

THE WORLD BEGINS AT YXS

2012 Annual Report



4141 Airport Road - 10
 Prince George, British Columbia
 Canada V2N 4M6

Telephone: 250-963-2400
 Facsimile: 250-963-3462

Email: info@pgairport.ca
 Web: www.pgairport.ca
 Social Media: [f](#) [t](#) /FlyYXS

Canada 103
 MAY 2
 prince george airport authority
YXS



Given Name
VICTOR
 Surname
GRECO



Job
G4S SECURE SOLUTIONS
 Years of Service at YXS
FOUR YEARS

Sex
M
 Heritage
ITALIAN

"I love working at YXS because it gives me the opportunity to interact with people from different walks of life and travellers from around the world. It's also gratifying to be involved in air travel security."

THE WORLD BEGINS AT YXS

2012 Annual Report

Diversity is celebrated at the Prince George Airport in many ways. Hundreds of people within dozens of organizations work at YXS and a number of cultures and ethnicities are represented at our airport. This diverse group of people, work together as a unified team with the same goal in mind: to provide best in class customer service.

In 2012, the Prince George Airport was awarded a *celebrating diversity* public art piece which features over 400 photographs of local residents, past and present, from a wide range of backgrounds. The portrait chandelier hangs proudly in the arrivals area of the terminal and represents the diversity, the area's gathering spirit and the Prince George Airport Authority's (PGAA) commitment to the community for generations to come. Employee profiles are featured throughout this piece to introduce you to some of the people who make up our outstanding airport community.

Many memories start at the Prince George Airport as people of all ages fly to and from locations across the globe. It is an exciting place to be as it symbolizes global adventure, economic development and first impressions for new and returning visitors. **No matter where your next adventure takes you, the world begins at YXS.**

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celebrating diversity

Submitted by Artist Aiden Callison

In January of 2012, my proposal for a new sculpture to be displayed in the arrivals area of the Prince George Airport was selected. The sculpture was commissioned by Welcome PG and funded under the Ministry of Jobs Tourism & Innovation with stakeholder partners Initiatives Prince George and the Prince George Chamber of Commerce. The call for submissions explained that the new piece of public art needed to act as something that welcomed newcomers and visitors to Prince George and reminded people who live here that Prince George is a welcoming, inclusive and diverse community. As I am not a local artist, I knew that I couldn't create something that one day would arrive and hope that it could have an impact on the community. I knew I had to create a piece of public art that would become part of the community through the community's involvement in the artwork.

celebrating diversity is a chandelier with hundreds of transparent panels embedded with photographs of local residents, suspended from a frame that reflects the shape of the two rivers: the Nechako and the Fraser. The rivers and the people displayed are a direct translation of the Lheidli T'enneh First Nations. The translation of the word Lheidli means "where the two rivers flow together" and T'enneh means "the people."

The challenge that I faced to make the artwork part of the community was achieved by personally photographing over 400 Prince George residents who were incorporated into the sculpture. These faces represent the diverse community that is Prince George. Through the process of photographing local residents, what struck me was people's drive to get involved in their community and the artwork. This speaks to the strength of the Prince George community and its desire to support one another. As I could only incorporate a limited number of portraits I decided to include a large number of clear panels. The clear panels and their reflective nature represent and include anyone that wasn't able to participate in the artwork. The photographs were positioned in the artwork according to a timeline of when each person moved to the area or was born in Prince George. As the panels come closer to where the rivers meet they get denser, reiterating the idea that the rivers and Prince George have acted as a gathering place. As people arrive at the airport, *celebrating diversity* acts as a reminder that Prince George is a population represented by varying ages, ethnicities, cultures and backgrounds that is ever changing and flowing like the two rivers that sustain life in this region.



Given Name

AIDEN



Surname

CALLISON

Job

ARTIST OF *celebrating diversity*

Years of Service at YXS

NINE MONTHS

Sex

M

Heritage

SWEDISH

"During my time at YXS I developed an unexpected partnership and friendship with the people that work at the airport. I was welcomed into the community and the YXS family and I am proud to have my face incorporated into the artwork"

celebrating diversity was unveiled at YXS on June 9th with over 300 people from the community in attendance. The ceremony was blessed by Lheidli T'enneh Chief Frederick and speeches were made by MPs Dick Harris and Bob Zimmer, MLAs Shirley Bond and Pat Bell, Acting Mayor Councillor Brian Skakun and Baljit Sethi the Executive Director of the Immigrant & Multicultural Services Society of Prince George. Getting to watch the local residents at the unveiling search the artwork for their faces, reiterated their connection to the artwork and exemplified the pride they felt in representing this welcoming, inclusive and diverse community. For generations to come people arriving at YXS will get to experience this same sense of welcomeness to Prince George, and discovery and connection to the airport.

Reflecting on the process I am fascinated by the parallels between the welcoming and kindness that I experienced from the staff and people of YXS and the community at large and the goal of the artwork to welcome newcomers to Prince George. The partnership that developed between the PGAA staff and myself was entirely unexpected. The PGAA is staffed with an amazing team of individuals who not only care about their organization and the community within the airport, but the larger community of Prince George. This experience was a true reflection of the strength of the community and is the reason why people choose to live in the area. This experience left me with a new understanding of what the possibilities of art can be and its potential to bring together a community. I feel an incredible sense of welcome and belonging to the community through the warmth that I experienced from everyone I photographed and everyone involved in the project.



“Sometimes it takes someone from the outside to see us for who we are. The celebrating diversity artwork is the best of what public art should be. It showcases who we are and what we are about. Best of all, it took someone from outside our community to recognize just how special the place is and the people who live here, and then articulate that in the most beautiful and elegant way.”

– Neil Godbout - Prince George Citizen Managing Editor

Chairman and CEO Report

The Prince George Airport Authority (PGAA) broke all previous records as 418,589 passengers went through our doors in 2012, a four percent increase in the number of travelers over 2011. Further growth was somewhat constrained as only a few additional seats were provided by the airlines. WestJet did add a larger 737 aircraft on its three daily flights to Vancouver and Air Canada Jazz added an additional daily flight on weekends. Both carriers experienced very heavy load factors and many flights were full. Central Mountain Air with 10 flights a day, added Ft. St. John and Fort Nelson to their existing services to Terrace, Smithers, Kamloops and Kelowna. The Authority continued to encourage our partner airlines to expand services along the northern corridor with Alberta and to US and Mexican sun spots. Early indications are that Prince George will see a substantial increase in seats to Vancouver in 2013 as the airlines receive new aircraft.

The Airport Authority also broke all previous financial records posting an operating profit of \$410,655. This is the third straight year that the airport has exceeded its financial objective for the year. The surplus can be attributed to a milder than normal winter, improved cost controls, increased revenues from parking and more passenger seats provided by the airlines. The airport was the first in Canada to change the method of calculating landing fees charged to the airlines. Fees are now based on the number of passenger seats on an aircraft rather than weight of the aircraft. This will ensure that the airport revenues are protected when airlines choose to change the type of aircraft they use on our routes. Additional Airport Improvement Fee revenue and reduced costs of capital, (renegotiated in 2010), were the main reasons our net earnings after inclusion of capital rose to \$2.4 million. During 2012 the airport terminal building HVAC system was upgraded, new taxiway lighting was installed and some new mobile airfield equipment was acquired.

Further progress was made in our attempts to eliminate the barriers to making Prince George a transpacific refueling and cargo stop. Transport Canada officially recognized Prince George as a tech stop destination in the International Civil Aviation Authority Regulations during 2012. This will increase our exposure to the aviation world. While a few setbacks were encountered in the schedule to construct a fuel farm and refueling facility, the tanks are now in place and the project should be operational by mid 2013 allowing us to provide competitive fuel pricing. Expressions of interest have been advertised to build a cargo handling facility and it is hoped that the facility can be available for use in late 2013 or early 2014. Land preparation and road access to the facility were completed in 2012.

Canada is not cost competitive when it comes to providing navigation and border services to airlines. With the support of the Canadian Airports Council and some other Canadian airports we continued our attempts to get Nav Canada to initiate a new tech stop fee structure. Canada Border Services did expand their hours of coverage at the airport in the summer of 2012 and we continue to work with them in our attempt to attract new business.

The Federal Government continued work with the Canadian Airports to deliver expanded air services to Asian countries. A new agreement offering expanded rights was signed with Japan and another is anticipated with Taiwan in 2013. These service expansions will benefit Prince George.

The Airport Authority implemented a new customer service strategy in 2011 that produced new services in 2012. The BG Urban Grill opened its doors this past year with a vastly improved facility with a new menu and new retail offerings. A third rental car company, Hertz joined National and Budget in the air terminal building. A children's reading centre was added in the departure lounge. As an extension of our community partnerships we created an "Art in the Terminal" program in conjunction with the Prince George & District Community Arts Council. The Airport Authority was a finalist for a Chamber of Commerce Business Award in the category of "Corporate Culture" and our CEO, John Gibson, was a finalist for Business Person of the Year Award.



The Authority won an Embrace Diversity Award, Organization/Business Category, from the Immigrant and Multicultural Services Society for Outstanding work in Cultural Diversity.

Ron Epp, a Board member since inception of the Airport Authority in 2003, stepped down from the Board in 2012 after completing his maximum nine year term. Ron played a key role in negotiating the transfer of the airport from the Federal Government between 2001 and 2003. Ron served as Treasurer of the Airport Authority from 2003 through to 2012. We want to thank Ron for his many years of dedicated service. Dean Mason replaced Ron on the Board. We were also pleased to welcome Blair Mayes and Bob Radloff to the Board. The addition of these new Board members brings new insight, knowledge and business experience to the Board.

Board members and staff represent the airport both in the community and throughout Canada on a number of Boards and Committees. Among these are the Canadian Airports Council of Chairs, the CAC Board of Directors, the CAC Cargo, Finance, Human Resources, Marketing and Public Relations, Environmental, Security and Operations/Safety and technical Affairs sub committees, the British Columbia Aviation Council, Tourism Prince George, and the 2015 Canada Winter Games Board amongst others.

We are especially pleased that Cuyler Green, Director of Operations, is Chairman of International Association of Airport Executives (Canada) and John Gibson CEO was elected Vice Chair of the Canadian Airports Council and a member of the Airports Council International/North America Board of Directors.

A number of Board members had the unique experience of attending an ACI World conference held close to home in Calgary. Members of management were able to participate in a world cargo conference which brought together freight forwarders, cargo airlines and airports and a North American Marketing and Communications Conference.

Looking forward to 2013 we continue to plan for the 2015 Winter Games, a real opportunity to change our community image and bring thousands of new visitors to our city. We thank our Board members, our employees and our partners for keeping us connected with our customers and our community.

No matter where your next adventure takes you, the world begins at YXS.



John B. Gibson
President and CEO, Prince George Airport Authority



Jim Blake
Chair, Prince George Airport Authority

Overview of Operations

Enhancements to the passenger experience in 2012 saw the long awaited improvement to the airport's food and beverage service when the BG Urban Grill opened its doors in March with a new menu, coffee bar and décor. Other changes include the addition of a third car rental outlet, the remodeling of the information booth area and the creation of a self-serve baggage drop area for WestJet.

The Prince George Airport Authority (PGAA) and the 2015 Canada Winter Games staff are busy coordinating the best way to move the athletes and their equipment through the airport quickly and efficiently in order to further enhance their important memories of the games – their athletic achievements and meeting new friends from across Canada.

The fourth and final phase of the Airport's Safety Management System was put in place in the spring of 2012. The Safety Management System is an aviation industry wide mandated program to provide comprehensive management of safety risks to complement the specific programs already in place.

For the sixth year in a row, UNBC, in cooperation with the PGAA, continued their studies on bird and mammal activities. This research has provided significant information to the PGAA to mitigate better bird and wildlife hazards. UNBC is also in its fifth year of testing a vegetation seed mix that provides protection against soil erosion but does not attract wildlife and requires less mowing maintenance. The last few years have seen beavers become a problem, blocking drainage systems and forcing water into the runways sub-grade. This summer saw the installation of three pond leveling devices to ensure that the airport's drainage system operates as designed, while allowing the beavers to have a suitable home.

All projects that require a Canadian Environmental Assessment Act review have been conducted.



The community and the airport's response to emergency situations was tested this year with a live exercise, "Operation Bounce" involved many different agencies including the PGAA, RCMP, City of Prince George Fire Department, Pine View Fire Department and BC Ambulance. This exercise was in addition to the PGAA's regular practical emergency response training that permitted 10 staff to complete successfully their annual aircraft fire fighting qualifications. PGAA staff participated in the Kelowna airport's live emergency response exercise as an evaluator of their emergency operations centre. Other emergency response items included the installation of a radio channel recording system and new High-Definition security cameras.

The capital upgrades to our taxiway lighting system with LED fixtures was completed this year along with a new high efficiency boilers for the terminal. The PGAA also purchased a replacement wheel loader and runway de-icing chemical spreader. The four 150,000 litre tanks for the refueling facility were delivered in May. Once operational the common storage fuel facility will provide competitive fuel pricing.

The Airport Cooperative Research Project, a subdivision of the National Transportation Research Board of the US National Academies is preparing a paper on best practices for airport winter maintenance. The PGAA participated by providing information on our practices and procedures for winter operations.

The PGAA hosted an aviation student from BCIT for three weeks, providing an opportunity for the student to gain real world experience. A presentation was made on the airport's air quality program to the Prince George Air Improvement Roundtable.

No matter where your next adventure takes you, the world begins at YXS.



Given Name
KRISTY
Surname
MACLEAN
Job
WESTJET
Years of Service at YXS
ONE YEAR
Sex
F Heritage
BRITISH



"My job at Westjet has opened my eyes to just how many places we can connect with, and how much easier it is to travel than it used to be. I enjoy seeing people from around the world come in and out of YXS."



Photo: Neil Walton



Cargo Business Development

During 2012 the Prince George Airport Authority (PGAA) saw a number of advancements in the Cargo Business Development area.

Construction of the common storage fuel facility took place in 2012. Although it was met with some delays, we are confident it will be completed with commissioning estimated for mid 2013. Until the warehouse is complete the new NT Air hangar can serve as an interim facility. The cargo warehouse and cross-dock facility is slated for completion by the end of 2013.

A report from Boeing Consulting confirmed that Prince George (YXS) is strategically located to receive wide body freighter aircraft from Asia destined for eastern North America. The in-depth study proved that B747-400 aircraft from northern Asian airports and B747-800s and B777s from airports in Asia can make it to Prince George without payload penalty. This holds well in presentations made to several Asian airlines in the spring of 2012 as we were able to confirm YXS as a viable refueling destination for cargo flights from Asia. The carriers we met with were very supportive.

From the Boeing report and our resulting meetings and consultations with Asian freighter operators, it was identified that if we can provide export products to load on their returning flights, our airport would prove much more attractive to cargo carriers. As a result, we continue to move forward with the development of cargo products that can be flown out of Prince George destined to a number of Asian locations.



Given Name
SHENSHEN

Surname
XU

Job
AIR CONSOL

Years of Service at YXS
EIGHT MONTHS

Sex
M

Heritage
CHINESE



"I was born in China and I came to Canada at the age of 11. I love how friendly Canadians are and how much space there is around us. I haven't been working at YXS for very long, but so far it has been a wonderful experience."

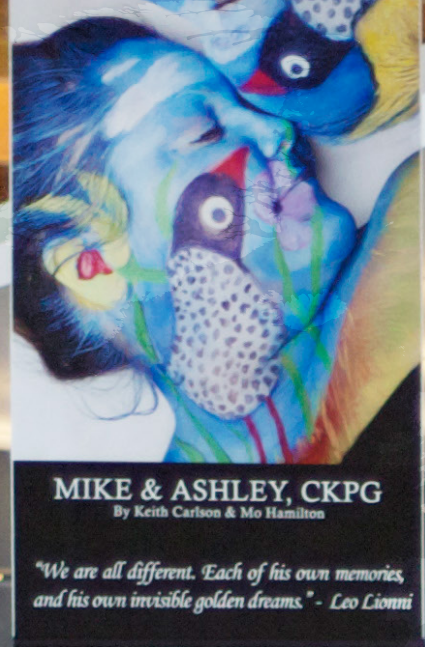
2010
PRINCE GEORGE
332



Working closely with Initiatives Prince George (IPG) we have begun to identify a number of local and regional products that would be suitable for export from YXS. Through Western Economic Diversification (WED) and IPG we have been fortunate to work with InterVISTAS consulting to confirm which products would be most suitable for export. The report is still in progress, however, early indications are that there are a number of great export opportunities in the region. The report will be finalized in the first quarter of 2013 and is expected to provide a solid framework to assist PGAA, along with IPG and the City of Prince George, in furthering their efforts to have YXS as technical stop for freighters and an export center for our local and regional products to Asian markets.

In 2012, we saw the third largest operating cargo aircraft in the world make two separate landings at YXS. The Antonov-124 arrived July 13th to load seven helicopters from several local operators for delivery to Luanda, Angola for use in their presidential election. Volga-Dnepr, the operator of the aircraft, specializes in oversized heavy cargo and is capable of carrying up to 120 tonnes of freight. The loading crew did an amazing job of squeezing all the helicopters into the aircraft in record time. The Antonov departed without incident the next day returning three months later to bring the helicopters back to Prince George. The landings and departures of this aircraft drew large crowds as it was an event not seen locally in a number of years.

No matter where your next adventure takes you, the world begins at YXS.



Growth and Community Partnerships

Coming together, working side by side with a common goal and partnering with a number of local agencies are all things the Prince George Airport Community strived to accomplish in 2012.

As part of Prince George's WelcomePG legacy project work, the Prince George Airport (YXS) was selected as the location for a public art piece that celebrates diversity. Public photo shoots were arranged including one at YXS where employees were given the opportunity to be featured in the one-of-a-kind portrait chandelier. *celebrating diversity* was unveiled to the public in June and is a project that brought the YXS community closer together. Since 2008, Welcome PG has been collaborating with community stakeholders, businesses, non-profit organizations and service providers to remove barriers of social and economic integration for new immigrants who choose Prince George as their new home.

Community partnerships were also established in 2012. The Prince George Airport, the Groop Gallery and the Prince George & District Community Arts Council created a program which offers gallery space within the airport for local artisans to display their work. A similar program was created in partnership with the Professional Photographers of Canada - Northern BC Branch, which provides space for local photographers to exhibit their work inside the Power Up Business Centre. In 2012, branding of the 2015 Canada Winter Games was displayed in the arrivals area of YXS. This partnership will grow substantially leading up to Prince George hosting the nation. The exterior of the terminal benefited from the creation of a banner program. Northern BC Tourism, Air Canada, WestJet and Central Mountain Air designed colourful banners which hang proudly on airport grounds. As well, the Prince George Airport was pleased to sponsor the University of Northern British Columbia JDC West's International Business Case team. JDC West is the largest student-run business competition in Western Canada. YXS partnerships with Ducks Unlimited and the Quesnel SkyFest Air Show continued in 2012 as well.

In an effort to accommodate children better at YXS, a children's reading corner was established in the boarding lounge. Several YXS employees donated books for this program so children waiting for a flight have the opportunity to read. In the arrivals area, a children's activity centre donated by Gingerbread Toys has proven extremely popular.



Given Name

LENA

Surname

AUGUSTSSON

Job

G4S SECURE SOLUTIONS

Years of Service at YXS

FOUR YEARS

Sex

F

Heritage

SWEDISH



"I love living in Canada because of the vast natural areas, the wildlife and beautiful scenery. Working for airport security allows me to meet lots of culturally diverse people which I enjoy."

MAY 24 2010
PRINCE GEORGE
332

YXS

LIN KINSLEY
By Cara Roberts

*you tell me, said Alice, a little timidly...
cat grins like that?" - Lewis Carroll*

A new quarterly internal newsletter was developed to ensure the airport community was aware of special events, employee success stories, anniversaries and industry trends. Articles were written and submitted by airport tenants. The YXS Report has proven to be a great way to communicate with the YXS Community. Another medium used to educate the airport community and the public was our social media sites. The YXS-Prince George Airport Facebook page grew its audience by 1,184 likes or 189% in 2012, with @FlyYXS Twitter followers growing by 192% or 835 people. Social Media continues to be a great way to engage new and existing customers while building relationships and trust.

WorldHost® training, a BC Government recognized program which focuses on customer service excellence in the tourism sector, continued in 2012 with employees from onsite agencies getting accredited. Training will be ongoing as we strive to ensure continued and ever improving excellence in customer service throughout the airport as a whole.

The airport community strongly believes in giving back to Prince George. We participated in the Big Brothers Big Sisters Bowl for Kids' Sake event, hosted our annual golf tournament, raising \$5,000 for Hope Air and participated in the Festival of Trees, a fundraiser for The Spirit of the North Healthcare Foundation. In addition, during the Christmas season, we donated gifts to the Salvation Army and raised money for the Mustard Seed Foundation which recently launched in Prince George.

Another major highlight for YXS was setting an all-time record for passenger traffic, which appears attributable to the economic boom currently taking place in the region. With increased seat demand, Air Canada and Central Mountain Air added additional flights to their schedule in the fall of 2012. WestJet's weekly non-stop flight to Puerto Vallarta, Mexico continued during the winter months.

No matter where your next adventure takes you, the world begins at YXS.



Given Name
COREY

Surname
LARSEN

Job
AIR CONSOL

Years of Service at YXS
ONE YEAR

Sex
M

Heritage
GERMAN



"I like working at YXS because of the challenges that come with the weather; it keeps me on my toes. Also, the YXS community is like a big family and I enjoy working with everyone."



Given Name
ADRIAN

Surname
DONES

Job
G4S SECURE SOLUTIONS

Years of Service at YXS
THREE YEARS

Sex: **M** Heritage: **FILIPINO**



“All walks of life; be it ethnicity, age, DNA or upbringing, pass through YXS. To be able to speak to the people and listen to their stories makes the job and the time at the airport that much more worthwhile.”

2010
PRINCE GEORGE
332
YXS



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Canada 103
 MAY 2012
 prince george airport authority



Given Name
MICHAEL

Surname
DILETA

Job
CENTRAL MOUNTAIN AIR

Years of Service at YXS
NINE YEARS

Sex **M** Heritage **ITALIAN**

"My parents were born in Italy so I enjoy working with other cultures as we get to learn about their language, culture and food. I enjoy hearing stories and making comparisons."



Independent Auditor's Report

To the Members of
Prince George Airport Authority Inc.

We have audited the accompanying financial statements of Prince George Airport Authority Inc., which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prince George Airport Authority Inc. as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants



Prince George, British Columbia
March 28, 2013

Statement of Financial Position

Year ended December 31, 2012

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
CURRENT ASSETS			
Cash (Note 5)	\$ 629,595	\$ 748,069	\$ 488,736
Investments (Note 6)	1,875,803	1,856,659	950,000
Accounts receivable	1,352,156	846,243	585,802
Inventory	37,554	37,660	42,296
Government remittances receivable	-	15,187	-
Prepaid expenses	221,519	258,345	280,461
	<u>4,116,627</u>	<u>3,762,163</u>	<u>2,347,295</u>
CAPITAL ASSETS (Note 7)	<u>52,852,902</u>	<u>53,317,772</u>	<u>54,197,138</u>
	<u>\$ 56,969,529</u>	<u>\$ 57,079,935</u>	<u>\$ 56,544,433</u>
CURRENT LIABILITIES			
Bank demand loan (Note 8)	\$ 4,449,545	\$ 5,100,725	\$ 5,751,905
Accounts payable and accrued liabilities (Note 9)	711,102	1,464,311	928,992
Government remittances payable	35,137	2,958	46,948
Deferred revenue and deposits	66,384	65,770	72,207
	<u>5,262,168</u>	<u>6,633,764</u>	<u>6,800,053</u>
LONG-TERM DEBT (Note 10)	<u>12,612,087</u>	<u>12,335,667</u>	<u>11,973,994</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 11)	<u>24,802,703</u>	<u>26,451,619</u>	<u>28,119,674</u>
	<u>42,676,958</u>	<u>45,421,050</u>	<u>46,893,721</u>
COMMITMENTS (Note 12)			
CONTINGENCIES (Note 19)			
NET ASSETS			
Invested in capital assets (Note 13)	10,988,281	9,429,475	8,351,282
Restricted airport improvement fee (Note 14)	3,524,217	2,935,434	2,160,274
Unrestricted	(219,927)	(706,024)	(860,844)
	<u>14,292,571</u>	<u>11,658,885</u>	<u>9,650,712</u>
	<u>\$ 56,969,529</u>	<u>\$ 57,079,935</u>	<u>\$ 56,544,433</u>

APPROVED BY THE BOARD:

 Director
 Director

Statement of Operations

Year ended December 31, 2012

	2 0 1 2	2 0 1 1 (Note 2)
Revenue		
Concessions	\$ 278,932	\$ 278,987
General terminal charges	1,134,184	1,089,084
Landing fees	1,756,585	1,596,267
Other	451,727	585,335
Parking	1,324,766	1,236,386
Rentals	552,646	497,732
	<u>5,498,840</u>	<u>5,283,791</u>
Expenses		
Property taxes	215,141	210,184
Salaries and employee benefits	2,251,049	2,009,242
Services, supplies and administration	2,348,443	2,664,276
Utilities	273,552	284,720
	<u>5,088,185</u>	<u>5,168,422</u>
Operating surplus	<u>410,655</u>	<u>115,369</u>
Other revenue (expense)		
Airport improvement fee (net) (Note 14)	3,586,056	3,243,227
Amortization of deferred contributions (Note 11)	1,648,916	1,668,055
Amortization - capital assets	(2,529,760)	(2,484,440)
Gain on disposal of assets	75,442	39,451
Interest on long-term debt	(557,622)	(573,489)
	<u>2,223,032</u>	<u>1,892,804</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 2,633,687</u>	<u>\$ 2,008,173</u>

Statement of Changes in Net Assets

Year ended December 31, 2012

	Invested in Capital Assets (Note 13)	Restricted Airport Improvement Fee (Note 14)	Unrestricted	2 0 1 2	2 0 1 1 (Note 2)
Balance, beginning of year (Note 2)	\$ 9,429,475	\$ 2,935,434	\$ (706,024)	\$ 11,658,885	\$ 9,650,712
Excess of revenue over expenses	-	3,028,434	(394,747)	2,633,687	2,008,173
Capital asset additions	2,064,890	(2,064,890)	-	-	-
Net repayment of bank demand loan, and long term debt related to capital assets	374,760	(374,760)	-	-	-
Amortization of capital assets	(2,529,760)	-	2,529,760	-	-
Amortization of deferred contributions	1,648,916	-	(1,648,916)	-	-
Balance, end of year	\$ 10,988,281	\$ 3,524,217	\$ (219,927)	\$ 14,292,572	\$ 11,658,885

Statement of Cash Flows

Year ended December 31, 2012

	2 0 1 2	2 0 1 1 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 2,633,687	\$ 2,008,173
Items not affecting cash		
Amortization	2,529,760	2,484,440
Gain on disposal of assets	(75,442)	(39,451)
Amortization of deferred contributions	(1,648,916)	(1,668,055)
Interest on long term debt	276,420	361,673
	<u>3,715,509</u>	<u>3,146,780</u>
Changes in non-cash operating working capital		
Increase in accounts receivable	(505,913)	(260,441)
Decrease in inventory	106	4,636
Decrease (increase) in government remittances receivable	15,187	(15,187)
Decrease in prepaid expenses	36,826	22,116
(Decrease) increase in accounts payable and accrued liabilities	(753,210)	535,320
Increase (decrease) in government remittances payable	32,180	(43,991)
Increase (decrease) in deferred revenue and deposits	613	(6,437)
	<u>2,541,298</u>	<u>3,382,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	(2,064,890)	(1,605,071)
Proceeds on disposal of capital assets	75,442	39,447
Increase in investments	(19,144)	(906,659)
	<u>(2,008,592)</u>	<u>(2,472,283)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of bank demand loan	(651,180)	(651,180)
NET (DECREASE) INCREASE IN CASH	(118,474)	259,333
CASH, BEGINNING OF YEAR	748,069	488,736
CASH, END OF YEAR	\$ 629,595	\$ 748,069

Notes to the Financial Statements

Year ended December 31, 2012

1. NATURE OF OPERATIONS

The Prince George Airport Authority Inc. (the "Authority") is incorporated under Part II of the Canada Corporations Act as a non-share capital, not-for-profit corporation and all earnings from operations are reinvested in airport development.

The Authority signed a 60-year ground lease with Transport Canada effective March 31, 2003 ("Canada Lease") and assumed responsibility for the management, operations and development of the Prince George Airport.

The lease provides for an option to extend the term a further 20 years.

2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

During the year ended December 31, 2012, the Authority adopted the new accounting standards for not-for-profit organizations (the "new standards") adopted by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time adoption by not-for-profit organizations, ("Section 1501"), the date of transition to the new standards is January 1, 2011 and the Authority has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, the Authority

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 4 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 1501 have been applied. As described below, the Authority has elected to adopt the exemptions available under Section 1501 relating to employee future benefits which means that the amounts recorded under previous Canadian generally accepted accounting standards remain unchanged.

Explanations of adjustments

Impact of the adoption of the new standards on net assets as at January 1, 2011

There is no impact on net assets as a result of the adoption of the new standard.

Notes to the Financial Statements

Year ended December 31, 2012

2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING (continued)

Explanations of adjustments (continued)

Impact of the adoption of the new standards on the statement of financial position as at January 1, 2011

The impact of the adoption of the new standards on the statement of financial position as at January 1, 2011 is summarized as follows:

	Balance previously reported December 31, 2 0 1 0	Adjustment	Reference	Balance as adjusted January 1, 2 0 1 1
Assets				
Accounts receivable	\$ 586,831	\$ (1,029)	(a)	\$ 585,802
Total adjustment to assets		\$ (1,029)		
Current liabilities				
Accounts payable and accrued liabilities	\$ 976,969	\$ (47,977)	(a)	\$ 928,992
Government remittances payable	-	46,948	(a)	46,948
Total adjustment to liabilities		(1,029)		

a) Government remittances

The new standards required separate disclosure of the amount of government remittances payable or receivable. Government remittances include any amounts owed to provincial or federal government agencies which are primarily comprised of GST, HST, payroll withholdings and WCB payable. Accordingly, an amount of \$47,977 as at January 1, 2011 related to GST/HST payable remittances and WCB payable has been reclassified from accounts payable to government remittances payable and an amount of \$1,029 of HST receivable has been reclassified from accounts receivable to government remittances payable.

Impact of the adoption of the new standards on the statement of operations for the year ended December 31, 2011.

There is no impact as a result of the adoption of the new standards on the statement of operations for the year ended December 31, 2011.

3. BASIS OF PRESENTATION

The Authority's borrowing arrangements with the Canadian Imperial Bank of Commerce (CIBC) are on a demand basis while at the same time the bank is accepting payments on an installment basis pursuant to the banking agreement. As a result of the demand feature, Canadian accounting standards for not-for-profit organizations require the full amount of the debt to be included in current liabilities. This has contributed to a working capital deficiency of \$1,145,541 at December 31, 2012 (\$2,871,601 – December 31, 2011). Reduction of the working capital deficiency and satisfaction of other liabilities and commitments is dependent upon the Authority continuing to maintain profitable operations.

Notes to the Financial Statements

Year ended December 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Authority are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial Instruments

The Authority measures its financial assets and financial liabilities at fair value. The Authority subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investments and accounts receivable.

Financial liabilities measured at amortized cost includes bank demand loan, trade accounts payable and accrued liabilities, and long-term debt.

Inventory

The inventory of consumable supplies is recorded at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

Canada Lease

The Canada Lease (see Note 1) is accounted for as an operating lease.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

Leasehold improvements:	
Buildings	4%
Parking facilities and roadway systems	5%
Other	5%-33%
Computer hardware and software	33%
Vehicles	10%
Machinery and other equipment	10%-20%
Runway	5-50 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Notes to the Financial Statements

Year ended December 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

The Authority accrues its obligations under the defined benefit pension plans as the employees render the services necessary to earn the pension benefits. The actuarial determination of the accrued benefit obligations for pensions uses the projected benefit method pro-rated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets and accrued benefit obligation coincides with the Authority's fiscal year-end.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 22 years (2011 – 22 years).

Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Income taxes

The Authority is exempt from federal and provincial income taxes as well as capital tax.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restrictive contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured and unrestricted interest is recognized as revenue when earned.

Revenues are recorded when services are performed, the facilities are utilized, or the amounts are earned pursuant to the related agreements. Airport Improvement Fee revenue (Note 14) is recognized when passengers depart the terminal building.

Government contributions

Contributions towards capital expenditures are accounted for under the deferral method whereby the contributions are deferred and brought into income on a basis consistent with the amortization of the related capital assets.

Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates are potential collectability of accounts receivable, net realizable value of inventory and useful life of capital assets. Actual results could differ from the estimates.

Notes to the Financial Statements

Year ended December 31, 2012

5. CASH

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Cash	\$ 629,595	\$ 748,069	\$ 488,736

The Authority has a \$500,000 operating line of credit bearing interest at the prime lending rate plus 1% (December 31, 2012 – 4%, December 31, 2011 – 4%, January 1, 2011 – 4%). The operating line of credit is secured by a demand collateral first mortgage of the Authority's leasehold interest and assignment of rents for an unlimited amount. The Authority has a bank covenant on cash coverage of capital expenditure and debt repayment, with which it is in compliance. The operating line of credit was not in use at December 31, 2012.

6. INVESTMENTS

During the year, the Authority has invested \$1,372,203 in a one-year redeemable GIC with an interest rate of 1.3% maturing on April 30, 2013 and a \$503,500 in a one-year redeemable GIC with an interest rate of 0.8% maturing on October 30, 2013.

7. CAPITAL ASSETS

	2012		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 15,556,473	\$ -	\$ 15,556,473
Leasehold improvements			
Buildings	15,172,130	4,540,559	10,631,571
Parking facilities and roadway systems	4,971,505	1,678,728	3,292,777
Fuel farm	1,080,007	9,195	1,070,812
Other	630,335	78,879	551,456
Runway	22,502,669	3,864,555	18,638,113
Computer hardware and software	504,469	448,452	56,017
Vehicles	119,232	11,673	107,559
Machinery and other equipment	6,773,804	4,713,086	2,060,718
Construction in progress/ equipment not in use	887,405	-	887,405
	<u>\$ 68,198,029</u>	<u>\$ 15,345,127</u>	<u>\$ 52,852,902</u>

Notes to the Financial Statements

Year ended December 31, 2012

7. CAPITAL ASSETS (continued)

	December 31, 2011 (Note 2)		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 15,556,473	\$ -	\$ 15,556,473
Leasehold improvements			
Buildings	14,918,701	3,926,949	10,991,752
Parking facilities and roadway systems	4,922,868	1,414,915	3,507,953
Other	615,424	50,478	564,946
Runway	22,083,118	2,894,531	19,188,587
Computer hardware and software	501,617	430,192	71,425
Vehicles	86,921	2,173	84,748
Machinery and other equipment	6,393,789	4,308,981	2,084,808
Construction in progress/ equipment not in use	1,267,080	-	1,267,080
	<u>\$ 66,345,991</u>	<u>\$ 13,028,219</u>	<u>\$ 53,317,772</u>

	January 1, 2011 (Note 2)		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 15,556,473	-	\$ 15,556,473
Leasehold improvements			
Buildings	14,660,960	3,333,161	11,327,799
Parking facilities and roadway systems	4,875,557	1,160,751	3,714,806
Other	624,352	22,125	602,227
Runway	21,949,128	1,928,697	20,020,431
Computer hardware and software	489,241	413,509	75,732
Vehicles	29,540	29,540	-
Machinery and other equipment	6,307,950	3,865,272	2,442,678
Construction in progress/ equipment not in use	456,992	-	456,992
	<u>\$ 64,950,193</u>	<u>\$ 10,753,055</u>	<u>\$ 54,197,138</u>

Notes to the Financial Statements

Year ended December 31, 2012

8. BANK DEMAND LOAN

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
CIBC demand instalment loan - payable in monthly principal payments of \$54,265, secured by a general security agreement and a first leasehold mortgage by way of a sublease over all of the Authority's assets, bearing interest at the Bankers Acceptance Rate (1.17% - December 31, 2012) plus a 225 basis point stamping fee.	\$ 4,449,545	\$ 5,100,725	\$ 5,751,905

Under the terms of the agreement, the principal payments required in each of the next five years would be as follows:

	2013	2014	2015	2016	2017
	\$ 651,180	\$ 651,180	\$ 651,180	\$ 651,180	\$ 651,180

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Trade payables	\$ 389,786	\$ 1,179,070	\$ 629,404
Payroll accruals	321,316	285,241	299,588
	<u>\$ 711,102</u>	<u>\$ 1,464,311</u>	<u>\$ 928,992</u>

10. LONG-TERM DEBT

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Northern Development Initiative Trust, unsecured, bearing interest at prime (3% - December 2012), interest only payments commencing November 2012, for 34 months. Commencing November 2015 as 120 monthly payments of principal plus interest at prime.	\$ 12,612,087	\$ 12,335,667	\$ 11,973,994

Notes to the Financial Statements

Year ended December 31, 2012

10. LONG-TERM DEBT (continued)

Under the terms of the agreement, the principal payments required in each of the next five years are estimated as follows:

	2013	2014	2015	2016	2017
\$	-	\$	315,302	\$	1,261,209
					1,261,209

11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions represent the unamortized balance of contributions received from government and other entities to fund capital projects.

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Opening balance	\$ 26,451,619	\$ 28,119,674	\$ 29,191,126
Contributions received from Western Economic Diversification	-	-	608,080
Amortization	(1,648,916)	(1,668,055)	(1,679,532)
	<u>\$ 24,802,703</u>	<u>\$ 26,451,619</u>	<u>\$ 28,119,674</u>

12. COMMITMENTS

The Authority has a 60 year lease of the Prince George airport facilities with Transport Canada which expires in 2063, with an option to renew for an additional 20 years. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the airport to the landlord. The Authority began paying rent on January 1, 2011. The rent is calculated based on a formula reflecting annual gross revenues less Government contributions, with the first \$5,000,000 exempt from the calculation. The formula is applied at a rate of 1% of adjusted gross revenues in excess of \$5,000,000 and 5% of adjusted gross revenues in excess of \$10,000,000, up to \$25,000,000. Rent charged for 2012 was \$38,025 (2011 - \$38,057).

Notes to the Financial Statements

Year ended December 31, 2012

13. INVESTED IN CAPITAL ASSETS

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Opening balance	\$ 9,429,475	\$ 8,351,282	\$ 7,549,170
Capital asset additions, including construction in progress	2,064,890	1,605,071	1,380,359
Payment of: Long-term debt, accounts payable and deferred contributions related to additions	374,760	289,507	196,561
	<u>2,439,650</u>	<u>1,894,578</u>	<u>1,576,920</u>
Capital asset disposals at net book value	-	-	(3,418)
Amortization	(2,529,760)	(2,484,440)	(2,450,922)
Amortization of deferred contributions	1,648,916	1,668,055	1,679,532
	<u>(880,844)</u>	<u>(816,385)</u>	<u>(774,808)</u>
Closing balance	<u>\$ 10,988,281</u>	<u>\$ 9,429,475</u>	<u>\$ 8,351,282</u>

14. AIRPORT IMPROVEMENT FEE ("AIF")

On January 30, 2003 the Authority entered into an agreement (the "AIF Agreement") with the Air Transport Association of Canada and major air carriers serving the Prince George International Airport. The AIF Agreement provides for a consultation process with the air carriers on airport development as well as the collection of an AIF by air carriers. AIF revenues can only be used to pay for airport passenger service facilities development and related financing costs. Effective April 1, 2012 the AIF was set at \$20 to further help fund capital expansion. Earned AIF is net of a 7% handling fee withheld by the airlines.

Notes to the Financial Statements

Year ended December 31, 2012

15. PENSION

The Authority sponsors a pension plan on behalf of its employees, which has defined benefit and defined contribution components. The defined contribution component of the pension plan has 13 current participating employees. The defined benefit component of the pension plan has four current participating employees. The Authority pension expense for the defined contribution component was \$60,216 in 2012 (\$48,797 – 2011 and \$36,898 - 2010) and for the defined benefit component was \$282,857 in 2012 (\$251,659 – 2011 and \$228,231 - 2010). The defined benefit component applies to employees employed by the Authority on the date of airport transfer, including former Transport Canada employees who may elect to transfer their pensionable service credits under the Public Service Superannuation Act plan to the Authority plan.

Based on an actuarial valuation as at December 31, 2012 of the Authority's defined benefit plan under CICA Handbook Section 3461, the net pension expense is as follows:

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Service costs	\$ 66,000	\$ 71,000	\$ 77,000
Interest cost on accrued benefit obligation	159,000	154,000	157,000
Expected return on assets	(126,000)	(93,000)	(98,000)
Pension expense	<u>\$ 99,000</u>	<u>\$ 132,000</u>	<u>\$ 136,000</u>

Information about the Authority's defined benefit plan contained in the actuarial report prepared as at December 31, 2012 is as follows:

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Market value of plan assets	\$ 2,861,000	\$ 2,425,000	\$ 2,390,000
Accrued benefit obligation	<u>(3,456,000)</u>	<u>(3,110,000)</u>	<u>(2,876,000)</u>
Deficiency of plan assets	(595,000)	(685,000)	(486,000)
Unamortized net actuarial gain	<u>1,244,000</u>	<u>1,153,000</u>	<u>794,000</u>
Net pension asset	<u>\$ 649,000</u>	<u>\$ 468,000</u>	<u>\$ 308,000</u>

Notes to the Financial Statements

Year ended December 31, 2012

15. PENSION (continued)

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows:

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Discount rate	4.50%	5.10%	5.50%
Expected long-term rate of return on plan assets	6.50%	6.50%	6.50%
Rate of compensation increase	4.00%	4.00%	4.00%
Rate of inflation	2.50%	2.50%	2.50%

Other information about the Authority's defined benefit plan is as follows:

	December 31, 2012	December 31, 2011 (Note 2)	January 1, 2011 (Note 2)
Employer contribution	\$ 280,000	\$ 292,000	\$ 220,000
Employees' contribution	9,000	14,000	24,000
Benefits paid	121,000	295,000	74,000

Plan assets consist of:

Equity securities	58.0%	59.9%	63.7%
Debt securities	31.0%	33.1%	36.3%
Other	11.0%	7.0%	-

16. CAPITAL MANAGEMENT

The Authority's objectives when managing capital are to safeguard the entity's ability to operate and develop the airport in a high quality manner while maintaining reasonable rates and charges for its users. The Authority meets this objective by generating adequate resources from operations to minimize the need for long-term debt financing.

The Authority determines the amount of capital that may be required by monitoring the long-term airport infrastructure development plans to meet the needs of passengers, tenants and other airport users and stakeholders. The Authority maintains and manages an internally restricted fund in anticipation of those plans.

Under its borrowing agreements, the Authority must satisfy certain restrictive covenants. During the year, the Authority complied with all such covenants.

Notes to the Financial Statements

Year ended December 31, 2012

17. FINANCIAL INSTRUMENTS

The Authority is exposed to:

Financial risk

The financial risk is the risk to the Authority's earnings from fluctuations in interest rates and the degree of volatility of these rates. The Authority does not use derivative instruments to reduce its exposure to financial risk.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. It stems from the possibility of the lender demanding repayment in full of their demand loans.

The Authority manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash.

Accounts payable and accrued liabilities are generally repaid within 30 days. As described in Note 8, the demand installment loan requires regular principal payments which do not pose a cashflow concern, however, the lender does have the right to demand payment in full. As at December 31, 2012, December 31, 2011 and January 1, 2011, the most significant financial liabilities are: bank demand loans, accounts payable and accrued liabilities and long-term debt.

Financial assets

The Authority's financial assets consist of cash, accounts receivable and investments. All of these financial assets are measured at amortized cost.

Credit risk

The Authority is subject to credit risk through its accounts receivable. 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.

18. OTHER INFORMATION

During the year ended December 31, 2012, the fees paid to the Board of the Authority for their services as directors amounted to \$86,900 (2011 - \$81,150).

19. CONTINGENCIES

The Authority is subject to legal proceedings arising in the normal course of business. While the outcome of these matters is not currently determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Authority's financial position, results of operations, or cash flows.

SKY
Authority

MAY 24 2010
PRINCE GEORGE
392



Given Name

JUDI

Surname

GUTTMANN

Job

G4S SECURE SOLUTIONS

Years of Service at YXS

SEVEN YEARS

Sex

F

Heritage

AMERICAN



"I was born in the US and I came to Canada in 1983. I find the diversity of the people who use and work at the airport absolutely fascinating!!!"





Given Name
BAKSHISH

Surname
JOHAL

Job
G4S SECURE SOLUTIONS

Years of Service at YXS
SIX YEARS

Sex **F** Heritage **INDIAN**



MAY 24 2010
PRINCE GEORGE
332



"I speak Punjabi, Hindi and English which really helps me offer great customer service to our diverse passengers. I have met so many wonderful people while working at the airport."



YXS
PRINCE GEORGE
392
4 2010



Given Name
SPENCER

Surname
THOMAS

Job
BG URBAN GRILL

Years of Service at YXS
ONE YEAR

Sex: **M** Heritage: **SAULTEAUX & CARRIER**



"I am a member of the Takla Lake Band, as an aboriginal person I carry my culture with me every day. I enjoy meeting people and I've heard some amazing stories about their travels."



Given Name
LINDSAY
Surname
COTTER



Job
PG AIRPORT AUTHORITY
Years of Service at YXS
TWO YEARS

Sex: **F** Heritage: **PORTUGUESE**

"It's great to see so many cultures working together under one roof with the overriding goal of offering great customer service to our customers who come from various parts of the world."



Corporate Governance

Board Governance

The Prince George Airport Authority Inc. was incorporated on July 27, 2000.

Conflict-of-Interest Rules

The PGAA is acutely aware of the trust that has been placed in it by the community and all stakeholders involved in the airport industry. The principles of public accountability and conflict of interest are detailed in the Transport Canada lease and PGAA bylaws.

In keeping with the spirit of the public accountability guidelines of the National Airports Policy, section 6.12 of the PGAA's operating bylaws has a very thorough section dealing with conflict of interest guidelines.

The Conflict of Interest policy requires each Board member to disclose any real, perceived or potential areas of conflict. This disclosure must be in writing and each Board member updates acknowledgement of these guidelines annually.

The policy also addresses the appropriate procedures to be followed, should a Director propose independently to provide services to the Authority on a contractual basis.

The Board has ensured that all Directors, officers and employees complied with these rules in 2012.

Code of Conduct

Code of Conduct guidelines are clearly outlined within the Bylaws of the Authority, and each Board member updates acknowledgement of these guidelines annually.

Public Tenders

Bylaw 17.3 (a) states that contracts in excess of a total value of \$75,000 (subject to an annual adjustment for inflation according to the Consumer Price Index based on 1994 dollars) shall be awarded based on a public tendering process.

For 2012, the adjusted value was \$105,142.50 and all contracts valued at or over the adjusted value were awarded by bid.



Given Name

JIM

Surname

VERTH

Job

BC CORPS COMMISSIONAIRES

Years of Service at YXS

FIVE YEARS

Sex

M

Heritage

SCOTTISH



"After many decades serving our country by working in the military and RCMP, I am enjoying keeping passengers safe at YXS. I love to meet, help and learn from all the travelers who come through our airport."

Governance Guidelines

Introduction

The Prince George Airport Authority believes it has a responsibility to model Governance practices as if the PGAA were a listed company on a Canadian Securities Exchange. Following is the Authority's application of those guidelines.

1. Board Mandate

Guideline – The Board should explicitly assume responsibility for the stewardship of the organization by:

- 1.1 Overseeing the operation of the organization and satisfying itself as to the integrity of the management team
- 1.2 Adopting a strategic planning process
- 1.3 Identifying the principal risks and ensuring the implementation of appropriate systems to manage these risks
- 1.4 Having a management succession plan in place
- 1.5 Adopting a communications policy
- 1.6 Having internal controls and management information systems operational
- 1.7 Having governance guidelines and principles in place

Disclosure

- 1.1 The mandate of the Board is to act primarily as a policy board; however the Board approves all significant decisions that affect the organization before implementation, as well as monitoring and reviewing outcomes.
- 1.2 The Authority has a strategic planning process, which includes a long-term Master Plan, a five year Strategic Operating Plan and annual operating and capital budgets with goals and expectations reviewed and revised annually. The Board is actively involved in the strategic planning process and is responsible for reviewing and approving the plan.
- 1.3 While management is mandated to keep the Board apprised of risks facing the Authority, the Board monitors industry risk through queries of management and a network of industry groups such as Canadian Airport Council (CAC) and Airport Council International (ACI). The Finance and Audit Committee meets regularly to monitor the financial risks, and ensure proper management systems are in place. Operational risks are mitigated through continual updates and implementation of necessary changes to safety and security management functions relating to aircraft and passenger movement and protection of airport assets through:

- a) An environmental management plan and policies addressing all airport environmental issues including aircraft de-icing and the use and application of fertilizers and pesticides.
 - b) An airport emergency evacuation plan, a disaster recovery plan and Airport Safety and Security plans.
 - c) A comprehensive insurance program to protect the airport assets and its financial viability to meet the ground lease obligations.
 - d) An organizational structure with dedicated safety, security and emergency planning and response personnel.
 - e) Risk transfer through contract
 - f) Incident reporting and response procedures.
 - g) An Airport Safety Committee.
- 1.4 The Board is responsible for choosing the CEO. While a formal management succession plan has not been implemented, senior management positions could be temporarily covered either from existing Authority personnel or with a temporary replacement until a competition could be held. In addition, the Board Chair is available and capable of assuming an important role in the transition process.
 - 1.5 An extensive communication policy is in place identifying the prime contacts, their roles and responsibilities. The policy defines the process for stakeholders to contact the Authority and for Airlines and Industry service providers to communicate with the Authority. The Board approves all major communications such as annual reports and financial documents. The Authority communicates with stakeholders through information on its website, and meetings held by the Board Community Consultative and the Airline Consultation Committees.
 - 1.6 The Authority has an in-depth monthly, quarterly and annual reporting and performance measurement system, including regular Board presentations from all levels of management and the ongoing monitoring, comparison, analysis and explanation of results and expectations. External professional resources are employed to test the integrity of internal control systems.
 - 1.7 The Board, through the Governance Committee has implemented applicable guidelines and principles.

Governance Guidelines

2. Composition of the Board

Guideline – The Board should have a majority of independent Directors, in that being independent means non-management or having no conflict.

Disclosure – The Board is composed exclusively of independent Directors. The Board Chair and other officers are elected bi-annually from the members of the Board.

3. Nomination of Directors

Guideline – The Board should appoint a Nominating Committee comprised exclusively of independent Directors who will have a clear mandate established for them including the manner in which they report to the Board.

Disclosure – The Governance Committee is responsible for the nominating process and proposing new nominees to the Board. New nominees must exhibit expertise in an area of strategic interest to the Authority, the ability to devote the time required and a willingness to serve the organization. The Nominating Committee communicates with the various nominating entities and appointers, to seek Directors with the required skills. The Board Chair has implemented a semi-annual assessment of directors performance.

In accordance with Bylaw No. 3, a bylaw relating generally to the transaction of the business and affairs of the Prince George Airport Authority (PGAA), and based on the principles of accountability and transparency desired by the Federal Government and endorsed by the Board of Directors, the Board is comprised of twelve members

Two are appointed by:

- The Federal Government
[2 Representatives]

Ten are nominated by each of

- The Provincial Government
[1 Representative]
- The City of Prince George
[3 Representatives]
- The Regional District of Fraser-Fort George
[2 Representatives]
- Prince George Chamber of Commerce
[1 Representative]
- The Prince George Airport Authority
[3 Representatives]

The Board members represent consumer interests, the business community and organized labor. It includes Directors having legal, engineering, accounting, commercial banking and experience and skills from various other industries and professions.

4. Regular Board Assessments

Guideline – Every Board of Directors should implement a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors

Disclosure – The Governance Committee conducts a formal evaluation process annually in which each Director completes an assessment of the effectiveness of the Board and individual committees. The Governance Committee recommends changes to enhance the performance of the Board based on the survey feedback.

5. Orientation & Continuing Education

Guideline – Every organization should provide an orientation and education program for new directors to the board.

Disclosure – All new PGAA directors receive a Director's Manual which contains a record of the history of the Airport, the mission statement, goals and objectives, the current PGAA policies and procedures, the Director's role and responsibilities and an overview of the committees, Governance guidelines, the current Bylaws and strategic plan, and the latest PGAA annual report. In addition, a behind the scenes tour of the airport is provided.

Senior management makes regular presentations to the board on the main areas of the organization's business. Management and staff receive initial job orientation and follow up specific job element training as required. Board members have, and will continue to attend both Canadian and International Airline conferences.

6. Effective Board Size

Guideline – Every board of directors should examine its size and determine the appropriate number of directors to facilitate effective decision making.

Disclosure – The Governance Committee reviews the composition and size of the board once a year.

7. Compensation

Guideline – The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities involved in being an effective director.

Disclosure – The Governance Committee reviews directors' compensation annually, and makes its recommendation to the Board. The committee takes into account all appropriate information including the compensation levels at similar airports to reach its determination.

The Human Resources Committee has the responsibility to bring a recommendation to the Board annually as to the

Governance Guidelines

method and level of compensation the CEO should receive, based on market comparisons and performance.

The annual remuneration for the Board during 2012 was as follows:

Chair	\$ 12,000
Vice Chair	\$ 7,000
Directors	\$ 3,500

Committee Chairs receive \$200 per Board and Committee meeting.

Directors receive \$150 per Board and Committee meeting.

Combined compensation during 2012 for all Directors was \$88,975.

The combined salaries of the Senior Managers [i.e.] President and CEO, Director of Finance and Administration and Director of Operations in the year 2012 was \$403,457.

8. Committees

Guideline – Committees of the Board of Directors should generally be composed of outside directors, although some board committees, such as the executive committee may include one or more inside directors.

Disclosure – The Board has appointed seven committees, comprised entirely of independent directors:

- Audit and Finance Committee
– 4 members with Dean Mason as Chair
- Governance and Nominating Committee
– 4 members with Marion Bartlett as Chair
- Human Resources Committee
– 4 members with Les Waldie as Chair
- Community Consultation Committee
– 3 members with Don Gould as Chair
- Airline Consultation Committee
– 2 members with Tom Newell as Chair
- Major Projects Committee
– 2 members with Don Gould as Chair
- Environment/Noise Committee
– 3 members with Andy Clough as Chair

Committees are structured to support management and the Board of Directors and to act in accordance with the Board's requirements and decisions.

9. Approach to corporate governance

Guidelines – Every board of directors should expressly assume responsibility for or assign a committee of directors the responsibility for developing the corporation's approach to governance issues.

Disclosure – The Governance Committee is responsible for reviewing the overall governance principles of the organization, recommending any changes to these principles and monitoring their disclosure. The Committee is responsible for the statement of corporate governance.

10. Position Descriptions

Guideline – The board of directors should develop position descriptions for the board and CEO.

Disclosure – Terms of reference have been developed for directors, Board Chair, and the committees, and are reviewed as required. Job descriptions are in place for the CEO, management team and staff. The CEO job description is approved by the Board

11. Meetings of Independent Directors

Guideline – Every board of directors should be able to function independent of management and should meet on a regular basis without management present.

Disclosure – The Board Chair is an independent director, voted in by the Board. Board members meet independent of management at the conclusion of all regularly scheduled Board meetings and other times as necessary.

12. Audit Committee

Guideline – The audit committee should be composed only of independent directors, with the roles and responsibilities specifically defined. The committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate and to ensure effective system of internal control are in place.

Disclosure – The Finance and Audit Committee is comprised of independent directors, all are financially literate, with the Chair a chartered accountant. The committee responsibilities are outlined in the PGAA bylaws. The committee and/or the committee chair have regular meetings with internal finance personnel and open communication with external auditors whenever required.

13. Outside Advisors

Guideline – The board of directors enables an individual director to engage an outside advisor at the expense of the organization.

Disclosure – Outside advisors are engaged by the Board as a whole based on specific needs at any given time.

Goals and Objectives

1. Support of Staff

- The Authority supports its staff by ensuring the establishment of organizational values, individualized training plans and career development plans.
- The Authority is committed to maintaining a workplace where respect and fairness is demonstrated openly and all staff strive toward providing professional, first-class service. The Authority involves staff in strategic planning and decision-making.

2. Operate In A Safe, Secure and Environmentally Responsible Manner

- The Authority is committed to meeting or exceeding all requirements for the safety and security of all users of the airport. In addition, the Authority maintains an effective and proactive environmental management program. Safety, security and environmental programs are regularly audited to ensure compliance.

3. Provide Our Customers With A User-Friendly, First-Class Facility

- The Prince George Airport Authority is dedicated to providing a user-friendly first-class facility that promotes good service and a positive experience for customers.
- The Authority maintains and plans for upgrades of existing airside and groundside facilities to support growth and new opportunities.
- The Authority maintains a competitive cost environment for airlines and strives to drive down the cost of travel using the YXS Gateway.

4. Operate As A Financially Viable Entity

- The Authority operates as a financially viable entity by maximizing all sources of revenue, providing cost effective service, and minimizing expenditures without compromising safety, security or customer service.
- The Authority operates within established budgets and generated revenues. Capital programs are funded through the Airport Improvement Fee.

5. Ensure Public Accountability

- The Authority maintains its public accountability through the interaction of Board committees (e.g. Community Consultation Committee, Airline Consultation Committee, Environment/Noise Committee), annual reporting and regular communication and engagement with community groups.

6. Maintain Partnership Stakeholder Relationships with the Community, Airport Tenants and Users

- The Authority has formed a partnership stakeholder relationship with the community, airport tenants and users.
- Airport tenants and users are updated through regular communication, a quarterly internal newsletter and social media including Facebook and Twitter.
- A Protocol Agreement with the City of Prince George and the Regional District of Fraser-Fort George has been established. This protocol illustrates the philosophy of co-operation, good communications and addresses a common vision. The partnership aims at maintaining and growing existing relationships with Initiatives Prince George, The Northern Corridor Development Corporation, Northern BC Tourism Association, Chamber of Commerce, and other organizations with the goal of improving the economic climate of Northern British Columbia.
- The Authority has developed a strong relationship with Northern Development Initiative Trust (NDIT), whose mandate is economic development in the North.
- The Authority also ensures that good communication and co-operation are maintained with airline partners through the continuation of the Airline Consultation Committee.
- The Authority encourages open communication with community members through the Community Consultation Committee.

7. Pursue Marketing Initiatives and Economic Development

- The Authority will pursue marketing initiatives and economic growth through a strategic marketing plan which includes the promotion of new National and International markets, retaining and strengthening existing air services, and developing airport land while supporting community objectives.
- The Authority will continue to actively pursue their Cargo and Tech Stop initiatives.

8. Cultivate and Promote the Airport's Role and Image With The Community

- The Authority will cultivate and promote the airport's role and image within the community with the establishment of focused information campaigns, tradeshow, promotion of school programs, and by continuing to develop the expertise on northern transportation issues, as well as strengthening media relationships.

5 Year Business Plan

Business Plan Cash Flow Forecast 2013 - 2017

Shown in thousands of dollars.

YEAR	2013	2014	2015	2016	2017
Revenues	9,678.7	9,950.3	10,381.7	10,895.1	11,100.5
Expenses	6,580.2	6,711.8	6,846.1	6,983.0	7,122.7
Capital	1,565.0	5,397.5	3,232.0	2,784.0	3,355.0

Assumptions:

1. Forecasted revenues and expenses assume annual growth of 2% and modest cargo activity commencing in 2013.
2. Amortization is not included.



SKY
Authority

PRINCE GEORGE
392
2010



Given Name

JOHN

Surname

BRONGERS

Job

NAV CANADA

Years of Service at YXS

TWENTY-EIGHT YEARS

Sex

M

Heritage

DUTCH



"I like the fact that even though YXS is a large facility, it feels like a small, warm, diverse community."



Board of Directors



James (Jim) Blake
Chair
Nominated by City of Prince George
Attendance: 9/9 Board*



Al Leier
Director
Nominated by Prince George Airport Authority
Attendance 9/9 Board, 8/9 Committee



Les Waldie
Vice-Chair
Chair, Human Resource Committee
Nominated by Prince George
Chamber of Commerce
Attendance: 8/9 Board, 14/14 Committee



Tejinder Grewal
Director
Nominated by City of Prince George
Attendance: 5/9 Board, 5/5 Committee



Tom Newell
Secretary
Chair, Airline Consultation Committee
Appointed by Federal Government
Attendance: 9/9 Board, 13/14 Committee



Carol Brown
Director
Nominated by Regional District of
Fraser-Fort George
Attendance: 8/9 Board, 10/10 Committee



Dean Mason
Treasurer
Chair, Finance & Audit Committee
Nominated by City of Prince George
Attendance 6/6 Board, 4/4 Committee



Blair Mayes
Director
Nominated by Prince George Airport Authority
Attendance 7/9 Board, 4/6 Committee



Marion Bartlett
Chair, Governance & Nominating Committee
Nominated by Prince George Airport Authority
Attendance 9/9 Board, 9/10 Committee



Robert (Bob) Radloff
Director
Nominated by Regional District of
Fraser-Fort George
Attendance 5/9 Board, 1/1 Committee



Don Gould
Chair, Community Consultative Committee
and Major Projects Committee
Nominated by Provincial Government
Attendance 8/9 Board, 3/3 Committee



Andy Clough
Chair, Environment/Noise Committee
Appointed by Federal Government
Attendance 7/9 Board, 5/6 Committee

*The Board Chair attends all Committee meetings as required.

PGAA Team (Pictured Left):

Back Row (L-R): Robin Smith – Executive Director, Jamie Smith – Manager of Operations, Veronica Laass – Accounting Manager,
Lindsay Cotter – Manager of Marketing and Communications

Front Row (L-R): Cuyler Green – Director of Operations, John Gibson – President and CEO, Diane Bertram – Director of Finance and Administration,
Allan Ridgway – Consultant Cargo Business Development



Given Name
RICH

Surname
NOWAK

Job
NAV CANADA

Years of Service at YXS
TWENTY-THREE YEARS

Sex
M Heritage
POLISH



"Everyday at YXS is different which I really enjoy. My job allows me to do diverse work such as sequencing aircraft to problem solving. I enjoy the tight knit community that makes up the Prince George Airport."

2010
PRINCE GEORGE
337





Canada's 103rd Anniversary
MAY 1982

prince george airport authority
YXS



Given Name
LIDIA

Surname
MASINI PIERALLI



Job
AIR CANADA CARGO

Years of Service at YXS
EIGHT YEARS

Sex
F

Heritage
ITALIAN

"I love that I get to deal with people from all over the globe. I speak four different languages (English, French, Italian and German) and when I notice customers speaking in their native tongue, I approach them and make them feel welcome."



INTERNATIONAL TRANSPORT AIRLINE
BUKRE
INTERNATIONAL CO
TRANSPORTEF
+380 (044) 454-28-5
+380 (044) 454-28-52
antonov.kiev.ua

INTERNATIONAL
TRANSPOR




Phone: +380
Fax: +380
E-mail: s

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YXS

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