Thunder Bay Airport

The right approach

Thunder Bay International Airports Authority Inc. 2015 Annual Report

Action items:

Customer Service

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Over the past year, we continued to focus our efforts to promote a culture of customer service in every functional area of the airport.

With service at the heart of the aviation industry, having an evolving understanding of what is important to customer experience is crucial to our success.

By identifying opportunities for improvement, and initiatives to reinforce our core values, we have affirmed our shared commitment to building a progressive international travel hub in Northwestern Ontario. Moving forward, customer-focused operational excellence with an emphasis on aviation safety will continue to be a top priority.

01

Efficiencies From advanced airfield data collection to snow removal, our effort to improve operational efficiencies goes hand-in-hand with creating a pleasant passenger experience.

The Year in Review

Air Service

For the fourth consecutive year, passenger volumes finished above 750,000. Thunder Bay Airport was not immune to nationwide recessionary pressures, with volumes dipping by .6% compared to 2014 volumes.

Airport Safety & Operational Performance

Safety continues to be our highest priority. Investments in new technology position us to improve data collection and inspection processes in a never ending effort to improve aviation safety.

Detailed engineering assessments were completed on the airport's crosswind runway that has determined the need for investment in 2016. This runway provides vital system redundancy and airfield access for aircraft susceptible to crosswinds.

Changes in bird and wildlife management procedures at both Red Lake and Thunder Bay Airports yielded statistically significant improvements in the reduction of high risk conflicts between wildlife and aircraft.

We are also proud to report the implementation of time-based service level commitments to our storm responses. The Operations Division now publishes a commitment to neutralize the effects of snow events in a fixed amount of time following the end of precipitation. Our target was achieved 83% of the time, with any extensions being the direct result of accommodating specific client requests. To our knowledge, we are the first airport to deliver this service level approach.

Customer Experience through Community Partnerships

The Airport Authority is very appreciative of the tremendous support received from its community partners in improving the customer experience for visitors to our Air Terminal Building.

The local chapter of Saint John Ambulance made our airport the first to host the therapy dog program. These canine ambassadors have been a welcome addition to the airport's atmosphere. We would particularly like to thank Murphy the Newfoundland, who's test run throughout the summer of 2015 confirmed the value of the program to our guests.

We'd also like to extend our appreciation to the Thunder Bay Public Library for bringing the "Flybrary" concept to Thunder Bay Airport.

The Flybrary is modelled after the concept of Little Free Libraries, neighbourhood book exchanges where people are encouraged to take-a-book or return-a-book. Air travel and the Airport experience can involve time spent waiting, whether for connecting flights or for inclement weather. The Flybrary helps pass the time while waiting and contributes to a positive experience.

Our Terminal Building is also home to the most recent exhibit of parts of Lakehead University's Chief Roy Michano Art Collection. Eight works of indigenous art are now on display in various locations of the building. We would like to thank Lakehead University for sharing part of this collection with travellers visiting our Air Terminal Building.

We would also like to thank the local organizers of the Mackenzie Investments U16 Ontario Provincial Alpine Ski Championships, and the Haywood Ski Nationals Championships and Canadian Para-Nordic Championships for including us from the earliest stages in their event planning. By working out the logistics from the outset, we were able to contribute to a very positive experience for all participants which further confirms our community's reputation of being an outstanding event host. The combined total of out-of-town participants exceeded 530 visitors!

Financial Results

TBIAA reported another strong year of consolidated earnings. The operating surplus of $1.4 million and the total earnings from all sources reached $2.8 million. Capital investments in the operation exceeded $2.5 million in 2014.

Contracts not Tendered

Pursuant to the public accountability principles for Canadian Airport Authorities, general by-laws, and Thunder Bay International Airports Authority Inc. procurement policy for goods and services, all contracts valued at more than $75,000 (1994 dollars subject to annual adjustment for inflation) shall be awarded following a competitive public tendering process unless the Board of Directors, for reasons of efficiency and practicality, decides otherwise. In all cases, a price validation process is systematically applied.

02>

Safety and Technology The aviation industry is constantly evolving to minimize risk. Comprehensive reviews and strategic investments have positioned Thunder Bay International Airport ahead of the game for both proactive safety measures and the application of state-of-the-art technology.

Reasons For Exceptions

A Whenever Thunder Bay Airport determines it more efficient to award a new contract to an existing supplier, whenever service suppliers are deemed to have developed a specific skill set or knowledge base from a previous contract, or whenever exception circumstances of urgency require that work be undertaken in the immediate to avoid compromising the safety of people or premises.

B Whenever a supplier is the owner, patentee or licensee of technology being acquired, whenever supplier experience and expertise are deemed to be quasiexclusive, or whenever the maintenance of a supply source is essential given the extent of investments already made to establish a standard.

Contracts Of More Than $75,000
(1994 dollars subject to annual adjustment for inflation):

Contract Value	Supplier	Nature of the Contract	Reason
$314,160	Venasky-Pouru Electric	Replace Security System Door and Surveillance Hardware & Software	B

Reason For Exception B

Using one brand of hardware and their proprietary software allow for operational & maintenance efficiencies in the mission critical security field.

Venasky-Pouru is the local authorized Chubb dealer.

Airport experience on after-sales support on other Venasky-Pouru installations is very positive.

Employee Performance

Throughout the past year, our employees again confirmed that they are our most important resource. Their efforts in enhancing customer service and aviation safety are acknowledged, appreciated and never taken for granted.

A Community Partner

TBIAA's consolidated cash outlay (operating and capital) exceeded $11.487million in 2015. Of that, over $8million or 62% was expended in the local economy. Given the airport's need for specialized services and equipment, we are proud of the efforts of our staff to find and support local businesses wherever possible.

We're also very proud of our contributions to multiple organizations in Northwestern Ontario through cash and in-kind support, not to mention volunteer hours from our community oriented staff. TBIAA values our opportunity to make Northwestern Ontario a continuously better place to live, work and play.

We would also like to acknowledge the efforts of our friends and colleagues at Red Lake Airport for their continued support to community events such as the Rock the Runway Event and the annual Norseman Festival.

Thank You

The Board and staff would like to acknowledge and thank the effort, guidance and commitment offered by the many Directors whose terms expired during the past year. The efforts of Paul Fitzpatrick, John Henderson, Will Major, Ian McCormack and Jim McCuaig have built a strong foundation of safety consciousness, financial sustainability and customer service.

In closing we would like to thank all of our customers for their continued support and patronage. By supporting and servicing our customers in the most timely, efficient and forward-thinking way possible, TBIAA proudly works to expand the aviation reach and economic prosperity of Northwestern Ontario.

Dave Siciliano
Chair of the Board

Ed Schmidtke
President &
Chief Executive Officer

TBIAA Board of Directors, 2015

Top row: Rick Trochimchuk, Ken Boshcoff, Roberta Simpson
Middle row: Craig Urquhart, Jim Howie, Ian McCormack
Bottom row: Dave Siciliano

Management Team

Top row: Ed Schmidtke, Sharon Kelly, Ryan Brading
Middle row: Walter Turek, Sarah Parkes, Malcolm Armstrong
Bottom row: Duane Riddell

Governance

The Thunder Bay International Airports Authority Inc. (TBIAA) is a non share capital corporation incorporated under the Canada Corporation Act. Members of the Board of Directors are community leaders nominated by government and non-government organizations who meet monthly to fulfil their strategic and fiduciary responsibilities.

The Board has overall responsibility for the management of the affairs of the Corporation and is fortunate to have attracted Board members who offer a wealth of knowledge and experience. The Board has established an administrative procedure outlined in the TBIAA General Operating by-Law and Letters Patent.

Nominator's Representatives as of December 31, 2015

Government of Ontario (1)
Rick Trochimchuk

City of Thunder Bay (2)
Ken Boshcoff
Dave Siciliano

Thunder Bay Chamber of Commerce (2)
Roberta Simpson
Craig Urquhart

Thunder Bay Labour (1)
Jim Howie

Thunder Bay International Airports Authority Inc. (1)
Ian McCormack

Management Team

Ed Schmidtke
President & Chief Executive Officer

Sharon Kelly
Controller

Ryan Brading
Manager, Airport Services

Walter Turek
Manager, Facilites

Sarah Parkes
Manager, Quality Assurance & Safety

Malcolm Armstrong
SGE Ltd.

Duane Riddell
TBAS, Inc. Red Lake Airport
Combined salaries of the senior management team: $675,515

Board of Directors remuneration consisting of honorariums and per diems: $148,033

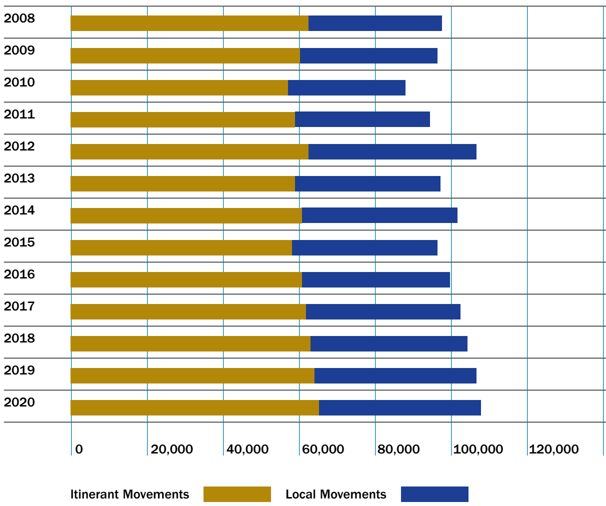
03>

Passenger experience

Passenger touch points are no longer confined to check-in, security, and boarding. With unique initiatives and community partnerships, Thunder Bay International Airport continues to strive and create enjoyable and a welcoming environment for all visitors.

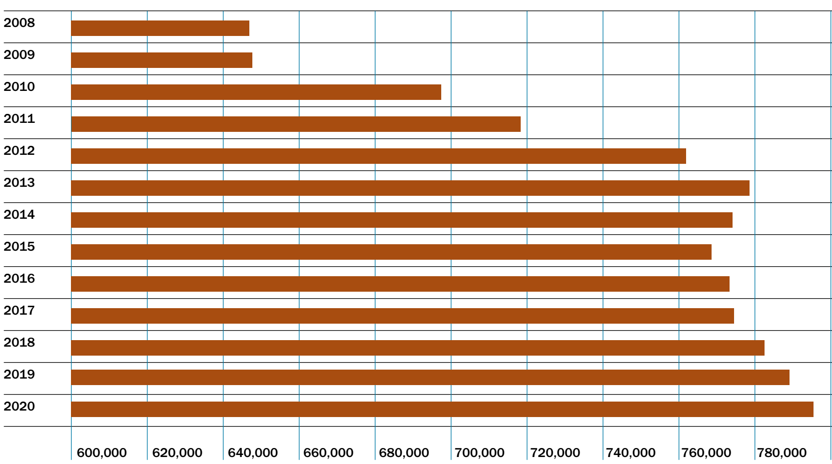
Financial Review

Aircraft Movements with Forecasts



	Itinerant Movements	Local Movements
2008	61,626	34,743
2009	61,598	35,317
2010	57,634	30,105
2011	60,332	35,184
2012	63,648	44,662
2013	59,312	38,294
2014	60,344	40,139
2015	60,048	33,986
2016	60,830	34,156
2017	60,348	34,327
2018	60,650	34,498
2019	60,953	34,671
2020	61,258	34,844

Passenger Traffic with Forecasts



	Actual
2008	645,164
2009	653,106
2010	691,476
2011	719,490
2012	761,693
2013	779,634
2014	776,945
2015	772,519
2016	780,000
2017	776,382
2018	780,264
2019	784,165
2020	788,086

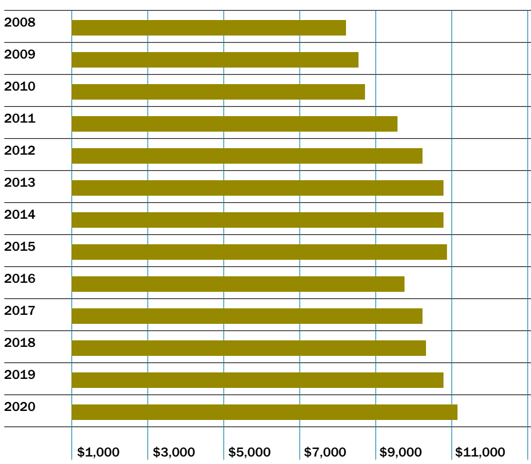
04>

Future development Aviation safety, financial sustainability, corporate responsibility, and customer service have laid the groundwork for Thunder Bay International Airport's strategic objectives. As we invest in our future, we envision the continued progression of these strategic goals.

Total Expenditures to Local Suppliers ($000)

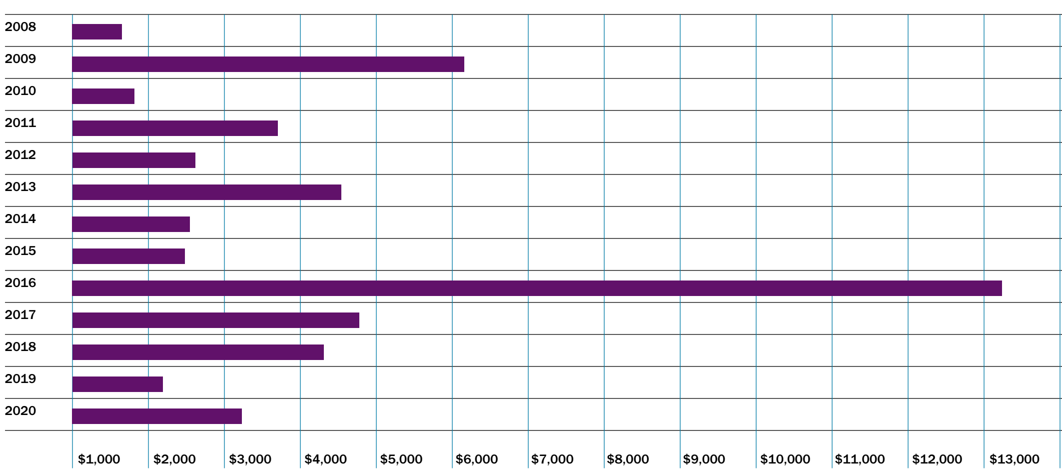
	Total Spend	Local Spend	Percentage Local
2008	$ 8,818	$ 5,513	63%
2009	$ 13,670	$ 10,062	74%
2010	$ 9,733	$ 6,397	66%
2011	$ 11,960	$ 8,601	72%
2012	$ 11,161	$ 8,203	73%
2013	$ 13,233	$ 10,372	78%
2014	$ 11,836	$ 7,317	62%
2015	$ 9,602	$ 5,995	62%
Ave	$ 11,487	$ 8,067	70%

Airport Revenue with Forecasts ($000)



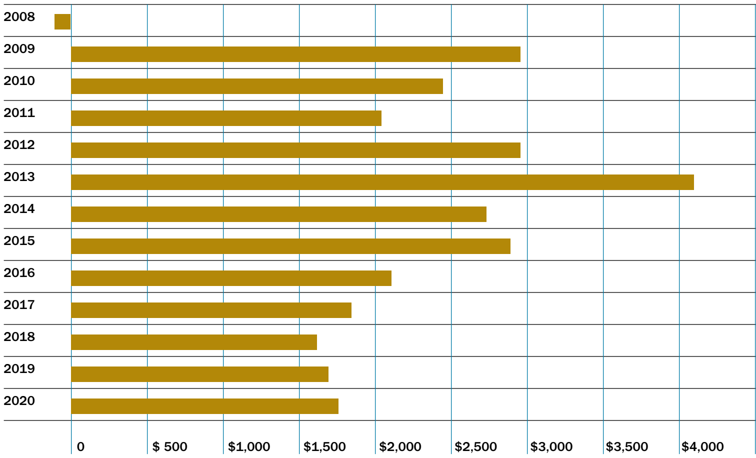
	Actual
2008	$ 8,118
2009	$ 8,386
2010	$ 8,745
2011	$ 9,493
2012	$ 10,162
2013	$ 10,717
2014	$ 10,757
2015	$ 10,800
2016	$ 9,927
2017	$ 10,172
2018	$ 10,424
2019	$ 10,727
2020	$ 11,038

Capital Expenditures & Forecasts ($000)



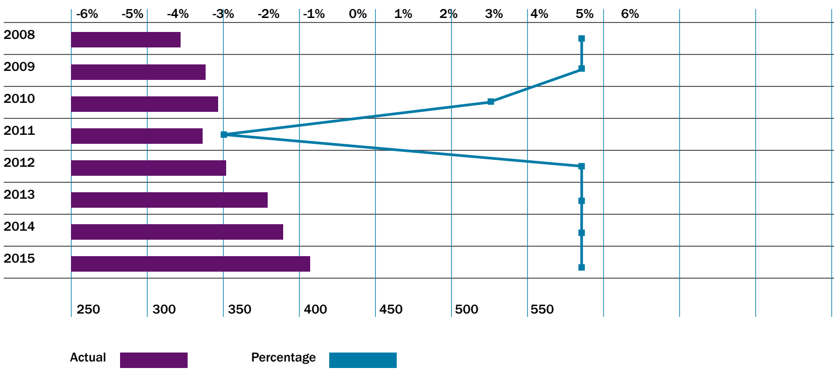
	Actual
2008	$ 1,596
2009	$ 6,121
2010	$ 1,790
2011	$ 3,643
2012	$ 2,559
2013	$ 4,492
2014	$ 2,501
2015	$ 2,493
2016	$13,270
2017	$ 4,750
2018	$ 4,238
2019	$ 2,011
2020	$ 3,234

Earnings from all Sources ($000)



	Actual
2008	$ (240)
2009	$ 2,963
2010	$ 2,430
2011	$ 2,085
2012	$ 2,979
2013	$ 4,132
2014	$ 2,756
2015	$ 2,851
2016	$ 2,189
2017	$ 1,721
2018	$ 1,596
2019	$ 1,635
2020	$ 1,744

PILT payment to Municipality ($000)



	Actual	Percentage change
2008	$ 321.9	5%
2009	$ 338	5%
2010	$ 346.5	3%
2011	$ 335.9	-3%
2012	$ 352.7	5%
2013	$ 370.3	5%
2014	$ 388.8	5%
2015	$ 408.3	5%

Grant Thornton

Independent Auditor's Report

To the Directors of
Thunder Bay International Airports Authority Inc.

We have audited the accompanying consolidated financial statements of Thunder Bay International Airports Authority Inc., which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated 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 consolidated financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Thunder Bay International Airports Authority Inc. as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Thunder Bay, Canada
March 22, 2016

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Operations

Year ended December 31	2015	2014
REVENUE [schedule]	**$ 10,800,379**	$ 10,757,250
EXPENSES		
Direct Advertising and promotion	**$ 118,706**	$ 123,550
Benefits	**398,871**	646,146
Contracted maintenance	**389,776**	345,047
Contracted services	**612,178**	645,802
Equipment rentals	**3,175**	3,086
Federal rent	**97,531**	149,605
Materials and supplies	**482,885**	543,994
Office and administration	**143,981**	92,580
Professional and consulting fees	**380,160**	222,873
Purchased repairs	**143,592**	70,618
Salaries	**2,699,658**	3,109,382
Telephone	**26,996**	33,805
Training and meetings	**47,727**	40,482
Travel	**52,284**	61,202
Utilities	**498,526**	501,455
	$ 6,096,046	6,589,627
Indirect		
Amortization	**$ 2,022,250**	1,892,436
Bad debts	**3,748**	2,420
Directors' fees	**148,034**	165,450
Payment in lieu of property taxes	**408,280**	388,838
Insurance	**126,933**	135,179
Interest and bank charges	**56,073**	58,608
Interest on long-term debt	**86,413**	113,338
	$ 2,851,731	$ 2,756,269
Total expenses	**$ 8,947,777**	$ 9,345,896
Earnings before the following	**$ 1,852,602**	$ 1,411,354
Realized earnings on investments	**1,143,487**	1,897,771
Fair market value adjustment	**136,906**	(436,563)
Foreign exchange gain	**-**	2,204
Gain on sale of property and equipment	**6,234**	-
Gain on sale of IFIDS.COM	**17,242**	-
Loss of IFIDS.COM INC. [note 9[b]]	**-**	(85,730)
Excess of revenue over expenses	**$ 3,156,471**	$ 2,789,036

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

Year ended December 31	**2015**	2014
ASSETS		
Current		
Cash and cash equivalents	**$ 2,350,110**	$ 1,222,923
Accounts receivable [note 3]	**1,011,723**	1,270,701
Inventory, at cost	**98,929**	99,995
Prepaid expenses and deposits	**226,659**	190,027
Due from the Municipality of Red Lake	**268,457**	
Total current assets	**$ 3,687,421**	$ 3,052,103
Property and equipment, net [note 4]	**22,874,401**	23, 590,926
Other		
Investments [note 5]	**22,457,364**	20,208,918
Accrued benefit asset [note 6]	**1,490,000**	1,674,000
Total other assets	**23,947,364**	21,882,918
	$ 50,509,186	$ 48,525,947
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 7]	**$ 1,211,113**	$ 1,621,883
Due to the Municipality of Red Lake	**105,025**	-
Due to Marcel Boschung AG	**535,672**	51,961
Current portion of long-term debt [note 8[a]]	**354,394**	544,699
Deferred revenue	**157,315**	141,165
Investment in IFIDS.COM INC. [note 9[a]]	**-**	53,523
Total current liabilities	**$ 2,363,519**	$ 2,413,231
Non-current		
Security deposits	**$ 40,480**	$ 40,530
Long-term debt [note 8[a]]	**3,907,751**	4,257,634
Retirement allowance liability [note 10]	**474,445**	456,717
Deferred capital contributions [note11]	**3,624,288**	3,2780,603
Total non-current liabilities	**$ 8,046,964**	$ 8,535,484
Net assets		
Investment in property and equipment [note 12[a]]	**$ 14,987,968**	$ 15,007,990
Unrestricted	**25,110,735**	22,569,242
Net assets	**$ 40,098,703**	$ 37,577,232
	$ 50,509,186	$ 48,525,947

See accompanying notes to the consolidated financial statements .

Chair of the Board
Dave Siciliano

Director
Roberta Simpson

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Changes in Net Assets

Year ended December 31			**2015**	2014
	Investment in property and equipment [note 12]	**Unrestricted**	**Total**	Total
Net assets, beginning of year	$ **15,007,990**	**$ 22,569,242**	**$ 37,577,232**	$ 34,608,196
Excess (shortfall) of revenue over expenses	**(1,864,213)**	**5,020,684**	**3,156,471**	2,789,036
Net change in investment in property and equipment	**1,844,191**	**(1,844,191)**	**-**	-
Pension remeasurement and other items [note 6]	**-**	**(635,000)**	**(635,000)**	180,000
Net assets, end of year	**$ 14,987,968**	**$ 25,110,735**	**$ 40,098,703**	$ 37,577,232

See accompanying notes to the consolidated financial statements.

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Cash Flows

Year ended December 31	**2015**	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 3,156,471**	$ 2,789,036
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash Amortization	**2,022,250**	1,892,436
Amortization of deferred capital contributions	**(156,315)**	(137,186)
Increase in accrued benefit asset	**(451,000)**	(382,000)
Increase in retirement allowance liability	**17,728**	34,297
Interest added to long-term debt	**4,512**	5,732
Fair market value adjustment	**(136,906)**	436,563
Gain on sale of property and equipment	**(6,234)**	-
Loss of IFIDS.COM INC.	**-**	85,730
	$ 4,450,506	$ 4,724,608
Net change in non-cash working capital balances related to operations [note 13[a]]	**$ 632,412**	$ 1,095,052
Cash provided by operating activities	**$ 5,082,918**	$ 5,819,660
INVESTMENT ACTIVITIES		
Purchase of property and equipment [note 13[b]]	**$ (1,337,281)**	$ (2,435,303)
Purchase of investments, net	**(2,111,540)**	(1,878,334)
Proceeds on disposal of property and equipment	**37,790**	-
Cash used in investment activities	**$ (3,411,031)**	$ (4,313,637)
FINANCING ACTIVITY		
Repayment of long-term debt	**$ (544,700)**	$ (536,293)
Cash used in financing activity	**(544,700)**	(536,293)
Increase in cash and cash equivalents during year	**$ 1,127,187**	$ 969,730
Cash and cash equivalents, beginning of year	1,222,923	253,193
Cash and cash equivalents, end of year	**$ 2,350,110**	$ 1,222,923

See accompanying notes to the consolidated financial statements.

GENERAL

The Thunder Bay International Airports Authority Inc. (the "Authority") was incorporated without share capital on August 3, 1995 under the laws of Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of the Authority have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The more significant of these accounting policies are summarized below.

Basis of consolidation

The accompanying financial statements are prepared on a consolidated basis to include the accounts of the Authority and its subsidiaries, Thunder Bay Airport Services Inc., Sleeping Giant Enterprises Ltd. and Superior Aerospace Services Ltd. which are wholly-owned. IFIDS.COM INC. which is 50% owned has been accounted for using the equity basis. The Authority sold their interest in May, 2015.

Investments in which the Authority has the ability to exercise significant influence but does not have control are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the Authority's share of earnings or loss. When there is a loss in the value that is other than a temporary decline, the investment is written-down to recognize the loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Inventory

Inventory consists of fuel products, foam agents and parts. Inventory is measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less selling costs.

Property and equipment

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated amortization.

Amortization is provided on the basis and at the rates below. It is expected these procedures will charge earnings with the cost of the property and equipment over their estimated useful lives. Gain or loss on disposal of individual assets is recognized in earnings in the year of disposal.

Airside equipment	1/15 straight-line - salvage value 10%
Computer hardware	1/3 straight-line
Computer software	1/3 straight-line
Land transfer costs	1/60 straight-line
Land development costs	1/30 straight-line
Leasehold improvements	1/5 straight-line
Office furniture and equipment	1/5 straight-line
Runway upgrades	1/15 straight-line and 1/30 straight-line
Security upgrades	1/5 straight-line
Vehicles and equipment	1/5 straight-line - salvage value 10%

Property and equipment acquired during the year and not ready for productive use are not amortized.

Normal maintenance and repairs are expensed as incurred.

REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions, which include government grants. Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of property and equipment that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related property and equipment. 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.

Landing fees, terminal fees and parking fees revenue are recognized as airport facilities are used.

Lease revenue is recognized in the period in which it was earned.

All other revenue is recognized at point of sale or when the good or service has been provided and collectability is reasonably assured.

FINANCIAL INSTRUMENTS

Financial instruments

The Authority considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Authority accounts for the following as financial instruments:

- cash and cash equivalents
- accounts receivables
- investments
- accounts payable and accrued liabilities
- long-term debt

A financial asset or liability is recognized when the Authority becomes party to contractual provisions of the instrument.

Measurement

Financial assets or liabilities obtained in arm's-length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the Authority is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost (which approximates fair value)
Accounts receivable	Amortized cost
Investments in publicly traded companies	Fair value (determined using closing prices)
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Derecognition

The Authority removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the consolidated statement of operations.

EMPLOYEE FUTURE BENEFITS

The Authority sponsors two pension plans for its employees: a defined benefit plan and a defined contribution plan.

Defined benefit pension plan

For the Authority's defined benefit pension plan, the defined benefit obligations are determined using the most recent actuarial valuation report prepared for funding purposes.

Plan assets are measured at fair value.

The Authority recognizes the plan's funded surplus, which is the net amount of the defined benefit obligations and the fair value of plan assets, on the consolidated statement of financial position.

Actuarial gains and losses and past service costs are included in the cost of the plan for the year in the consolidated statement of operations.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions entered into directly by the Authority are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the statement of financial position exchange rates. Other statement of financial position items are translated at historical exchange rates. Revenue and expense items are translated at average rates of exchange prevailing during the year. Any resulting exchange gains and losses are included in the consolidated statement of operations in the current year. At year-end, monetary assets and liabilities denominated in U.S. dollars are translated using the exchange rate of U.S. $1 = Cdn $1.3840.

Management estimates

Management reviews the carrying amounts of items in the consolidated financial statements at each consolidated statement of financial position date to assess the need for revisions or any possibility of impairment. Many items in the preparation of these consolidated financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to earnings as appropriate in the year they become known.

Significant items subject to management estimates include:

Financial statement element	Management estimate
Accounts receivable	Allowance for doubtful accounts
Inventory	Obsolete inventory provision
Property and equipment	Asset useful lives

2. BANK INDEBTEDNESS

TD Canada Trust

The Authority has available a demand operating loan of $500,000 [2014 - $500,000] bearing interest at the bank's prime lending rate plus 0.5% per annum [3.2% at December 31, 2015]. $Nil [2014 - $nil] was outstanding at year-end.

The security for all indebtedness with TD Canada Trust consists of the following:

- A general security agreement representing a first floating charge subject to the Ministry of Transport's first position on all assets except accounts receivable, chattel paper, document of title, instrument and money;
  - Fixed charge on Jetbroom Runway Sweeper and Snowbooster;
  - Assignment of insurance;
- Postponement agreement between the Bank and Ministry of Transport, dated August 29, 1997 giving the Ministry of Transport first position on all assets except accounts receivable, chattel paper, document of title, instrument and money;
- Subordination agreement in the amount of $1,200,000 dated August 29, 1997 between the Bank and the Ministry of Transport giving the Bank priority on the Runway Sweeper;
- Subordination agreement amendment in the amount of $2,490,000 dated July 21, 2006 between the Bank and the Ministry of Transport giving the Bank priority on an additional Runway Sweeper and a new Snowbooster;
- Bankers Acceptances Agreement with Power of Attorney; and
- Updated Subordination and Priorities Agreement signed by the Federal Ministry of Transport/TD Bank/Thunder Bay International Airports Authority Inc.

The Authority has guaranteed bank advances of its subsidiary, Sleeping Giant Enterprises Ltd., up to a limit of $1,500,000. At December 31, 2015, advances of $nil [2014 - $nil] were outstanding.

3. ACCOUNTS RECEIVABLE

	2015	2014
Trade accounts receivable	**$ 1,027,221**	$ 1,124,851
Allowance for doubtful accounts	**(49,036)**	(46,043)
Harmonized Sales Taxes receivable	**33,538**	191,893
	1,011,723	1,270,701

4. PROPERTY AND EQUIPMENT

Details of year-end property and equipment balances are as follows:

	Cost	**Accumulated amortization**	**2015 Net book value**	2014 Net book value
Airside equipment	**$ 4,486,030**	**$ 1,756,270**	**$ 2,729,760**	$ 2,912,000
Computer hardware	**363,317**	**350,862**	**12,455**	22,487
Computer software	**579,525**	**524,377**	**55,148**	6,655
Land and land transfer costs	**1,032,163**	**55,120**	**977,043**	980,105
Land development costs	**6,879,694**	**1,537,025**	**5,342,669**	5,565,066
Leasehold improvements	**12,740,159**	**5,193,641**	**7,546,518**	7,274,877
Office furniture and equipment	**275,662**	**223,585**	**52,077**	85,328
Runway upgrades	**9,865,035**	**4,217,662**	**5,647,373**	6,150,025
Security upgrades	**3,183,786**	**3,183,786**	**-**	-
Vehicles and equipment	**2,540,398**	**2,029,040**	**511,358**	594,383
	$ 41,945,769	**$ 19,071,368**	**$ 22,874,401**	$ 23,590,926

Amortization for the year is $2,022,250 [2014 - $1,892,436]. Included in property and equipment balances are $262,044 assets not being amortized as they are not ready for productive use.

5. INVESTMENTS

	2015 Cost	**2015 Market**	2014 Cost	2014 Market
Cash and cash equivalents	**$ 947,954**	**$ 948,669**	$ 333,802	$ 333,888
Fixed income *	**12,274,626**	**12,452,570**	5,893,924	5,916,117
Equity *	**7,278,015**	**9,056,125**	12,161,328	13,958,913
Total	**$ 20,500,595**	**$ 22,457,364**	$ 18,389,054	$ 20,208,918

* quoted in an active market

6. EMPLOYEE FUTURE BENEFITS

The Authority is a participating employer in the Canadian Airport Authorities and Canadian Port Authorities Pension Plan, a multi-employer pension plan. The Plan provides pension benefits for those individuals who transferred employment from the federal public service at the time operation of the airport was transferred to the Authority in 1997. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time.

The most recent actuarial valuation of the Plan is as at January 1, 2015. The following information concerning the Plan is from an extrapolation of the January 1, 2015 valuation to December 31, 2015:

	2015	2014
Benefit obligation, end of year	**$ (7,060,000)**	$ (6,296,000)
Plan assets fair value, end of year	**8,930,000**	7,970,000
Plan surplus	**1,870,000**	1,674,000
Valuation allowance adjustment	**(380,000)**	-
Defined benefit asset	**$ 1,490,000**	$ 1,674,000

The changes in accrued pension benefits obligations are:

	2015	2014
Balance, beginning of year	**$ 1,674,000**	$ 1,112,000
Total current service and finance cost expense	**(49,000)**	(80,000)
Remeasurement and other items	**(635,000)**	180,000
Employer contributions	**500,000**	462,000
Balance, end of year	**$ 1,490,000**	$ 1,674,000

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2015 are as follows:

Discount rate	5.25%
Expected long-term rate of return on plan assets	5.60%
Rate of compensation increase	3.00%

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of $40,762 [2014 - $35,744] to the plan which was recognized as an expense during the year.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2015		2014
Accounts payable and accrued liabilities	**$**	**1,148,064**	$	1,612,619
Government remittances		**761**		4,997
Income taxes		**62,288**		4,267
	$	**1,211,113**	$	1,621,883

8. LONG-TERM DEBT

[a]		**2015**		2014
Ontario Ministry of Finance				
Repaid in full during year.	**$**	**-**	$	67,543
Toronto-Dominion Bank				
Term loan repayable in monthly instalments of $10,750 plus interest and a stamping fee of 0.95% per annum [1.79% combined at year-end] maturing January 31, 2016. As collateral, the Authority has provided a general security agreement as described in note 2 and a fixed charge on specific equipment and assignment of insurance.		**10,750**		139,750
Term loan repayable in monthly instalments of $20,232 plus interest and a stamping fee of 0.95% per annum [1.79% combined at year-end] maturing January 31, 2016. As collateral, the Authority has provided a general security agreement and other security as described in note 2 and a general hypothecation of stocks and bonds with Power of Attorney on marketable securities.		**2,427,710**		2,670,495
Term loan repayable in monthly instalments of $8,405 plus interest and a stamping fee of 0.95% per annum [1.79% combined at year-end], maturing January 1, 2016. As collateral, the Authority has provided a general security agreement and other security as described in note 2 and a general hypothecation of stocks and bonds with Power of Attorney on marketable securities.		**1,823,685**		1,924,545
	$	**4,262,145**	$	4,802,333
Less amounts included in current liabilities		**354,394**		544,699
Long-term portion	**$**	**3,907,751**	$	4,257,634

[b] Although the term loans mature in 2016, the principal repayments are based on management's intentions to renew terms loans under similar terms. The undiscounted cash flows required over the next five years are as follows:

2016	$	354,394
2017		343,644
2018		343,644
2019		343,644
2020		343,644
Thereafter		2,533,175
	$	4,262,145

9. INVESTMENT IN IFIDS.COM INC.

[a] The Authority's 50% interest in IFIDS.COM INC. was accounted for using the equity method.
The Authority sold their interest in IFIDS.COM Inc. in May, 2015.

		2015		2014
Balance, beginning of year	**$**	**(53,523)**	$	32,207
Loss for year		**-**		(85,730)
		(53,523)		(53,523)
Disposition		**53,523**		-
Balance, end of year	**$**	**-**	$	(53,523)

[b] Financial information of IFIDS.COM INC. is as follows:

		2015		2014
Balance sheet				
Total assets	**$**	**-**	$	259,854
Total liabilities		**-**		469,277
Net assets	**$**	**-**	$	(209,423)
Authority's share of deficit		**-**		(104,712)
Earnings statement				
Sales	**$**	**-**	$	445,992
Cost of sales		**-**		218,737
		-		227,255
Expenses		**-**		410,203
Interest and other income		**-**		11,489
Loss for year	**$**	**-**	$	(171,459)
Authority's share of net loss	**$**	**-**	$	(85,730)

10. RETIREMENT ALLOWANCE LIABILITY

Under the terms of the transfer agreement with Transport Canada, the Authority assumed the Government of Canada's obligation to pay its former employees compensation upon retirement or termination in accordance with the collective agreements.

The Authority has continued to record the liability in accordance with the agreements on the assumption that the qualifying conditions will be met. Information about the Authority's retirement allowance liability is as follows:

		2015		2014
Balance, beginning of year	**$**	**456,717**	$	422,420
Expense for the year		**17,728**		34,297
Balance, end of year	**$**	**474,445**	$	456,717

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions consist of the unamortized balance of contributions received by the Authority which have been expended on capital assets as approved by the contributors.

The amortization of capital contributions is recorded as revenue in the consolidated statement of operations.

	2015	2014
Balance, beginning of year	**$ 3,780,603**	$ 3,845,757
Contributions received during year	**-**	72,032
Amortization	**(156,315)**	(137,186)
Balance, end of year	$ **3,624,288**	$ 3,780,603

12. INVESTMENT IN PROPERTY AND EQUIPMENT

[a] Investment in property and equipment is calculated as follows:

	2015	2014
Property and equipment at net book value	**$ 22,874,401**	$ 23,590,926
Amounts financed by:		
Deferred capital contributions	**(3,624,288)**	(3,780,603)
Long-term debt	**(4,262,145)**	(4,802,333)
	$ 14,987,968	$ 15,007,990

[b] Change in net assets investment in property and equipment is calculated as follows:

Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	**$ 156,315**	$ 137,186
Amortization of property and equipment	**(2,022,250)**	(1,892,436)
Interest added to long-term debt	**(4,512)**	(5,732)
Gain on sale of property and equipment	**6,234**	-
	$ (1,864,213)	$ (1,760,982)

[c] Net change in investment in property and equipment:

Purchase of property and equipment	**$ 1,337,281**	$ 2,507,335
Amounts funded by:		
Restricted contributions	**-**	(72,032)
Repayment of long-term debt	**544,700**	536,293
Proceeds on sale of equipment	**(37,790)**	-
	$ 1,844,191	$ 2,971,596

13. STATEMENT OF CASH FLOWS

[a] The net change in non-cash working capital accounts related to operations is represented by the following:

	2015	2014
Decrease (increase) in current assets		
Accounts receivable	**$ 258,978**	$ 1,524,450
Inventory, at cost	**1,066**	(11,358)
Prepaid expenses and deposits	**(36,632)**	(46,504)
Due from Marcel Boschung AG	**-**	11,033
Deposit	**-**	20,000
Due from the Municipality of Red Lake	**268,457**	(268,457)
	$ 491,869	$ 1,229,164
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**$ (410,770)**	$ (80,317)
Due to the Municipality of Red Lake	**105,025**	(120,306)
Due to Marcel Boschung AG	**483,711**	51,961
Deferred revenue	**16,150**	8,100
Security deposits	**(50)**	6,450
Investment in IFIDS.COM INC.	**(53,523)**	-
	$ 140,543	$ (134,112)
	$ 632,412	$ 1,095,052

[b] During the year, property and equipment were acquired at an aggregate cost of $1,337,281 [2014 - $2,507,335] of which $nil [2014 - $72,032] were funded by debt and $1,337,281 [2014 - $2,435,303] by cash.

14. COMMITMENTS

The Authority has a Ground Lease with Transport Canada which calculates rent as a percentage of revenue using an escalating percentage of Airport Revenue which has the following ranges: 0% for revenue below $5 million, 1% for revenue between $5 and $10 million, 5% for revenue between $10 and $25 million, 8% for revenue between $25 and $100 million, 10% for revenue between $100 and $250 million, and 12% for revenue in excess of $250 million.

15. FINANCIAL INSTRUMENTS

The Authority is exposed to various risks through its financial instruments. The following analysis provides a measure of the Authority's risk exposure and concentration at December 31, 2015.

[a] Credit risk

Credit risk is the risk that a third party will fail to discharge its obligation to the Authority reducing the expected cash inflow from the Authority assets recorded at the consolidated statement of financial position date. Credit risk can be concentrated debtors that are similarly affected by economic or other conditions. A significant portion of the Authority's revenues and resulting receivable balances are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains provisions for potential credit losses. There was no significant change in exposure from the prior year.

[b] Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in raising funds to meet its obligations to suppliers and debtors. The Authority is exposed to this risk mainly in respect of its long-term debt, contributions to the pension plan and accounts payable. To manage liquidity, the Authority maintains sufficient cash balances and has sufficient credit facilities in place should cash requirements exceed cash generated from operating activities. There was no significant change in exposure from the prior year.

[c] Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Exposure to currency risk arises due to fluctuations in foreign exchange rates, which will affect the cash flows of financial instruments. At year-end, equities of $398,000 are denominated in U.S. dollars and converted to Canadian dollars. There was no significant change in exposure from the prior year.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk on its floating interest rate financial instruments. Given the current composition of long-term debt, floating-rate instruments subject it to a cash flow risk. There was no significant change in exposure from the prior year.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Authority is exposed to other price risk through its investments quoted in an active market.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 consolidated financial statements.

Consolidated Schedule of Revenue

Year ended December 31	**2015**	2014
Airside	**$ 2,663,100**	$ 2,920,293
Industrial land leases	**745,996**	730,545
Miscellaneous	**140,348**	121,129
Parking and ground transportation	**1,592,140**	1,602,241
Terminal	**4,146,337**	4,178,953
Amortization of deferred capital contributions [note 11]	**156,315**	137,186
Federal rent recovery	**140,871**	95,784
	$ 9,585,107	$ 9,786,131
Revenue from business initiatives	**1,215,272**	971,119
	$ 10,800,379	$ 10,757,250

Included in revenue from business initiatives are net sales and commissions as follows:

	2015	2014
Equipment sales revenue	**$ 2,244,000**	$ 990,500
Parts sales and other commissions	**183,725**	99,350
	$ 2,427,725	$ 1,089,850
Direct costs		
Cost of equipment	**2,014,052**	898,390
Parts	**144,644**	83,847
	$ 2,158,696	$ 982,237
Net sales and commissions	**$ 269,029**	$ 107,613

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