up from \$1.71 million in 2009.

Our continued growth would not be possible without the support of our airline partners: Air Canada Jazz, WestJet, Delta Air Lines and Sunwing Airlines. Additionally, we are appreciative of the support we receive from all levels of government, including, but not limited to, the property tax grants provided by both the City of Charlottetown and the Province of Prince Edward Island.

### 2010 Actual vs. Business Plan Forecast

	Plan	Actual	Difference	Explanation
Revenues	\$6,654,000	\$6,825,440	\$171,440	Higher revenue due to higher than expected landing and terminal fees and PFF income.
Expenses	\$5,017,800	\$4,949,709	(\$68,091)	Lower expenses due to lower than budgeted salaries, professional services, and utilities.
Capital	\$413,000	\$622,562	\$209,562	Higher capital expenses due to purchase of 3 new boilers (planned for 1) and higher than expected design costs for runway 10-28 rehabilitation.

### Business Plan Cash Flow Forecast 2011 – 2015

Year	2011	2012	2013	2014	2015
Revenues	\$6,652,527	\$6,693,060	\$6,782,981	\$6,861,373	\$6,946,057
Expenses	\$5,132,186	\$5,181,052	\$5,597,395	\$6,009,305	\$6,299,018
Capital	\$3,991,761	\$6,501,250	\$5,102,027	\$1,462,500	\$2,348,500

Notes: Revenue includes PFF, operations, and investment income.



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Passenger traffic for 2010 increased 4.3% versus 2009, with the 289,597 passenger movements in 2010 **being the highest on record in the Airport's history.**



### Human Resources

In August, 2010, Bonnie FitzGerald retired from the Authority after 28 years at the Airport, most recently as director, Finance & Administration. Bonnie's commitment and loyalty to the Airport was very strong and we wish her all the best in her retirement. We were pleased to be able to add Susan Ching to our team in this same position.

One airport maintenance technician, Ed Saunders, also retired in 2010 and Guy Belliveau was hired in April as the newest member of our maintenance team.

Charlottetown Airport Authority is currently operating with a full complement of 21 employees.

### Governance

The board of directors meets six times a year with committee meetings taking place on an ongoing basis. The current committees of the board are: executive, business development, human resources, capital, environment, operations and safety/security, governance, finance and audit, and nominating.

All committees are actively involved in airport activities, although the executive committee is convened only when decisions are required on an urgent basis between regularly scheduled board meetings.

In 2010, Hal Bevan finished his director's term as the nominee of the City of Charlottetown. With Hal's departure, we welcomed Harry Snow as the City's representative for the next three years.



## Board Governance

Canadian Airport Authorities are required by the Public Accountability Principals to have a Board of Directors appointed through a process acceptable to the Local/Regional Municipal Governments and the Government of Canada. The majority of the directors are to be nominated by the local regional governments, the federal and provincial governments; other directors are to be nominated by business or socio-economic organizations such as Chamber of Commerce. The Board of Directors must be representative of the community and is to consist of individuals who have experience in different areas. The Charlottetown Airport Authority Inc. meets this requirement as evidence of the list of directors nominating identities set out in this report.

### Code of Conduct for Directors

All directors of the Authority are required to comply with a Code of Conduct and rules concerning Conflict of Interest. These require that directors avoid and refrain from involvement in conflict of interest situations. There were no instances of conflict of interest brought before the Board of Directors in 2010.

### Nominators

The Board of Directors nominated by various entities to represent the Community at large provides governance:

- |   |                       |
|---|-----------------------|
| • Federal Government                                | Two representatives   |
| • Provincial Government                             | One representative    |
| • City of Charlottetown                             | Two representatives   |
| • City of Summerside                                | One representative    |
| • Greater Charlottetown Chamber of Commerce         | One representative    |
| • Tourism Industry Association of PEI               | One representative    |
| • Charlottetown Airport Authority Inc.              | Three representatives |
| • Federation of Prince Edward Island Municipalities | One representative    |

Representatives from each group are nominated for three year terms and may serve a maximum of nine years on the Board. In addition to the regular meetings, Board members actively serve on Standing Committees:

- Executive Committee
- Business Development Committee
- Human Resources Committee
- Capital, Environment, Operations & Safety/Security Committee
- Governance Committee
- Finance and Audit Committee
- Nominating Committee

### Executive Committee

David McKenna, Chairman  
 Shaun MacIsaac, Vice Chairman  
 Scott MacKenzie, Secretary  
 Sandy Campbell, Treasurer  
 Jim Johnston, Member at Large



**Senior Management officers and board directors 2010 salaries and remuneration**

The combined salaries of the senior management team composed of the Chief Executive Officer, Director, Planning & Programs, Director, Operations and Director, Finance & Administration was \$343,768.49

The Board of Directors remuneration consisting of honorariums and per diems was \$60,832.30

The Authority is required to report on all contracts in excess of \$75,000 entered into which were not awarded on the basis of a public competitive tendering process. No such contracts were entered into during the report period.

**Corporate Offices**

Charlottetown Airport Authority  
250 Maple Hills Ave. Suite 132  
Charlottetown, PE C1C 1N2

**Legal Counsel**

Stewart McKelvey Stirling Scales  
65 Grafton Street PO Box 2140  
Charlottetown, PE C1A 8B9

**Auditors**

Arsenault Best Cameron Ellis  
80 Water Street  
Charlottetown, PE C1A 7L1

**Financial Services**

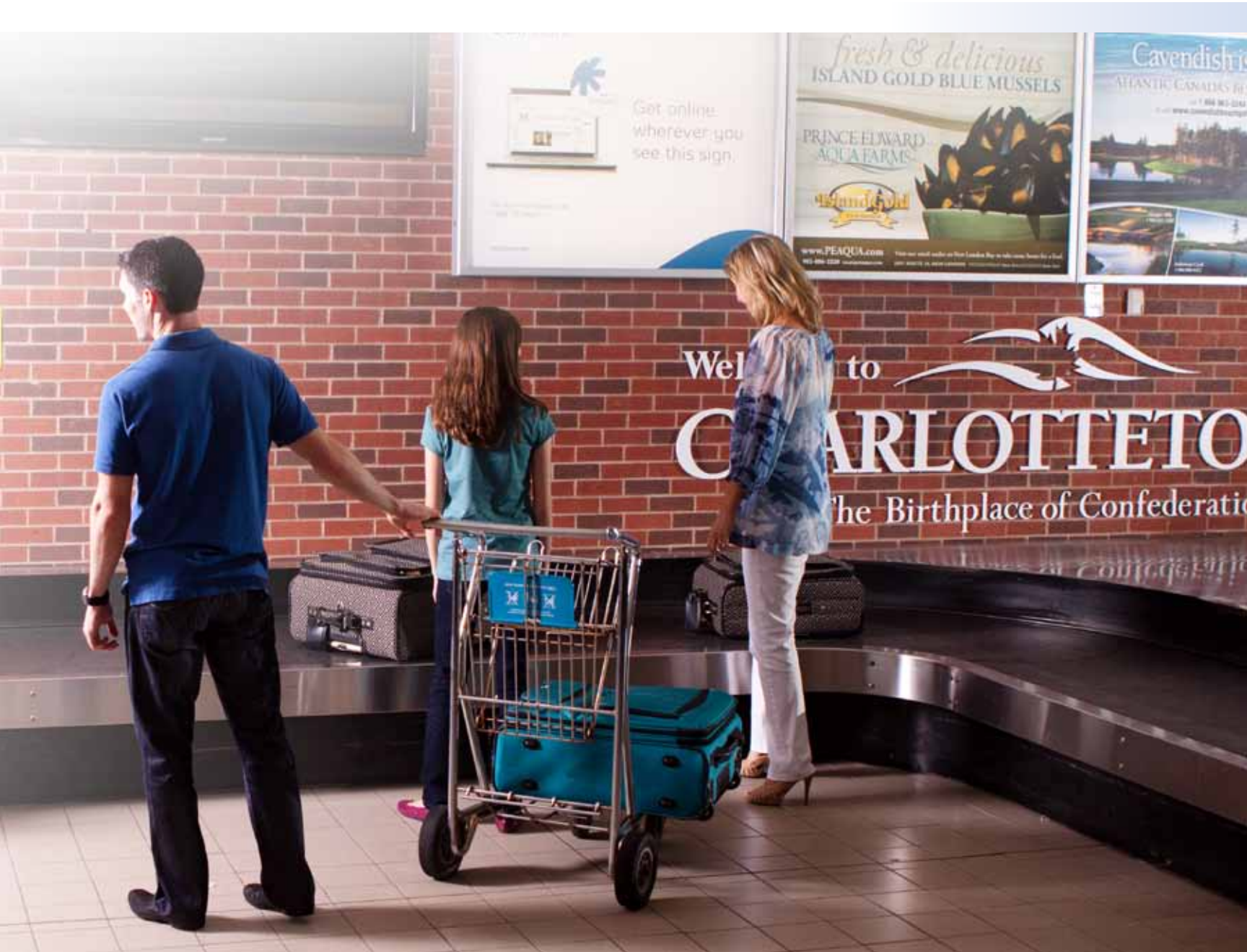
Royal Bank  
83 Queen Street  
Charlottetown, PE C1A 4A8

**Investments**

RBC Dominion Securities  
602-134 Kent Street  
Charlottetown, PE C1A 7K4

**Marketing Services**

The Dunne Group  
118 Sydney Street  
Charlottetown, PE C1A 7N3



**Nominators' Representatives**

As of December 31, 2010

Government of Canada (2)  
Merrill (Bud) Whelan  
Shaun MacIsaac

Government of PEI (1)  
Jim Johnston

Federation of PEI Municipalities (1)  
George MacDonald

Charlottetown Airport Authority Inc. (3)  
Paul Beauregard  
Alexander (Sandy) Campbell  
Robert Sear

City of Charlottetown (2)  
David McKenna  
Hal Bevan - to March 31, 2010  
Harry Snow

City of Summerside (1)  
Mike Gallant

Tourism Industry of PEI (1)  
Judy MacDonald

Greater Charlottetown Area  
Chamber of Commerce (1)  
Robert Bateman



Chief Executive Officer  
Doug Newson

Director,  
Planning & Programs  
Stephen Maybury, A.A.E. to  
March 31, 2010

Director,  
Finance & Administration  
Bonnie FitzGerald, A.A.E. to  
August 31, 2010  
Susan Ching

Director, Operations  
Ken Gallant



Bud Whelan



Shaun MacIsaac



Jim Johnston



George MacDonald



Paul Beauregard



Sandy Campbell



Robert Sear



David McKenna



Hal Bevan



Harry Snow



Mike Gallant



Judy MacDonald



Robert Bateman



Scott MacKenzie



Doug Newson



Stephen Maybury



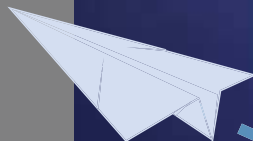
Bonnie FitzGerald



Susan Ching



Ken Gallant





# Charlottetown Airport Authority Inc.

**Financial Statements  
December 31<sup>st</sup> 2010**



March 8, 2011

## **Auditor's Report**

### **To the Board of Directors of Charlottetown Airport Authority Inc.**

We have audited the accompanying financial statements of Charlottetown Airport Authority Inc., which comprise the statement of financial position as at December 31, 2010, statements of operations, changes in 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 generally accepted accounting principles, 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 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 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 audit 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 Charlottetown Airport Authority Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Arsenault Best Cameron Ellis*

**Chartered Accountants**

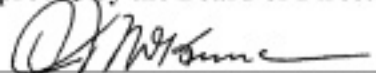
# Charlottetown Airport Authority Inc.


## Statement of Financial Position

As at December 31, 2010

	2010 \$	2009 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 7)	946,886	727,846
Short-term investments (notes 3 and 7)	7,011,183	5,070,513
Accounts receivable (note 7)	287,110	284,966
Prepaid expenses	95,534	93,008
	<hr/>	<hr/>
	8,340,713	6,176,333
<b>Long-term investments</b> (notes 3 and 7)	4,496,663	4,947,872
<b>Capital assets</b> (note 4)	9,349,722	9,641,670
	<hr/>	<hr/>
	22,187,098	20,765,875
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	219,412	279,070
Security deposits	58,300	83,800
Deferred revenue	29,101	34,677
Current portion of long-term debt	36,998	35,029
	<hr/>	<hr/>
	343,811	432,576
<b>Long-term debt</b> , less current portion (note 7)	198,463	235,487
<b>Severance pay obligation</b> (note 10)	148,648	158,508
<b>Pension deficit obligation</b> (note 11)	93,000	81,000
<b>Deferred capital contributions</b> (note 5)	3,417,725	3,748,585
	<hr/>	<hr/>
	4,201,647	4,656,156
<b>Contingency</b> (note 6)		
<b>Net Assets</b>		
Invested in capital assets	5,931,997	5,893,085
Internally restricted for future requirements (note 8)	11,696,974	9,917,239
Unrestricted	356,480	299,395
	<hr/>	<hr/>
	17,985,451	16,109,719
	<hr/>	<hr/>
	22,187,098	20,765,875

Approved by the Board of Directors

 Director

 Director

# Charlottetown Airport Authority Inc.

## Statement of Changes in Net Assets

For the year ended December 31, 2010

				2010	2009
	Invested in Capital Assets	Restricted for Future Requirements	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
<b>Net assets - Beginning of year</b>	5,893,085	9,917,239	299,395	16,109,719	14,396,894
Excess revenue (expenses) for the year	(581,353)	-	2,457,085	1,875,732	1,712,825
Internally imposed restrictions (note 8)	-	2,400,000	(2,400,000)	-	-
Investment in capital assets, net of related capital contributions and proceeds of disposals	620,265	(620,265)	-	-	-
<b>Net assets - End of year</b>	<b>5,931,997</b>	<b>11,696,974</b>	<b>356,480</b>	<b>17,985,451</b>	<b>16,109,719</b>

# Charlottetown Airport Authority Inc.

## Statement of Operations

For the year ended December 31, 2010

	2010	2009
	\$	\$
<b>Revenue</b>		
Rentals	521,497	530,556
Concessions	621,462	559,053
Parking	439,245	406,265
Landing fees	1,030,594	1,045,769
Terminal fees	873,207	895,034
Airport services	37,733	31,790
Other income	302,825	286,074
Amortization of deferred capital contributions	330,861	333,547
Grants in lieu of property taxes (note 9)	280,403	271,104
	<u>4,437,827</u>	<u>4,359,192</u>
<b>Expenses</b>		
Salaries and benefits	1,561,123	1,601,381
Property taxes	303,831	293,659
Materials, supplies and services	2,171,904	2,199,148
Interest on long-term debt	13,929	15,792
Amortization	898,922	885,562
	<u>4,949,709</u>	<u>4,995,542</u>
<b>Operating loss before passenger facility fees</b>	(511,882)	(636,350)
Passenger facility fees	2,161,444	2,071,875
<b>Operating income</b>	<u>1,649,562</u>	<u>1,435,525</u>
<b>Other income (expense)</b>		
Investment income	239,462	258,395
Gain (loss) on disposal of capital assets	(13,292)	18,905
	<u>226,170</u>	<u>277,300</u>
<b>Excess revenue for the year</b>	<u>1,875,732</u>	<u>1,712,825</u>

# Charlottetown Airport Authority Inc.

## Statement of Cash Flows

For the year ended December 31, 2010

	2010	2009
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the year	1,875,732	1,712,825
Items not affecting cash		
Amortization	898,922	885,562
Amortization of deferred capital contributions	(330,861)	(333,547)
Loss (gain) on disposal of capital assets	13,292	(18,905)
	<u>2,457,085</u>	<u>2,245,935</u>
Net change in non-cash working capital items		
Increase in accounts receivable	(2,144)	(97,180)
Increase in prepaid expenses	(2,526)	(9,824)
Decrease in security deposits	(25,500)	-
Increase (decrease) in accounts payable and accrued liabilities	(59,658)	145,570
Decrease in deferred revenue	(5,576)	(5,958)
	<u>2,361,681</u>	<u>2,278,543</u>
<b>Financing activities</b>		
Payments on long-term debt	(35,055)	(33,194)
Increase (decrease) in severance pay obligation	(9,860)	20,109
Increase (decrease) in pension deficit obligation	12,000	(4,000)
	<u>(32,915)</u>	<u>(17,085)</u>
<b>Investing activities</b>		
Purchase of capital assets	(622,560)	(675,952)
Proceeds on disposal of capital assets	2,295	18,905
Decrease in long-term investments	451,209	1,845,814
	<u>(169,056)</u>	<u>1,188,767</u>
<b>Increase in net cash</b>	2,159,710	3,450,225
<b>Net cash - Beginning of year</b>	5,798,359	2,348,134
<b>Net cash - End of year</b>	<u>7,958,069</u>	<u>5,798,359</u>
<b>Net cash consists of</b>		
Cash	946,886	727,846
Short-term investments and accrued interest receivable	7,011,183	5,070,513
	<u>7,958,069</u>	<u>5,798,359</u>
<b>Supplementary disclosure</b>		
Interest paid	15,822	16,610
Interest received	227,860	255,924

# Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2010

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## 1 Purpose of the organization

Charlottetown Airport Authority Inc. was incorporated without share capital under Part II of the Canada Corporations Act in 1996. The Authority operates the Charlottetown Airport and airport business park under a 60 year lease with the Government of Canada.

Charlottetown Airport Authority Inc. is currently exempt from federal and provincial income taxes.

## 2 Summary of significant accounting policies

### Method of accounting

Charlottetown Airport Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### Revenue recognition

Rental revenue arises from agricultural and commercial land leases and airline rental of space in the air terminal building. These revenues are recognized on an accrual basis.

Concession income is recognized as earned and is primarily from licenses to vehicle rental agencies and other concession type operations.

Parking revenue consists of fees paid for long and short term parking by travellers, car rental parking, and employee parking, and is recognized as earned.

Landing and terminal fees are recognized upon the landing of aircraft at the airport.

Airport services revenue consists of aircraft parking fees, snow removal charges and other miscellaneous charges to airport users, and are recognized as it is earned.

Other income consists primarily of recovered costs and is recognized in the period in which the cost recovery occurs.

### Deferred government contributions

Government contributions relating to the acquisition of capital assets are recorded as deferred capital contributions. These amounts are amortized on the same basis as the related capital assets are amortized.

Government grants relating to expenses are shown as revenue in the period in which the related expenses are incurred.

# Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2010

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## Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization of capital assets is calculated using the straight-line method. The estimated useful life of individual assets within a category is determined upon acquisition and once it is put into use, the asset's cost is written off over this term as follows:

Mobile equipment	1 - 25 years
Equipment and furniture	3 - 15 years
Business park	40 years
Leasehold improvements	5 - 25 years

## Investments

The Authority holds investments with the intention and ability to keep them to maturity. Accordingly, all investments are measured at amortized cost. Investments are classified as short-term or long-term based on their individual maturity dates.

## Management estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

## Financial instruments

### *Fair value*

Financial instruments of the Authority consist of cash, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities, security deposits and long-term debt.

Short-term and long-term investments are classified as "held to maturity" and are valued at amortized cost. Long-term debt is also recorded at amortized cost.

Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair market value.

The Authority does not enter into financial hedging activities and does not engage in derivative transactions.

### *Credit risk*

The Authority is subject to credit risk through its accounts receivable. A significant portion of the Authority's revenues, and resulting receivables balance, are derived from airlines. The Authority performs on-going credit valuations of receivable balances and identifies and records doubtful accounts on a specific identification basis.

# Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2010

## Capital disclosures

Charlottetown Airport Authority Inc. considers its capital to be its net assets. The entity's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to carry out its mandate. Capital is under the direction of the Board of Directors with the objective of minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

## Financial risk management objectives and policies

Consistent with similar organizations, the Authority's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Authority's exposure.

## 3 Investments

	2010	2009
	\$	\$
Cash - investment account	27,123	75,618
Accrued interest receivable	102,077	90,475
Short term investments (market value - \$6,904,035; 2009 - \$4,950,232)	6,881,983	4,904,420
	7,011,183	5,070,513
Long-term investments (market value - \$4,506,185; 2009 - \$4,974,119)	4,496,663	4,947,872
	11,507,846	10,018,385

## 4 Capital assets

	2010		2009	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Mobile equipment	2,637,196	1,763,043	874,153	1,016,291
Equipment and furniture	592,841	378,883	213,958	243,623
Business park	775,845	196,789	579,056	598,222
Leasehold improvements	11,789,779	4,107,224	7,682,555	7,783,534
	15,795,661	6,445,939	9,349,722	9,641,670

# Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2010

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## 5 Deferred capital contributions

			2010	2009
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Mobile equipment	1,219,089	632,244	586,845	649,337
Leasehold improvements	5,098,277	2,267,397	2,830,880	3,099,248
	<u>6,317,366</u>	<u>2,899,641</u>	<u>3,417,725</u>	<u>3,748,585</u>

## 6 Commitments and contingency

- (a) Under the ground lease agreement with Transport Canada, the Authority is not required to pay rent to the Landlord until the year 2016. At that time, rent will become payable using a formula based on annual airport revenues.
- (b) The responsibility for any liability that may arise in the future relating to the existence of hazardous substances, originating before the transfer on March 1, 1999 to the Authority, rests with the Government of Canada. The Authority has responsibility for any environmental liabilities that arise from hazardous substance problems that occur subsequent to the transfer date.

## 7 Long-term debt

	2010	2009
	\$	\$
5.47% fixed rate term loan, due August 2013, repayable in monthly instalments of \$4,082 including principal and interest	235,461	270,516
Less: Current portion	<u>36,998</u>	<u>35,029</u>
	<u>198,463</u>	<u>235,487</u>

# Charlottetown Airport Authority Inc.

Notes to Financial Statements

December 31, 2010

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First-ranking security interests in all accounts receivable, cash and negotiable securities and a written legal opinion from legal council confirming assignment of investments for the term and purpose of the loan, supported by a Director's resolution, are pledged as security for long-term debt.

The aggregate amount of principal payments estimated to be required in each of the next three years to meet retirement provisions is as follows:

	\$
Year ending December 31, 2011	36,998
2012	39,078
2013	159,385

## 8 Net assets internally restricted for future requirements

In 2010, the Board authorized the transfer of \$2,400,000 (2009 - \$2,300,000) from unrestricted net assets to internally restricted net assets. The internal restrictions set by the Board allow transfers from this fund only for authorized purposes including the purchase of capital assets.

## 9 Grants in lieu of property taxes

The Province of Prince Edward Island and the City of Charlottetown provide the Authority annually with grants in lieu of property taxes. The granted amount of \$280,403 for the year ended December 31, 2010 (2009 - \$271,104) is included as revenue in these financial statements.

## 10 Severance pay obligation

Employees are entitled to severance pay under the terms of a collective agreement and management contracts. The severance pay obligation is accrued by the Authority commencing with an individual's employment.

## 11 Pension plan

Charlottetown Airport Authority Inc. is a member of the Canadian Airport Authorities and Canadian Port Authorities Pension Plan (the "Plan"), a multiple employer pension plan. The Plan includes both a defined benefit portion ("Superannuation Plan") and a defined contribution portion ("Defined Contribution Plan"). Employees who were previously employed by Transport Canada automatically became members of the Superannuation Plan on March 1, 1999 when control of the Charlottetown airport was transferred to Charlottetown Airport Authority Inc. The Superannuation Plan was closed to new members subsequent to that date, and all other employees of the Authority are members of the Defined Contribution Plan.

Information on the financial position of the Superannuation Plan as at December 31, 2010 and the pension expense for 2010 provided by the Plan's actuaries is as follows:

# Charlottetown Airport Authority Inc.

## Notes to Financial Statements

December 31, 2010

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	2010	2009
	\$	\$
Market value of assets	970,000	842,000
Accrued benefit obligation to employees	1,063,000	923,000
Pension deficit obligation	(93,000)	(81,000)
Accrued benefit asset - Beginning of year	139,000	52,000
Pension cost for 2010	(80,000)	(67,000)
Authority contributions for 2010	87,000	154,000
Accrued benefit asset - End of year	146,000	139,000
Pension expense - Superannuation Plan	80,000	67,000
Employer contributions	87,000	154,000
Employee contributions	87,000	154,000
Benefits paid during the year	33,000	18,000
Unrecognized experience loss to date	239,000	220,000

Valuation information for the year ended December 31, 2010 was provided by AON Consulting Inc. based on information contained in their most recent actuarial valuation of the Plan, completed as of January 1, 2011.

Significant assumptions used by the actuarial firm for this valuation are:

Discount rate	5.50%	6.25%
Expected return on assets	6.50%	6.50%
Salary escalation rate	4.00%	4.00%

In order to fund the deficit in the Superannuation Plan, the Authority is required to make special payments as part of their annual contributions, as advised by the actuaries each year. Employees must contribute to the Superannuation Plan each year at the rate of 7.5% of earnings up to \$3,500, 4.0% of earnings between \$3,500 and \$42,100 and 7.5% of earnings above \$42,100.

Employees who are members of the Defined Contribution Plan contribute up to 6% of earnings, while the Authority matches 100% of employees' contributions. Pension expense for the Defined Contribution Plan was \$51,497 for 2010 (2009 - \$41,523).