



Soaring to New Heights



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In 2016, we focused our efforts to enhance customer-centric operational excellence with an emphasis on aviation safety.

The Board of Directors stated objectives we continue to spotlight are:

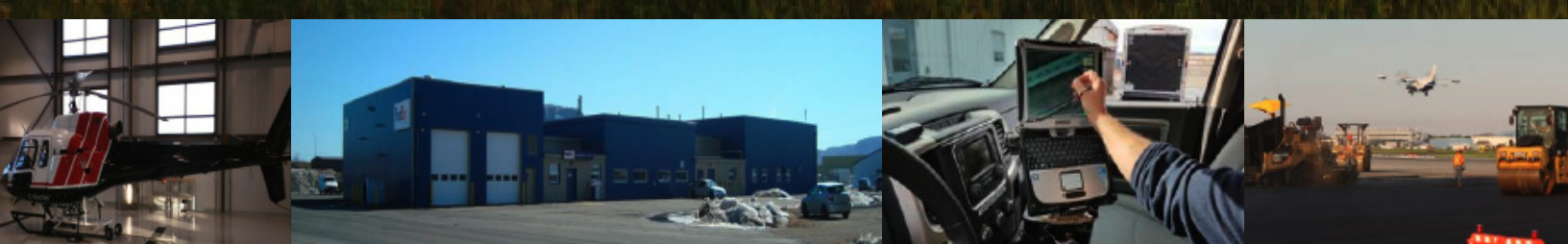
1. To increase the number of aircraft available, in turn steadily increase our passenger volumes by doing so.
2. Keep all employees, passengers, and visitors safe, serviced and comfortable.
3. Whenever possible, support our local economy.



The Year in Review

Safety & 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.



15 Years of No Airport Improvement Fee

October of 2016 marked the fifteen year anniversary of the cessation of Thunder Bay's Airport Improvement Fee (AIF) collection. The Airport Authority has long recognized Thunder Bay and Northwestern Ontario's uniquely expansive geography. The Thunder Bay Airport (YQT) is the only Airport Authority in Canada that is a sixteen (16) hour drive from its Provincial capital. Thunder Bay is also the service centre for several communities without ground transportation alternatives. Given these distance realities, TBIAA strives to keep the cost of air travel as low as possible.

An Airport's greatest economic impact is its community's air connectivity to the global economy at reasonable prices and with multiple frequencies. In Thunder Bay, these two objectives are achieved by directly reducing airfares through the elimination of the AIF, and through low cost airport operations that facilitate the attraction of multiple air carriers. By entering 2017 with record seat capacity and record passenger volumes, TBIAA has successfully created a consumer friendly market for air travel, and will work to maintain that position in the years to come.

Air Service

Passenger volumes hit an all-time high in 2016, exceeding 800,000 passengers for the first time; totally 807,041. The Thunder Bay Airport reached this new threshold, growing by

4.5% over the previous year.

Growth came from numerous sources. Additional seat capacity was provided by Air Canada-Jazz, Bearskin Airlines, Northstar Air, Porter Air, Sun Wing Vacations, and WestJet-Encore at various points throughout the year. The new capacity levels have continued, with Thunder Bay beginning 2017 with record levels of seating capacity.

Passenger volumes were assisted by an increase in US citizens choosing to use Thunder Bay Airport as their gateway for air travel. TBIAA observed record numbers of American license plates in its parking lots over the year with anecdotal information from nearby hotels confirming US guests were destined for Europe via the Thunder Bay Airport.

Taking advantage of interest from US citizens using our Airport as a European Gateway, the Airport Authority rolled out a social media campaign promoting competitive airline fares when flying out of Thunder Bay when compared to US departure points.

Airport Safety & Operational Performance

Safety continues to be our highest priority. Previous investments in new technology have generated new data sources that allow us to better analyse our activities to seek safety enhancements and cost efficiencies.

This allows for more detailed analysis of airside activities for

The Year in Review

Marketing & Advertising

An increase in US plates focused our attention to social media marketing south of the border.

The Right Approach To European Travel

Save up to \$1,200 USD per couple on your next European vacation by flying out of Thunder Bay Airport

Thunder Bay Airport

For booking, go to: **aircanada.com** or **westjet.com**

Hop the pond for less!
Save up to 40% by flying out of Thunder Bay Int. Airport

AVG. FLIGHT COSTS*

DEPART FROM:

- A THUNDER BAY, ON
- B DULUTH, MN
- C MINNEAPOLIS, MN

new safety enhancement and cost efficiencies.

Environmental Stewardship

TBIAAI is committed to environmental quality. Activities include glycol (de-icing fluid) collection and re-cycling, continuous monitoring of the water quality of storm water effluent, and audits of fuel tanks using

the Storage Tank Systems for Petroleum Products and Allied Petroleum Products Regulations.

Sustainability projects completed in 2016 included replacing the entire building envelope at our Industrial Rental Complex, resulting in a substantial increase to the building's "R-value". Rehabilitation of our crosswind runway included replacement of edge lights with energy saving LED (Light Emitting Diode) fixtures. As this follows several similar projects completed in the last few years, the vast majority of our airfield lighting is now LED technology.

In accordance with requirements of Section 67 of the Canadian Environmental Assessment Act, TBIAAI evaluates all construction projects, to determine their potential effect on the environment, including both Socio-economic factors and Bio-physical effects, especially those that could affect fish and fish habitat, species at risk, and migratory birds. The evaluation includes a checklist to help safeguard air, water, and soil quality. In 2016, we determined that no projects were likely to cause significant adverse environmental effects.

Construction Projects

TBIAAI completed its largest capital project in company history in 2016. A complete rebuild of the crosswind runway was completed at a cost of \$8.1 million. The runway had served the community well, lasting 30 years since its last major restoration. Our thanks to our staff and the combined forces of MMM, Pioneer Construction, Nadin Contracting and Liberty Airport Systems for an efficient and timely construction project.

Work was also completed on our Industrial Rental Complex. This multi-tenant facility received several updates to walls, windows and the roof to improve its energy efficiency and general aesthetic. We appreciate the efforts of Lakehead Roofing, Superior Door and Taranis Contracting Group for this great refresh to an old building.

An in-house expansion of our departure lounge was completed just in time for the busy summer vacation season.

TBIAAI was not the only company busy building in 2016. Hydro One Networks completed a new helicopter hangar at Thunder Bay Airport as well.

A Growing Economic Footprint

TBIAAI completed its third economic impact study in nine years. The continued growth of the Airport as a regional economic catalyst is very clear. In 2016, Full-Time Equivalent

A Community Partner



Thunder Bay Airport
The right approach

Fore! On Runway 30 Contest!

Contestants will participate in a "Closest to the Hole" Contest on an airport runway!

The hole distance will exceed 700 yards.

Balls are available at a cost of \$50 each (minimum purchase of 3 balls). Only 200 balls are available.

Date: May 28 (Rain or Shine)

To book your tee time, call 473-2600 weekdays between 8:30am and 4:30pm

GRAND PRIZE: HELICOPTER TOUR OF TOWN COURTESY OF WISK-AIR

Tee Boxes sponsored by:

The Year in Review

jobs (FTE) exceeded 5,000. The dollar value of all economic activity measured by Gross Domestic Product (GDP) reached \$645million.

A Community Partner

TBIAA prides itself on supporting local suppliers as much as possible. In a year where substantial capital work was completed, TBIAA's consolidated cash outlay (operating and capital) exceeded

\$16.4 million. Of that, over \$14.2 million (86%) was expended with local suppliers.

The Airport Authority supported a number of community charitable events with three being worthy of specific mention. Prior to releasing the crosswind runway to contractors for reconstruction, TBIAA hosted a fundraiser. The "Fore on Runway 30" contest invited golfers to tee off on the paved surface of the runway. Over \$10,000 was raised for the United Way. TBIAA would like to acknowledge the help of the following sponsors:

- Aurora Construction
- CGOV
- Clow Darling
- Gluskin+Sheff
- MNP
- Nadin Contracting

- Pioneer Construction
- Tristar Airport Systems
- Whitewater Golf Course
- Wisk-Air Helicopters

TBIAA has donated to the Thunder Bay Regional Health Sciences Centre (TBRHSC) "Cancer Care beyond Compare" campaign. Donations were targeted directly to the installation and operation of the isotope-generating cyclotron with the hope that this cutting edge technology will simultaneously generate further health care improvements and new economic development opportunities.

TBIAA was also pleased to participate in CBQ's "Sounds of the Season" food drive hosted by Wasaya Airways. TBIAA canvassed many friends on and off the airport resulting in a convoy of 13 vehicles taxiing to the Wasaya hangar to deliver food to the Regional Food Distribution Association (RFDA). TBIAA would like to thank the following for their support:

- Clow Darling
- KBM Aviation
- Nishnawbe-Aski Police Services
- TBT Engineering
- Wisk-Air Helicopters

Staff again volunteered their time to support the Parade of Lights fundraiser. Thanks to everyone who joined the parade!

Our staff at the Red Lake Airport play a major role in advancing

The Year in Review



their community as well. Two members contribute to the Highway 105 Tourism and Marketing board as Chair and Secretary. In these expanded roles, they promote the Red Lake area to potential visitors by overseeing the publication of the regional community and fishing guides.

The Red Lake Airport also hosted the community's Canada Day celebrations in 2016.

Financial Results

TBIAA reported another strong year of consolidated earnings. The year finished with a surplus in excess of operations of \$2.5 million. Capital investments exceeded \$10 million lead by the reconstruction of the crosswind runway.

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. There were no exceptions to the policy in 2016.

Employee Performance

The increase in construction has required additional effort from our staff. We thank our employees for contributing to the positive execution of the capital plan while maintaining a keen focus on day-to-day operations and customer service. Their vigilance in support of aviation safety and customer service is greatly appreciated.

Thank You

The Board and staff would like to acknowledge and thank the effort, guidance and commitment offered by Jim Howie and Roberta Simpson during their tenure on the Board of Directors.

During this year of record setting aviation activity, we would like to thank all of our customers and partners for their continued support.



Dave Siciliano
Chair of the Board



Ed Schmidtke
President &
Chief Executive Officer

Governance

TBIAA Board of Directors, 2016



Top row: Rick Trochimchuk, Ken Boshcoff, Paul Inksetter
Bottom row: Gary Woodbeck, Craig Urquhart, Dave Siciliano

Management Team



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

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, 2016**

Government of Ontario (1)
Rick Trochimchuk

City of Thunder Bay (2)
Ken Boshcoff
Dave Siciliano

**Thunder Bay Chamber of Commerce
(2)**
Gary Woodbeck
Craig Urquhart

Thunder Bay Labour (1)
Paul Inksetter

MANAGEMENT TEAM

President & Chief Executive Officer
Ed Schmidtke

Controller
Sharon Kelly

Manager, Airside Services
Ryan Brading

Manager, Facilities
Walter Turek

Manager, Quality
Sarah Parkes

SGE Ltd.
Malcolm Armstrong

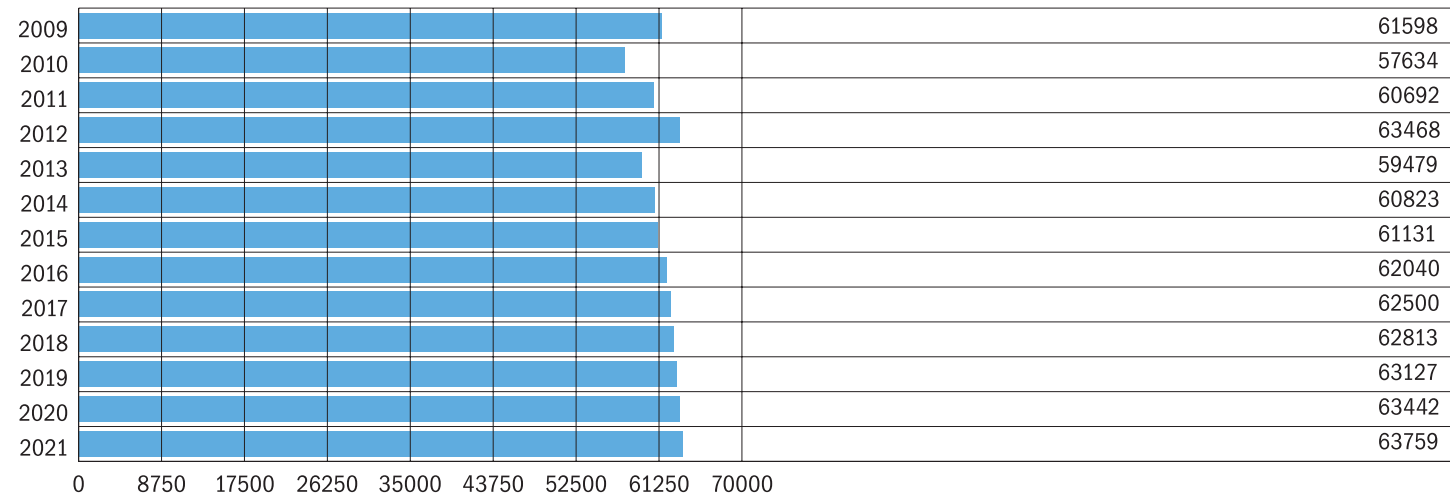
TBAS, Inc.
Red Lake Airport-Duane Riddell

Combined salaries of the senior management team: \$702,656.00

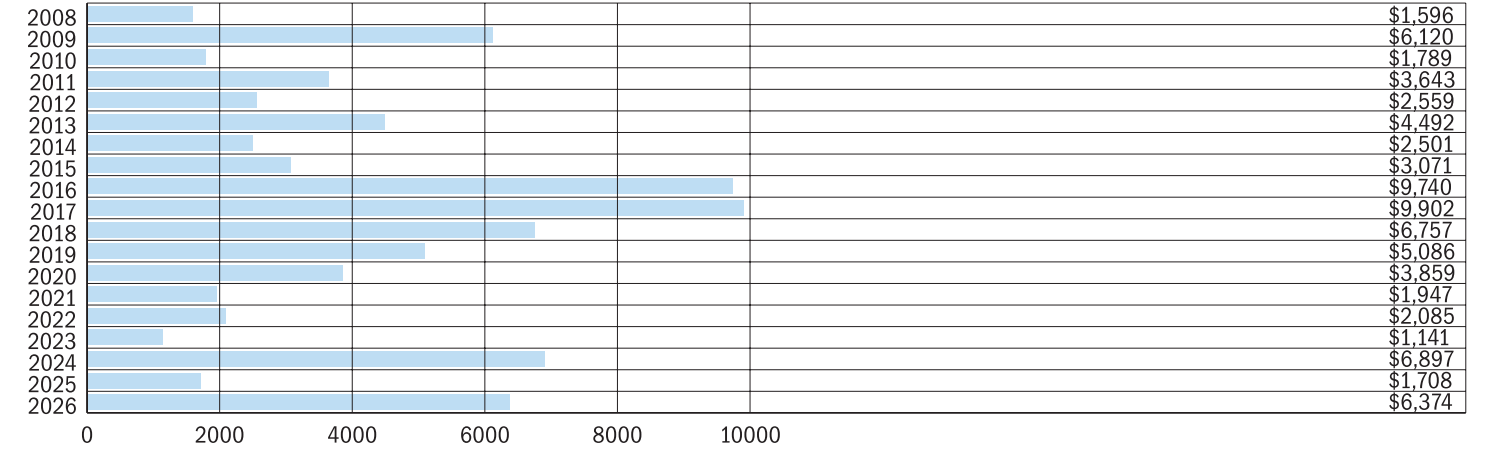
Board of Directors remuneration consisting of honorariums and per diems: \$108,654.00

Financial Review

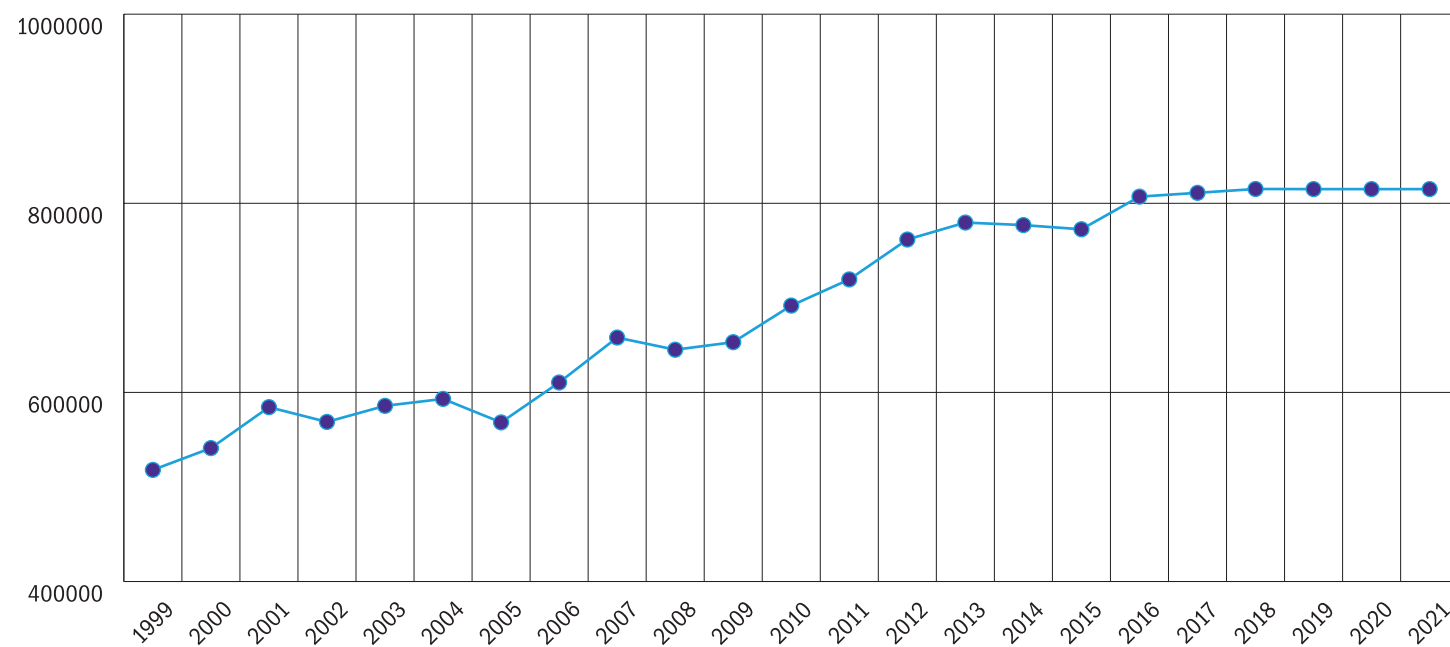
Intinerant Aircraft Movements and Forecasts



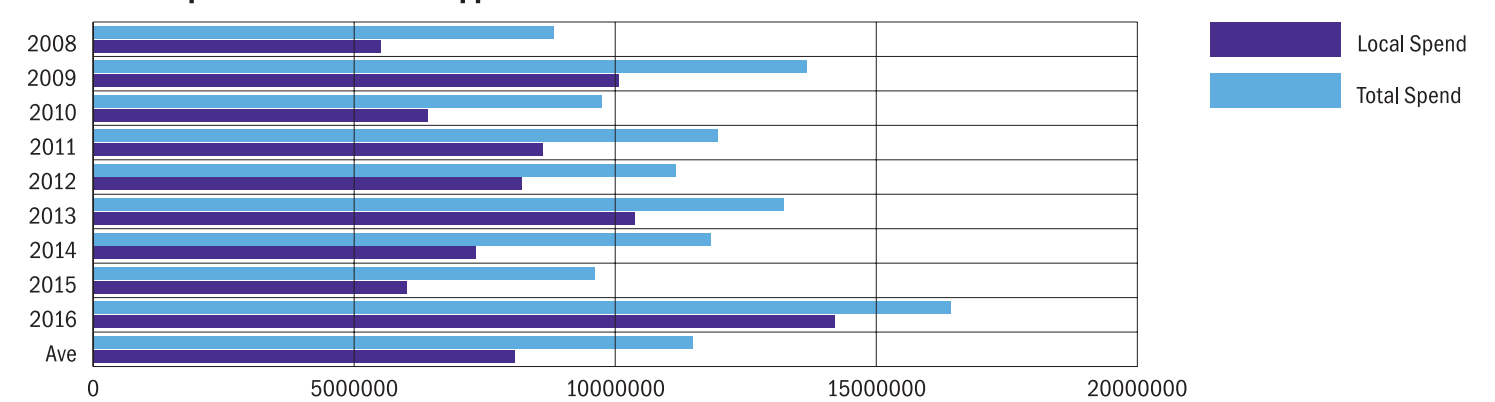
Capital Expenditures & Forecasts (\$000)



Passenger Volume and Forecasts



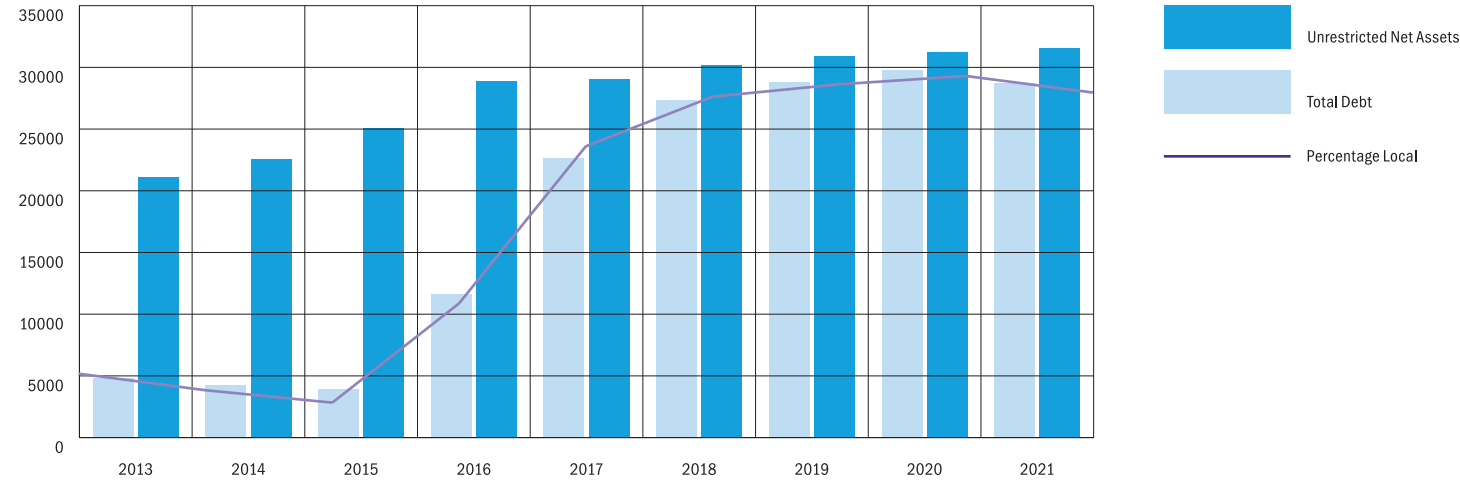
Total Expenditures to Local Suppliers



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ave
Total Spend	\$8,818,064	\$13,670,106	\$9,733,585	\$11,960,712	\$11,161,830	\$13,233,496	\$11,836,195	\$9,602,351	\$16,432,528	\$11,487,713
Local Spend	\$5,513,031	\$10,062,902	\$6,397,858	\$8,601,778	\$8,203,714	\$10,372,100	\$7,317,698	\$5,995,199	\$14,194,786	\$8,067,012
Percentage Local	63%	74%	66%	72%	73%	78%	62%	62%	86%	70%

Financial Review

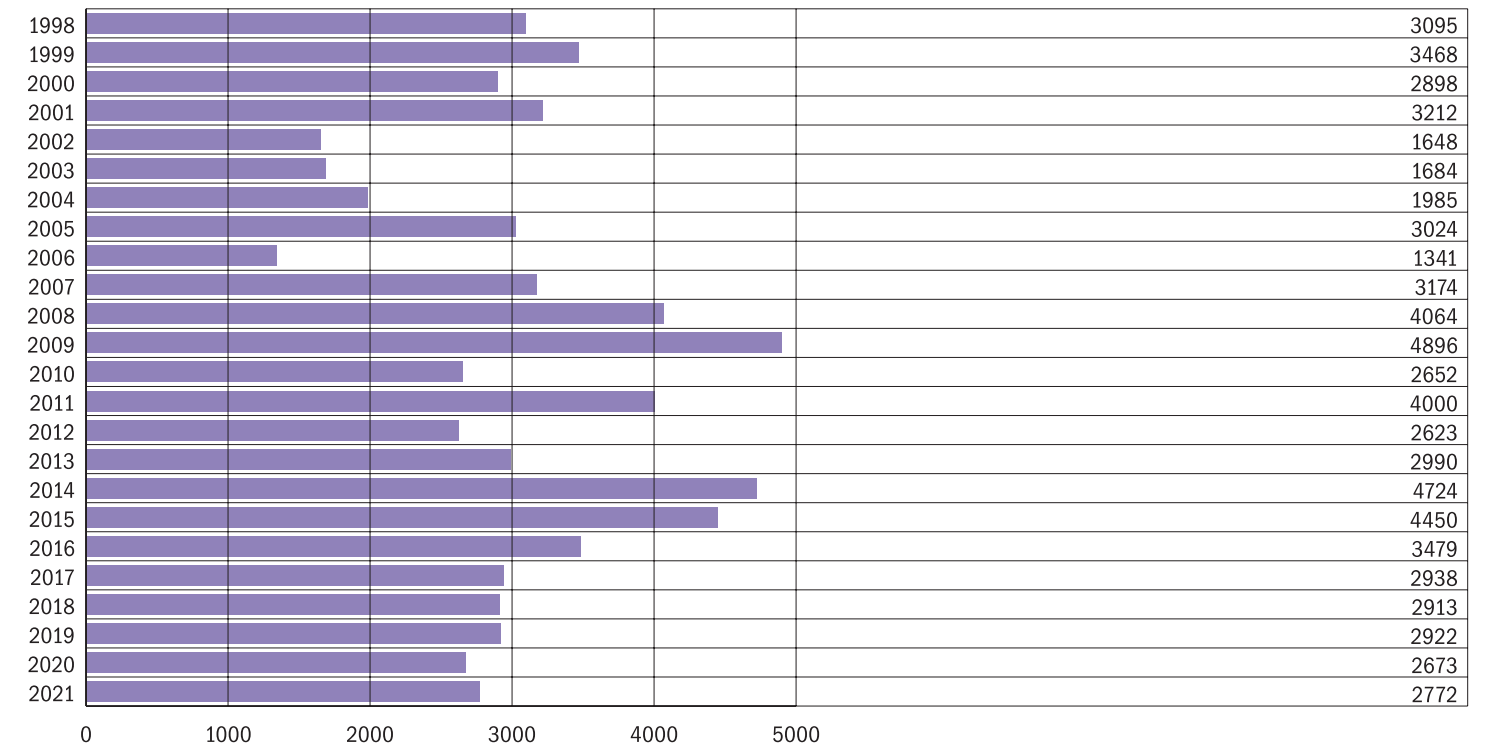
Comparison of Long Term Debt to Unrestricted Net Assets



Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Debt	\$4,788	\$4,257	\$3,907	\$11,629	\$22,621	\$27,315	\$28,770	\$29,752	\$28,724
Unrestricted Net Assets	\$21,123	\$22,569	\$25,110	\$28,853	\$29,077	\$30,202	\$30,897	\$31,219	\$31,546
Percentage Local	23%	19%	16%	40%	78%	90%	93%	95%	91%

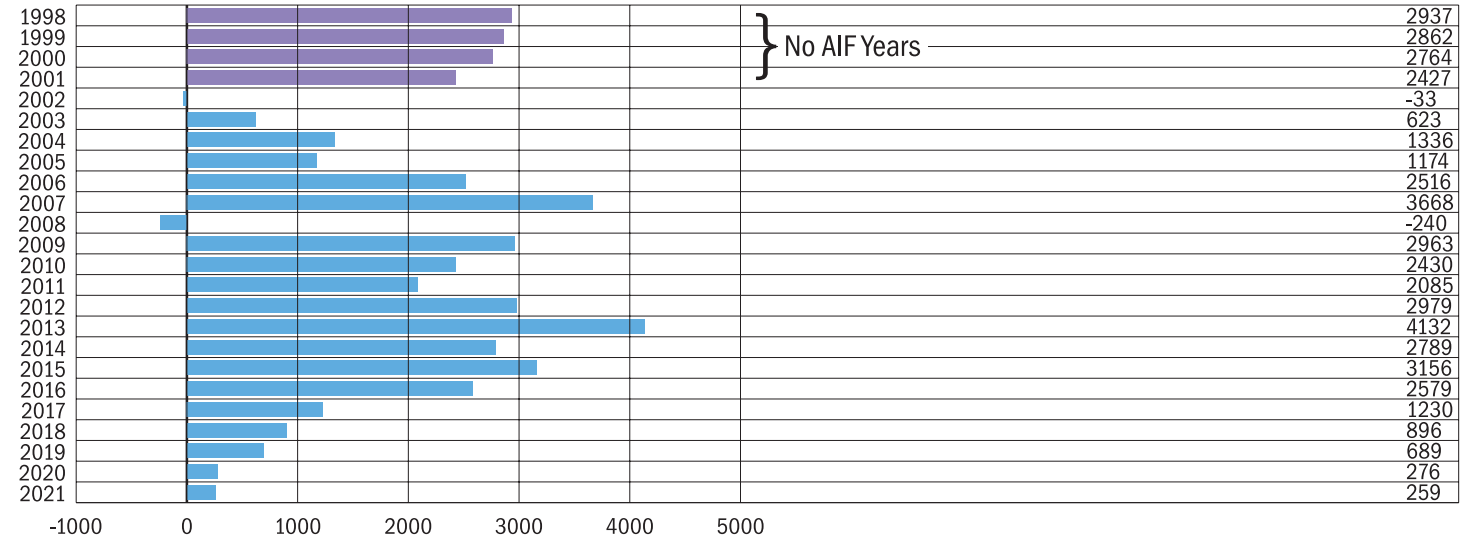
Cash Provided by Operating Activities with Forecasts

(\$000)

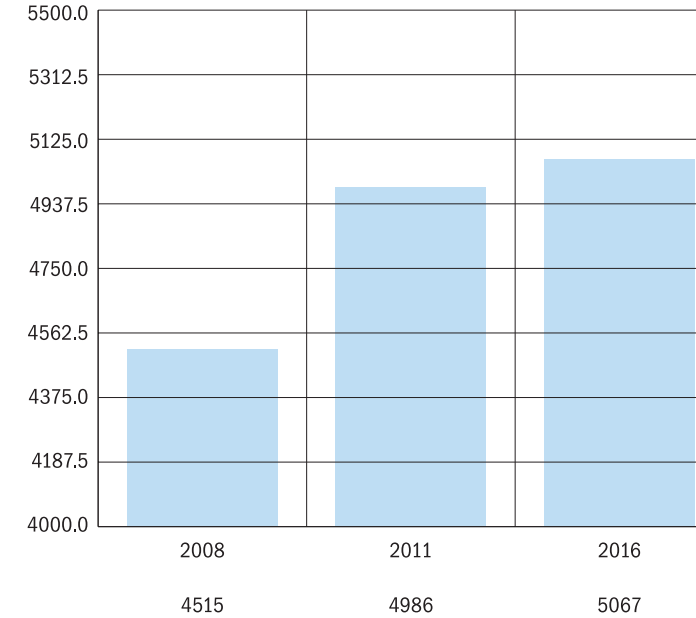


Annual Surplus (Deficit) History & Forecasts

(\$000)

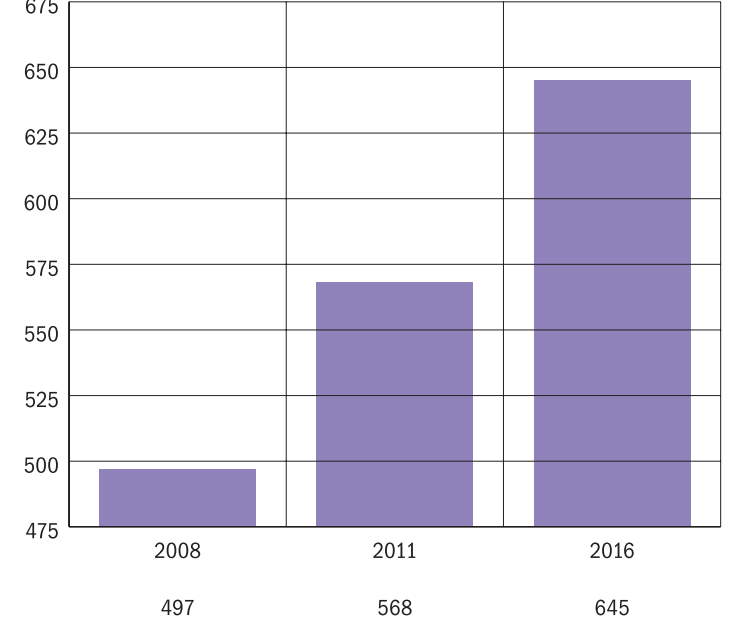


Total Impact Full Time Equivalents



Total Value added GDP

(\$ millions)



**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, 2016, 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, 2016 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.



Chartered Professional Accountants
Licensed Public Accountants

Thunder Bay, Canada
March 28, 2017

Thunder Bay International Airports Authority Inc.

Consolidated Statement of Operations

Year ended December 31	2016	2015
	\$	\$
REVENUE [schedule]	11,105,765	10,800,379
EXPENSES		
Direct		
Advertising and promotion	126,015	118,706
Benefits	550,901	398,871
Contracted maintenance	425,990	389,776
Contracted services	576,702	612,178
Equipment rentals	2,995	3,175
Federal rent	102,250	97,531
Materials and supplies	543,387	482,885
Office and administration	66,017	143,981
Professional and consulting fees	343,240	380,160
Purchased repairs	87,227	143,592
Salaries	2,905,576	2,699,658
Telephone	28,103	26,996
Training and meetings	59,013	47,727
Travel	47,063	52,284
Utilities	546,100	498,526
	6,410,579	6,096,046
Indirect		
Amortization	2,194,727	2,022,250
Bad debts	13,074	3,748
Directors' fees	109,134	148,034
Payment in lieu of property taxes	409,892	408,280
Insurance	122,698	126,933
Interest and bank charges	66,259	56,073
Interest on long-term debt	142,256	86,413
	3,058,040	2,851,731
Total expenses	9,468,619	8,947,777
Earnings before the following	1,637,146	1,852,602
Realized earnings on investments	852,119	1,143,487
Fair market value adjustment	231,874	136,906
Gain (loss) on sale of property and equipment	(141,542)	6,234
Gain on sale of IFIDS.COM	-	17,242
Excess of revenue over expenses	2,579,597	3,156,471

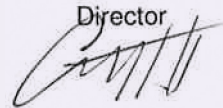
See accompanying notes to the consolidated financial statements.

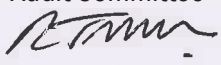
Consolidated Statement of Financial Position

As at December 31	2016	2015
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	693,123	2,350,110
Accounts receivable [note 3]	1,106,230	1,011,723
Inventory, at cost	26,312	98,929
Prepaid expenses and deposits	184,879	226,659
Due from the Municipality of Red Lake	99,487	-
Total current assets	2,110,031	3,687,421
Property and equipment, net [note 4]	29,976,207	22,874,401
Other		
Investments [note 5]	27,017,732	22,457,364
Defined benefit asset [note 6]	1,577,000	1,490,000
Total other assets	28,594,732	23,947,364
	60,680,970	50,509,186
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 7]	1,096,770	1,211,113
Due to the Municipality of Red Lake	-	105,025
Due to Marcel Boschung AG	8,045	535,672
Current portion of long-term debt [note 8[a]]	1,262,268	354,394
Deferred revenue	215,704	157,315
Total current liabilities	2,582,787	2,363,519
Non-current		
Security deposits	40,480	40,480
Long-term debt [note 8[a]]	11,629,488	3,907,751
Retirement allowance liability [note 10]	489,941	474,445
Deferred capital contributions [note 11]	3,467,974	3,624,288
Total non-current liabilities	15,627,883	8,046,964
Net assets		
Investment in property and equipment [note 12[a]]	13,616,477	14,987,968
Unrestricted	28,853,823	25,110,735
Net assets	42,470,300	40,098,703
	60,680,970	50,509,186

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

 C. Urquhart

Director, Chair Finance,
 Audit Committee

 R. Trochimchuk

Consolidated Statement of Changes in Net Assets

Year ended December 31	2016		2015	
	Investment in Property and Equipment \$ [note 12]	Unrestricted \$	Total \$	
			Total \$	
Net assets, beginning of year	14,987,968	25,110,735	40,098,703	37,577,232
Excess (shortfall) of revenue over expenses	(2,179,955)	4,759,552	2,579,597	3,156,471
Net change in investment in property and equipment	808,464	(808,464)	-	-
Pension remeasurement and other items [note 6]	-	(208,000)	(208,000)	(635,000)
Net assets, end of year	13,616,477	28,853,823	42,470,300	40,098,703

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	2,579,597	3,156,471
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	2,194,727	2,022,250
Amortization of deferred capital contributions	(156,314)	(156,315)
Increase in accrued benefit asset	(295,000)	(451,000)
Increase in retirement allowance liability	15,496	17,728
Interest added to long-term debt	-	4,512
Fair market value adjustment	(231,874)	(136,906)
Loss (gain) on sale of property and equipment	141,542	(6,234)
	4,248,174	4,450,506
Net change in non-cash working capital balances related to operations [note 13[a]]	(768,203)	632,412
Cash provided by operating activities	3,479,971	5,082,918
INVESTMENT ACTIVITIES		
Purchase of property and equipment [note 13[b]]	(9,589,284)	(1,337,281)
Increase in investments, net	(4,328,494)	(2,111,540)
Proceeds on disposal of property and equipment	151,209	37,790
Cash used in investment activities	(13,766,569)	(3,411,031)
FINANCING ACTIVITIES		
Loan proceeds	9,131,319	-
Repayment of long-term debt	(501,708)	(544,700)
Cash provided by (used in) financing activities	8,629,611	(544,700)
Increase (decrease) in cash and cash equivalents during year	(1,656,987)	1,127,187
Cash and cash equivalents, beginning of year	2,350,110	1,222,923
Cash and cash equivalents, end of year	693,123	2,350,110

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2016

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 was historically 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 to 1/40 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

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.

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.

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

Notes to the Consolidated Financial Statements

December 31, 2016

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
- due to/from the Municipality of Red Lake
- due to Marcel Boschung AG
- security deposits
- 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	Fair value (determined using

companies	closing prices)
Due to/from the Municipality of Red Lake	Amortized cost
Due to Marcel Boschung AG	Amortized cost
Security deposits	Amortized cost
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

December 31, 2016

plan for the year in the consolidated statement of operations.

The Authority only recognizes a plan funded surplus on the consolidated statement of financial position to the extent it is expected to be realized. A valuation allowance is recognized for any excess of the plan surplus over the expected future benefit.

Defined contribution pension plan

Under the defined contribution pension plan, an expense is recorded in the period when the Authority is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included on the consolidated statement of financial position as an accrued liability.

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 consolidated 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 \$1.3427.

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
Defined benefit asset Actuarial	assumptions <i>[note 6]</i>

2. BANK INDEBTEDNESS

Toronto-Dominion Bank

The Authority has available a demand operating loan of \$500,000 [2015 - \$500,000] bearing interest at the bank's prime lending rate plus 0.5% per annum [3.2% at December 31, 2016]. \$Nil [2015 - \$nil] was outstanding at year-end.

The security for all indebtedness with Toronto-Dominion Bank consists of the following:

- 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/Toronto-Dominion Bank/Thunder Bay International Airports Authority Inc.

Notes to the Consolidated Financial Statements

December 31, 2016

The Authority has guaranteed bank advances of its subsidiary, Sleeping Giant Enterprises Ltd., up to a limit of \$1,500,000. At December 31, 2016, advances of \$nil [2015 - \$nil] were outstanding.

3. ACCOUNTS RECEIVABLE

	2016 \$	2015 \$
Trade accounts receivable	1,075,649	1,027,221
Allowance for doubtful accounts	(49,036)	(49,036)
Harmonized Sales Taxes receivable	39,636	33,538
Income taxes receivable	39,981	-
	1,106,230	1,011,723

4. PROPERTY AND EQUIPMENT

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

	Cost \$	Accumulated amortization \$	2016 Net book value \$	2015 Net book value \$
Airside equipment	3,968,423	1,799,249	2,169,174	2,729,760
Computer hardware	363,317	360,982	2,335	12,455
Computer software	605,302	545,851	59,451	55,148
Land and land transfer costs	1,158,108	58,182	1,099,926	977,043
Land development costs	6,879,694	1,760,666	5,119,028	5,342,669
Leasehold improvements	14,232,242	6,128,283	8,103,959	7,546,518
Office furniture and equipment	289,465	242,395	47,070	52,077
Runway upgrades	17,635,506	4,849,987	12,785,519	5,647,373
Security upgrades	3,183,786	3,183,786	-	-
Vehicles and equipment	2,693,496	2,103,751	589,745	511,358
	51,009,339	21,033,132	29,976,207	22,874,401

Amortization for the year is \$2,194,727 [2015 - \$2,022,250]. Included in property and equipment balances are \$201,165 of assets not being amortized as they are not ready for productive use.

5. INVESTMENTS

	2016 Cost \$	2016 Market \$	2015 Cost \$	2015 Market \$
Cash and cash equivalents	1,487,994	1,488,128	947,954	948,669
Fixed income *	15,382,873	15,441,976	12,274,626	12,452,570
Equity *	7,958,219	10,087,628	7,278,015	9,056,125
Total	24,829,086	27,017,732	20,500,595	22,457,364

* quoted in an active market or derived from inputs other than quoted prices that are observable

December 31, 2016

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, 2016. The following information concerning the Plan is from an extrapolation of the January 1, 2016 valuation to December 31, 2016:

	2016 \$	2015 \$
Benefit obligation, end of year	(7,651,000)	(7,060,000)
Plan assets fair value, end of year	9,656,000	8,930,000
Plan surplus	2,005,000	1,870,000
Valuation allowance adjustment	(428,000)	(380,000)
Defined benefit asset	1,577,000	1,490,000

The changes in accrued pension benefits obligations are:

	2016 \$	2015 \$
Balance, beginning of year	1,490,000	1,674,000
Total current service and finance cost expense	(124,000)	(49,000)
Remeasurement and other items	(208,000)	(635,000)
Employer contributions	419,000	500,000
Balance, end of year	1,577,000	1,490,000

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations as of January 1, 2016 are as follows:

Discount rate	4.75%
Expected long-term rate of return on plan assets	4.75%
Rate of compensation increase	2.50%
Inflation rate	2.00%

The Authority pays into a defined contribution plan with Great-West Life for certain employees. During the year, the Authority made total payments of \$39,539 [2015 - \$40,762] to the plan which was recognized as an expense during the year.

Notes to the Consolidated Financial Statements

December 31, 2016

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 \$	2015 \$
Accounts payable and accrued liabilities	1,092,668	1,148,064
Government remittances	4,102	761
Income taxes	-	62,288
	1,096,770	1,211,113

8. LONG-TERM DEBT

[a]	2016 \$	2015 \$
Toronto-Dominion Bank		
Term loan repaid during year.	-	10,750
Term loan repayable in monthly instalments of \$20,232 plus interest and a stamping fee of 0.93% per annum [1.81% combined at year-end] maturing January 31, 2017.	2,184,926	2,427,710
Term loan repayable in monthly instalments of \$8,405 plus interest and a stamping fee of 0.93% per annum [1.81% combined at year-end], maturing January 1, 2017.	1,722,825	1,823,685
Term loan repayable in monthly instalments of \$76,552 plus interest and a stamping fee of 0.93% per annum [1.81% combined at year-end], maturing 5 years from the date of each draw down which is being repaid over 10 years.	8,984,005	-
	12,891,756	4,262,145
Less amounts included in current liabilities	1,262,268	354,394
Long-term portion	11,629,488	3,907,751

As collateral for the Toronto-Dominion Bank term loans, 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.

[b] Although the term loans mature in 2017, 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:

	\$
2017	1,262,268
2018	1,262,268
2019	1,262,268
2020	1,262,268
2021	1,262,268
Thereafter	6,580,416
	12,891,756

December 31, 2016

9. INVESTMENT IN IFIDS.COM INC.

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.

	2016 \$	2015 \$
Balance, beginning of year	-	(53,523)
Loss for year	-	-
	-	(53,523)
Disposition	-	53,523
Balance, end of year	-	-

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:

	2016 \$	2015 \$
Balance, beginning of year	474,445	456,717
Expense for the year	15,496	17,728
Balance, end of year	489,941	474,445

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.

	2016 \$	2015 \$
Balance, beginning of year	3,624,288	3,780,603
Amortization	(156,314)	(156,315)
Balance, end of year	3,467,974	3,624,288

Notes to the Consolidated Financial Statements

December 31, 2016

12. INVESTMENT IN PROPERTY AND EQUIPMENT

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

	2016 \$	2015 \$
Property and equipment at net book value	29,976,207	22,874,401
Amounts financed by:		
Deferred capital contributions	(3,467,974)	(3,624,288)
Long-term debt	(12,891,756)	(4,262,145)
	13,616,477	14,987,968

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

	2016 \$	2015 \$
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	156,314	156,315
Amortization of property and equipment	(2,194,727)	(2,022,250)
Interest added to long-term debt	-	(4,512)
Gain (loss) on sale of property and equipment	(141,542)	6,234
	(2,179,955)	(1,864,213)

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

	2016 \$	2015 \$
Purchase of property and equipment	9,589,284	1,337,281
Amounts funded by:		
Loan proceeds	(9,131,319)	-
Repayment of long-term debt	501,708	544,700
Proceeds on disposal of property and equipment	(151,209)	(37,790)
	808,464	1,844,191

December 31, 2016

13. STATEMENT OF CASH FLOWS

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

	2016 \$	2015 \$
Decrease (increase) in current assets		
Accounts receivable	(94,507)	258,978
Inventory, at cost	72,617	1,066
Prepaid expenses and deposits	41,780	(36,632)
Due from the Municipality of Red Lake	(99,487)	268,457
	(79,597)	491,869
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(114,343)	(410,770)
Due to the Municipality of Red Lake	(105,025)	105,025
Due to Marcel Boschung AG	(527,627)	483,711
Deferred revenue	58,389	16,150
Security deposits	-	(50)
Investment in IFIDS.COM INC.	-	(53,523)
	(688,606)	140,543
	(768,203)	632,412

[b] During the year, property and equipment were acquired at an aggregate cost of \$9,589,284 [2015 - \$1,337,281] of which \$9,131,319 [2015 - \$nil] were funded by debt and \$457,965 [2015 - \$1,337,281] 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, 2016.

[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.

Notes to the Consolidated Financial Statements

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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 \$930,504 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. SUBSEQUENT EVENT

Subsequent to year-end, Thunder Bay Airport Services Inc. and Sleeping Giant Enterprises Ltd., subsidiary companies owned by Thunder Bay International Airports Authority Inc., amalgamated. The amalgamation was effective January 1, 2017. This amalgamation will have no financial impact on the consolidated financial statements.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 consolidated financial statements.

Consolidated Schedule of Revenue

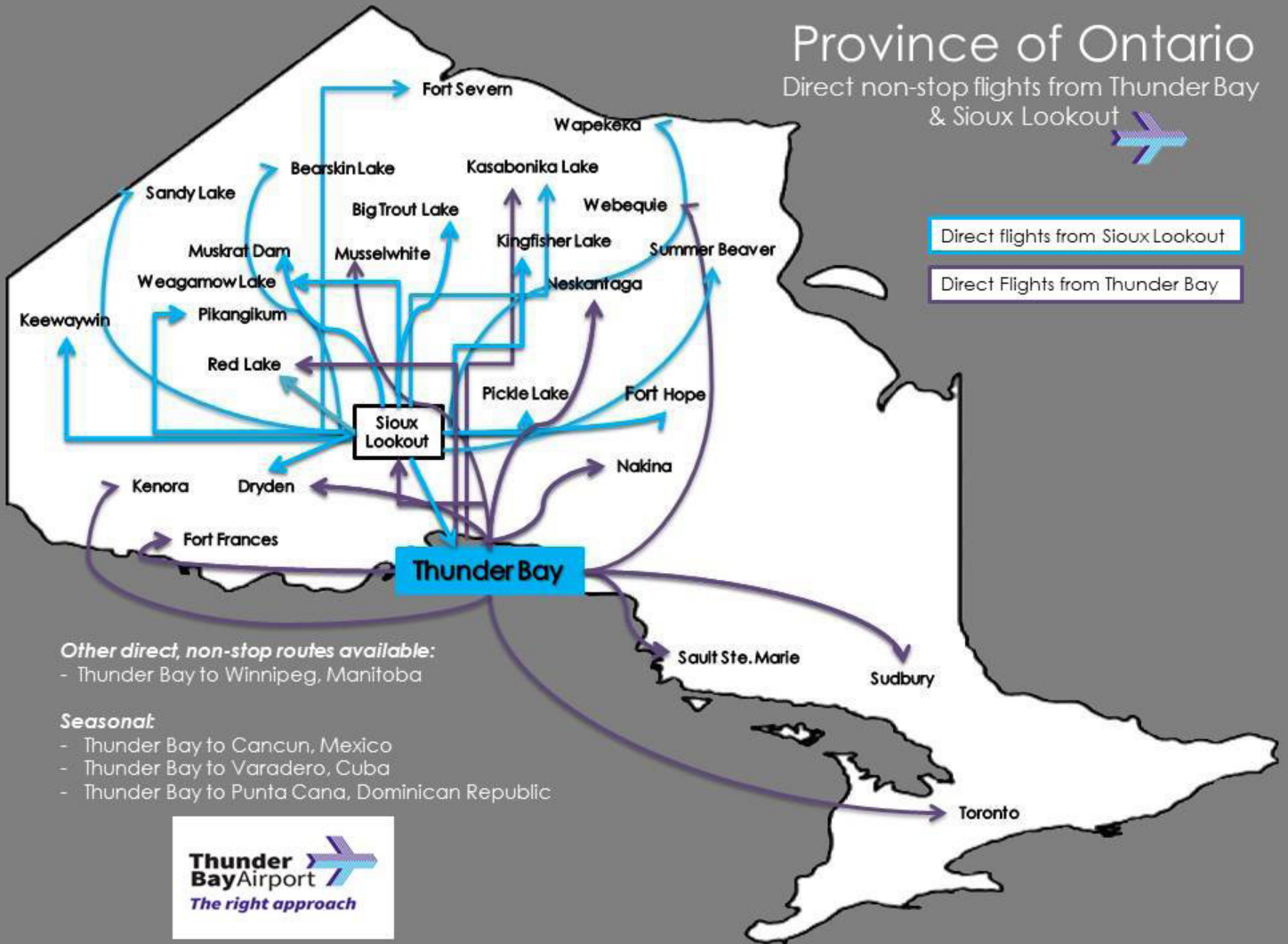
Year ended December 31	2016 \$	2015 \$
Airside	2,937,647	2,663,100
Industrial land leases	741,980	745,996
Miscellaneous	158,704	140,348
Parking and ground transportation	1,695,698	1,592,140
Terminal	4,398,166	4,146,337
Amortization of deferred capital contributions [note 11]	156,314	156,315
Federal rent recovery	181,401	140,871
	10,269,910	9,585,107
Revenue from business initiatives	835,855	1,215,272
	11,105,765	10,800,379

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

	2016 \$	2015 \$
Equipment sales revenue	-	2,244,000
Parts sales and other commissions	170,195	183,725
	170,195	2,427,725
Direct costs		
Cost of equipment	-	2,014,052
Parts	146,850	144,644
	146,850	2,158,696
Net sales and commissions	23,345	269,029

Province of Ontario

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Direct flights from Sioux Lookout

Direct Flights from Thunder Bay

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 - Thunder Bay to Winnipeg, Manitoba

Seasonal:
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 - Thunder Bay to Varadero, Cuba
 - Thunder Bay to Punta Cana, Dominican Republic



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 340 - 100 Princess Street
 Thunder Bay, ON
 P7E 6S2

www.tbairport.on.ca