



BRINGING THE WORLD TO YOU



PRINCE GEORGE AIRPORT AUTHORITY  
ANNUAL REPORT

06

YXS→



# YXS → PRINCE GEORGE AIRPORT AUTHORITY

Provides leadership as  
a regional economic driver  
and a gateway for  
passengers and cargo  
by providing exceptional  
customer services  
and facilities.



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## CHAIR & AIRPORT GENERAL MANAGER'S REPORT



2006 was another successful year for the Prince George Airport Authority. The expanded arrivals area that now supports international travel saw 394,407 passengers pass through our gates. The Board of Directors and Staff have worked diligently toward promoting the Prince George Airport as a gateway to the world, serving the Pacific Rim and Western Canada.

B.C.'s 'Northern Capital' is now firmly connected to the global market.

To secure cargo opportunities, substantial effort was focused in 2006 on the Runway Extension project. The Prince George Airport is on the Great Circle Route between major Asian and American markets, and is a Technical Stop alternative for cargo and corporate

carriers crossing the Pacific. With the development of the Port of Prince Rupert, Prince George is a day and a half closer for Asian cargo. In order to facilitate aviation cargo activities, the Airport Authority undertook an aggressive plan to secure the necessary funding for a \$33 Million Runway Extension. This will result in Runway 15-33 expanding from 7,400 ft, to 11,400 ft. Cargo traffic will be able to refuel in Prince George, making it the obvious choice as the next inland port in Canada.

The Prince George Airport Authority secured funding in the fall, with an \$11 Million loan from the Northern Development Initiative Trust. Both the Federal and Provincial Governments have been extremely supportive,

and at the time of print, the Federal Government had announced their financial support of \$11 Million, with Provincial support pending.

As the passenger numbers grew so did the demand for parking. During the first three months of 2006 the Prince George Airport experienced overflow situations approximately 87 per cent of the time. Recognizing the inconvenience placed on customers, the Board of Directors unanimously voted to expand the existing parking lot infrastructure. In the fall of 2006 the expanded parking lot project was completed both ahead of schedule and on budget, and has more than doubled the long and short term parking stalls. New lighting and signage were installed to ensure customer safety and security.

After strong opposition by the Airport Authority and the City of Prince George, Nav Canada's plan to close the control tower, was reversed. The Flight Services Station will be replaced by technologically advanced automated weather systems and weather personnel.


In 2006 the Prince George Airport, as a direct result of the Airport Authority's pursuit of excellence in customer

service, became the first airport in Western Canada and only the third nationally to have the distinction of being a SuperHost Airport. SuperHost is an internationally recognized customer service program developed for Expo '86. The SuperHost training and being awarded the distinction of the SuperHost designation could not have been achieved without the commitment of the Airport Authority's staff and tenants.

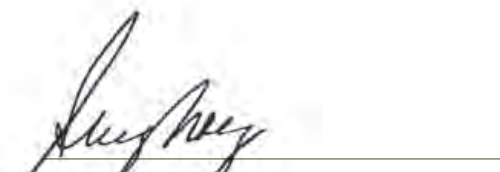
The Prince George Airport Authority began building a twenty-year Master Plan. Our vision is to ensure efficient and sustainable growth of the Airport during the next twenty years and beyond.

Since transfer in 2003, the Prince George Airport Authority has completed a number of the building blocks necessary to realize the vision for the Airport and the region. The Prince George Airport has become an International Gateway that has begun to influence and show leadership toward identifying industry and tourism opportunities.

Prince George Airport Authority:  
**Bringing the World to You.**



Jim Blake, Chair, PGAA



Stieg Hoeg, General Manager, PGAA







## GROWTH & DEVELOPMENT



A strong flight schedule, and regional economy, resulted in 394,407 passengers passing through the Prince George Airport, representing a growth of 4.81% over the previous year. This number does not include charter operations, mine, oil and gas exploration and northern community services, which are expected to exceed 50,000 enplanements and deplanements.

In the second season of International charters to Puerto Vallarta, Mexico, the Airport experienced consistently high bookings and seamless service.

The Prince George Airport has a strong scheduled flight service and 24/7 hours of operation. Its geographical location centers the Airport in a 360-degree hub for international refueling cargo and passenger services.

The Prince George Airport Authority has worked aggressively at identifying opportunities, gaining industry knowledge and making contacts. For example, it created a

targeted marketing program, titled: 'The YXS Advantage - The Future is Closer Than You Think'; a campaign which resulted in presentations to Senior Executives of cargo carriers and industry stakeholders around the world.

The Airport Authority views its role as an economic generator that helps drive growth within the region. Integral to the Airport Authority's business case, is the Prince George Airport's impact on regional economic development and regional tourism. Successful partnerships have been formed with Jasper Trade and Commerce, Northern B.C. Tourism Association, Cariboo-Chilcotin Tourism Association, Tourism B.C., Initiatives Prince George, the Guide Outfitters Associations of Northern B.C. and the Province of British Columbia. Regionally, the Prince George Airport has aligned itself with the Port of Prince Rupert and has worked collaboratively to support the North West Transportation Corridor and support local/regional efforts to see Prince George become a global logistics hub.





## OVERVIEW OF OPERATIONS



In 2006 the focus shifted to the Operational staff. Through various training initiatives, hiring practices and certification programs, the Prince George Airport Authority is confident its staff is trained and equipped to handle any airport situation.

The current changes in the northern climate continue to pose operational challenges. These challenges have been met successfully thanks to committed staff, trained on a modern fleet of heavy equipment and emergency response vehicles.

The Prince George Airport continues to meet and exceed all regulatory requirements in every area of

airport operations, including aerodrome safety, Aircraft Rescue Fire Fighting (ARFF), security, facilities, and the environment.

Throughout 2006 continued emphasis was placed on operating efficiently, with the focus always on safety. This emphasis will continue in 2007 with the implementations of a new Safety Management System, new computerized maintenance system, and new fleet purchases.

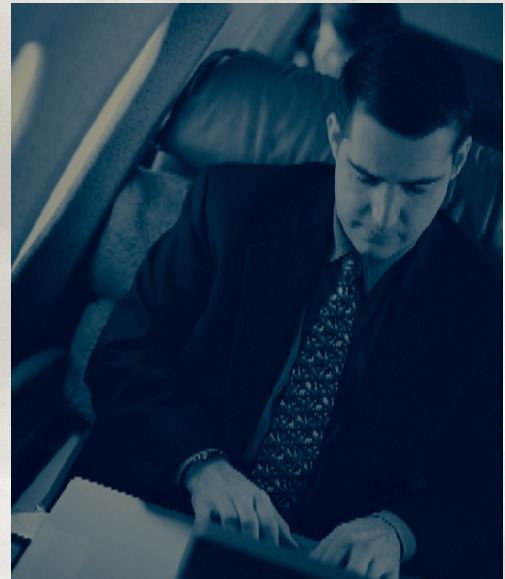
The Prince George Airport continues to grow and develop with the goal of providing the highest level of safety and service to our customers.





# AUDITED FINANCIAL STATEMENTS

year ended December 31, 2006



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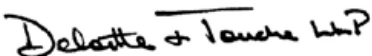
## AUDITOR'S REPORT

To the Members of  
Prince George Airport Authority Inc.

We have audited the statement of financial position of Prince George Airport Authority Inc. as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2006 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants

Prince George, British Columbia  
March 23, 2007



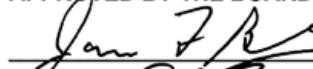



# STATEMENT OF FINANCIAL POSITION

as of December 31, 2006

	2006	2005
<b>CURRENT ASSETS</b>		
Cash (Note 3)	\$ 316,650	\$ 174,049
Accounts receivable (Note 4)	807,278	531,361
Inventory	67,568	45,019
Prepaid expenses	244,004	217,952
	<u>1,435,500</u>	<u>968,381</u>
<b>CAPITAL ASSETS (Note 5)</b>	<u>20,923,670</u>	<u>17,527,481</u>
	<u>\$ 22,359,170</u>	<u>\$ 18,495,862</u>
<b>CURRENT LIABILITIES</b>		
Bank demand loan (Note 6)	\$ 5,100,000	\$ 2,200,000
Accounts payable and accrued liabilities (Note 7)	1,172,232	736,167
Deferred revenue and deposits	93,727	88,657
Current portion of long-term debt (Note 8)	-	75,000
	<u>6,365,959</u>	<u>3,099,824</u>
<b>LONG-TERM DEBT (Note 8)</b>	-	-
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)</b>	<u>11,139,018</u>	<u>11,926,785</u>
	<u>17,504,977</u>	<u>15,026,609</u>
<b>COMMITMENTS (Note 10)</b>		
<b>NET ASSETS</b>		
Invested in capital assets (Note 11)	4,179,900	3,060,306
Restricted airport improvement fee (Note 12)	1,358,804	763,866
Unrestricted	(684,511)	(354,919)
	<u>4,854,193</u>	<u>3,469,253</u>
	<u>\$ 22,359,170</u>	<u>\$ 18,495,862</u>

APPROVED BY THE BOARD:

 Director  
 Director







## STATEMENT OF OPERATIONS

year ended December 31, 2006

	2006	2005
Revenue		
Landing fees	\$ 1,714,732	\$ 1,509,226
General terminal charges	847,308	833,951
Concessions	195,840	197,444
Parking	539,757	526,092
Rentals	470,586	456,684
Other	347,164	158,968
	<u>4,115,387</u>	<u>3,682,365</u>
Expenses		
Salaries and employee benefits	1,638,834	1,512,354
Services, supplies and administration	1,947,162	1,646,345
Property taxes	208,531	173,700
Utilities	310,062	308,297
	<u>4,104,589</u>	<u>3,640,696</u>
Operating surplus	<u>10,798</u>	<u>41,669</u>
Other revenue (expense)		
Airport improvement fee (Note 12)	1,930,195	1,630,512
Amortization of deferred contributions (Note 9)	787,767	1,384,592
Transport Canada contribution	-	221,021
Amortization	(1,205,248)	(996,552)
Interest on bank demand loan	(138,571)	(54,912)
Loss on sale of capital assets	-	(1,988)
	<u>1,374,143</u>	<u>2,182,673</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u><b>\$ 1,384,941</b></u>	<u><b>\$ 2,224,342</b></u>





## STATEMENT OF CHANGE IN NET ASSETS

year ended December 31, 2006



		Invested in Capital Assets (Note 11)	Restricted Airport Improvement Fee (Note 12)	Unrestricted	2006	2005
Balance, beginning of year	\$	3,060,306	\$ 763,866	\$ (354,919)	\$ 3,469,253	\$ 1,244,911
Excess (deficiency) of revenue over expenditure		-	1,791,624	(406,683)	1,384,941	2,224,342
Capital asset additions, net of related debt		1,196,686	(1,196,686)	-	-	-
Amortization of capital assets		(1,205,248)	-	1,205,248	-	-
Amortization of deferred contributions		787,767	-	(787,767)	-	-
Repayment of long-term debt and accounts related to capital assets		340,390	-	(340,390)	-	-
Balance, end of year	\$	4,179,900	\$ 1,358,804	\$ (684,511)	\$ 4,854,194	\$ 3,469,253





## STATEMENT OF CASH FLOWS

year ended December 31, 2006

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 1,384,941	\$ 2,224,342
Items not affecting cash		
Amortization	1,205,248	996,552
Loss (gain) on sale of capital assets	-	1,988
Amortization of deferred contributions	(787,767)	(1,384,592)
Transport Canada contribution (Note 14)	-	(221,021)
	<b>1,802,422</b>	<b>1,617,269</b>
Changes in non-cash operating working capital		
Accounts receivable	(275,917)	187,626
Inventory	(22,551)	(3,600)
Prepaid expenses	(26,052)	(77,379)
Accounts payable and accrued liabilities	271,705	(289,988)
Deferred revenue and deposits	5,070	6,531
	<b>1,754,677</b>	<b>1,440,459</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital asset additions	(4,100,045)	(1,063,246)
Construction in progress expenditures	(501,389)	(3,650,764)
Proceeds on disposal of capital assets	-	9,891
	<b>(4,601,434)</b>	<b>(4,704,119)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank demand loan proceeds	2,900,000	1,400,000
Repayment of long-term debt	(75,000)	(100,000)
Increase (decrease) in construction in progress payables	164,358	(1,253,560)
Deferred contributions related to capital assets	-	2,826,527
Decrease in contributions receivable	-	769,242
	<b>2,989,358</b>	<b>3,642,209</b>
<b>INCREASE IN CASH</b>	<b>142,601</b>	<b>378,549</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>174,049</b>	<b>(204,500)</b>
<b>CASH, END OF YEAR</b>	<b>\$ 316,650</b>	<b>\$ 174,049</b>
Cash is defined as cash less bank indebtedness.		
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	\$ 138,571	\$ 54,912





# NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

## 1. NATURE OF OPERATIONS AND TRANSFER OF AIRPORT 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. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

The financial statements of the Authority are prepared in accordance with Canadian generally accepted accounting principles.

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%
Office furniture and equipment	20%
Computer hardware and software	33%
Vehicles	10%
Runway and other equipment	10%-20%





## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### Revenue recognition:

The Authority follows the deferral method of accounting for contributions whereby unrestricted revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

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 12) is recognized when passengers depart the terminal building.

#### Government Contributions:

Contributions towards capital expenditures are deferred and brought into income on a basis consistent with the amortization of the related capital assets.

#### Use of estimates:

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

### 3. CASH

	2006	2005
Cash and term deposits	\$ 316,650	\$ 174,049

The Authority has a \$500,000 operating line of credit bearing interest at the prime-lending rate (December 31, 2006 – 6.00%). 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.





## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

### 4. ACCOUNTS RECEIVABLE

	2006	2005
Trade receivables	\$ 790,083	\$ 527,336
GST recoverable	17,195	4,025
	<u>\$ 807,278</u>	<u>\$ 531,361</u>

### 5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
Land	\$ 253,642	\$ -	\$ 253,642	\$ -
Leasehold improvements				
Buildings	14,034,349	1,061,978	12,972,371	13,139,806
Parking facilities and roadway systems	4,200,602	228,821	3,971,781	758,788
Other	44,900	7,997	36,903	38,441
Computer hardware and software	237,345	138,710	98,635	59,858
Vehicles	29,540	18,709	10,831	16,739
Runway and other equipment	4,717,778	1,639,660	3,078,118	3,513,849
Construction in Progress	501,389	-	501,389	-
	<u>\$ 24,019,545</u>	<u>\$ 3,095,875</u>	<u>\$ 20,923,670</u>	<u>\$ 17,527,481</u>

### 6. BANK DEMAND LOAN

2006 2005

CIBC demand installment loan - payable in interest only installments per month, until January 31, 2009. Principal payments are to commence February 28, 2009 in an amount sufficient to liquidate the outstanding balance by October 31, 2019. Principal payments may be structured as blended or principal plus interest on a monthly or quarterly basis, subject to mutual agreement of the Bank and the Authority. The maximum facility available is \$7,000,000 and is secured by a general security agreement and a first leasehold mortgage by way of a sublease over all the Authority's assets. Interest is at prime. (6.0% - December 31, 2006)

\$ 5,100,000 \$ 2,100,000





## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

### 6. BANK DEMAND LOAN (continued)

A waiver to the right to demand repayment of the bank demand loan for a period of more than one year from the balance sheet date has not been provided. In accordance with Canadian generally accepted accounting principles the full balance of above bank demand loan has been disclosed as a current liability. Had a waiver to the right to demand repayment of the bank demand loan been provided, the principal payments required in each of the next five years would be as follows:

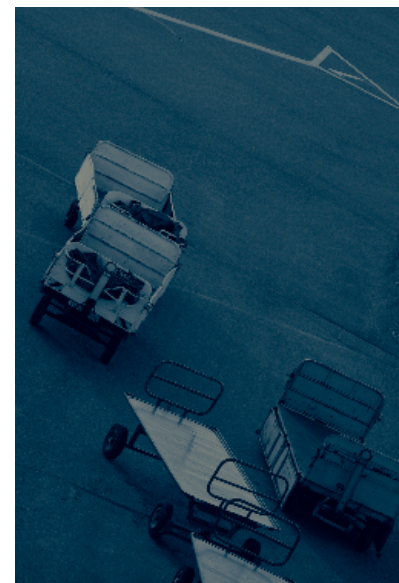
	2007	2008	2009	2010	2011
\$	-	\$	398,438	\$	478,125

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006	2005
Trade payables	\$ 450,453	\$ 256,230
Construction in progress payable	599,208	340,390
Payroll accruals	122,571	139,547
	<u>\$ 1,172,232</u>	<u>\$ 736,167</u>

### 8. LONG-TERM DEBT

	2006	2005
Regional District of Fraser Fort George, unsecured, non-interest bearing, due July 2006	\$ -	\$ 75,000
	-	75,000
Current portion	-	75,000
	<u>\$ -</u>	<u>\$ -</u>







# NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

## 9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

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

	2006	2005
Opening balance	\$ 11,926,785	\$ 6,534,962
Contributions received from		
B.C. Government - Ministry of Transportation	-	1,976,000
Canadian Air Transport Security Authority	-	24,374
Community Futures Development Corporation - SICEAI	-	826,153
Transport Canada	-	3,949,888
Amortization	(787,767)	(1,384,592)
	<u>\$ 11,139,018</u>	<u>\$ 11,926,785</u>

## 10. COMMITMENTS

Transport Canada lease:

The Canada Lease provides for lease payments to Transport Canada, which are calculated under a formula including annual airport revenue, passenger volumes, operating costs and capital expenditures. The lease provides for a rent-free period until January 1, 2011.

## 11. INVESTED IN CAPITAL ASSETS

	2006	2005
Opening balance	\$ 3,060,306	\$ 943,102
Capital asset additions, including construction in progress	4,601,433	4,714,010
Less: Long-term debt, accounts payable and deferred contributions related to additions	(3,404,748)	(2,972,967)
	<u>1,196,685</u>	<u>1,741,043</u>
Capital asset disposals, net book value	-	(11,879)
Amortization	(1,205,248)	(996,552)
Amortization of deferred contributions	787,767	1,384,592
Repayment of A/P related to capital additions	340,390	-
Closing balance	<u>\$ 4,179,900</u>	<u>\$ 3,060,306</u>





## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

### 12. 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 May 01, 2003 the Authority introduced an AIF in the amount of \$5 per local boarded passenger. May 01, 2004 the AIF increased to \$10 for anticipated capital expenditures. Effective October 1, 2006 the AIF increased to \$15 to further help capital expansion. Earned AIF is net of the 7% handling fee withheld by the airlines.

### 13. 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 five current participating employees. The Authority pension expense for the defined contribution component was \$11,869 in 2006. 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. Assets will be transferred from the federal government to support the pension liabilities assumed by the Authority plan in respect of former Transport Canada employees who elect to transfer their entitlements to the defined benefit component of the plan. As of December 31, 2006, no assets had been transferred from the federal government to the Authority plan.

Based on an actuarial valuation as at December 31, 2006 of the Authority's defined benefit plan under CICA Handbook Section 3461, the net pension expense is as follows:

	2 0 0 6	2 0 0 5
Service costs	\$ 152,000	\$ 138,000
Interest cost on accrued benefit obligation	41,000	26,000
Expected return on assets	(40,000)	(26,000)
Pension expense	<u>\$ 153,000</u>	<u>\$ 138,000</u>

Information about the Authority's defined benefit plan contained in the actuarial report prepared as at December 31, 2006 is as follows:





# NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

## 13. PENSION (continued)

	2 0 0 6	2 0 0 5
Market value of plan assets	\$ 760,000	\$ 480,000
Accrued benefit obligation	(857,000)	(627,000)
Deficiency of plan assets	(97,000)	(147,000)
Unamortized net actuarial loss	112,000	127,000
Net pension asset (liability)	\$ 15,000	\$ (20,000)

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

	2 0 0 6	2 0 0 5
Discount rate	5.25%	5.25%
Expected long-term rate of return on plan assets	6.25%	6.75%
Rate of compensation increase	4.00%	4.00%
Rate of inflation	2.50%	2.50%

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

Employer contribution	\$ 187,000	\$ 131,000
Employees' contribution	37,000	40,000
Benefits paid	1,000	8,000

Plan assets consist of:

	2 0 0 6	2 0 0 5
Equity securities	63.8%	61.6%
Debt securities	36.2%	38.4%
	100.0%	100.0%







## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2006

### 14. FINANCIAL INSTRUMENTS

#### Fair value:

Authority's cash, accounts receivable, demand loan, accounts payable and accrued liabilities are reflected in the financial statements at carrying values which approximate fair values due to the immediate and short term maturity of these financial instruments. The fair value of the bank demand loan approximates its carrying value as the loan bears interest at current market rates.

#### Interest rate risk:

The Authority's exposure to interest rate risk relates to any future anticipated borrowings.

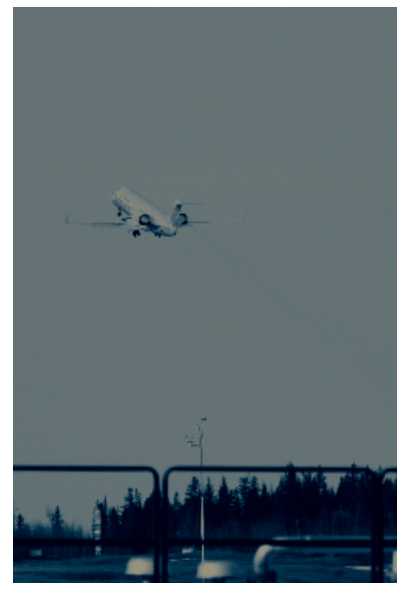
#### Credit risk:

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.

### 15. OTHER INFORMATION

The Authority's income generated from airport-related operations is exempt from federal and provincial income taxes.

During the year ended December 31, 2006, the fees paid to the Board of the Authority for their services as directors amounted to \$111,531 (2005 - \$86,425).





## CORPORATE GOVERNANCE

### BOARD GOVERNANCE

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

In accordance with Bylaw No. 1, a bylaw relating generally to the transaction of the business and affairs of the Prince George Airport Authority, and based on the principles of accountability and transparency desired by the Federal Government and endorsed by the Board of Directors, the Board is composed of twelve members who are nominated by:

- |   |                     |
|---|---------------------|
| • The Federal Government                      | [2 Representatives] |
| • The Provincial Government                   | [1 Representative]  |
| • The City of Prince George                   | [3 Representatives] |
| • The Regional District of Fraser-Fort George | [2 Representatives] |
| • Initiatives Prince George                   | [2 Representatives] |
| • The Prince George Airport Authority         | [2 Representatives] |

The Board members represent consumer interests, the business community and organized labour. It includes Directors having legal, engineering, accounting and industry experience.

Committees are structured to support management and the Board of Directors and to act in accordance with the Boards' requirements and decisions. The following Committees have been established:

- |                                     |                                  |
|-------------------------------------|----------------------------------|
| • Finance and Audit Committee       | • Human Resource Committee       |
| • Governance / Nominating Committee | • Airline Consultation Committee |
| • Community Consultation Committee  | • Noise Committee                |

The Prince George Airport Authority held a Governance Workshop, and guidelines for the Board were approved in early 2006.

### CONFLICT-OF INTEREST RULES

The PGAA is acutely aware of the trust that has been placed in them 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 our bylaws. It is, therefore, prudent that proper controls and policies be adopted by the Authority that ensure due diligence and maintain the integrity of future management of the Prince George Airport.

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 policy requires each Board member to disclose any real, perceived or potential areas of conflict. This disclosure must be in writing and updated annually. The policy also addresses the appropriate procedures to be followed, should a Director propose to independently provide services to the authority on a contractual basis.

The Board has ensured that all Directors, officers and employees complied with these rules in 2006.

### CONTRACTS OVER \$75,000

In 2006 all contracts valued at over \$75,000 were awarded by bid.

### BOARD & MANAGEMENT COMPENSATION

The annual remuneration for the Board during 2006 was as follows:

CHAIR	\$ 12,000
VICE CHAIR	\$ 7,000
DIRECTORS	\$ 3,500

The Board Chair received an additional stipend for the year 2006 in the amount of \$10,000.

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

Directors receive \$150 per Board and Committee meeting.

Compensation during 2006 for all Directors was \$89,300.

### YXS MANAGEMENT TEAM

#### Airport General Manager

Stieg Hoeg  
Email: shoeg@pgairport.ca

#### Director of Operations

Mark Miller  
Email: mmiller@pgairport.ca

#### Director of Finance & Administration

Diane Bertram  
Email: dbertram@pgairport.ca

#### Manager of Special Programs

Bill Empey  
Email: bempey@pgairport.ca

The combined salaries of the four Senior Managers [i.e.] Airport General Manager, Director of Operations, Director of Finance & Administration, and Manager of Special Programs in the Year 2006 was \$321,544.



## GOVERNANCE GUIDELINES



### INTRODUCTION

While not obligated to do so, The Prince George Airport Authority believes it to be a responsibility of its accountability to the community to model its Governance practices as if it were a listed company on a Canadian Securities Exchange. National Policy 58-201, Corporate Governance Guidelines and the National Instrument 58-101, Disclosure of Corporate Governance Practices, initiatives of the Canadian Securities Administrators, came into effect in June 2005 for listed companies.

Following is the Authorities application of those guidelines.

### 1. 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, Vice Chair, Secretary and Treasurer are elected annually from within the members of the Board.

### 2. MEETINGS OF INDEPENDENT DIRECTORS

#### Guideline

The independent Directors should hold regularly scheduled meetings at which non-independent Directors and members of management are not present.

#### Disclosure

A meeting of Board members only is held at the conclusion of regularly scheduled Board meetings or other times if necessary.

### 3. BOARD MANDATE

#### Guideline

The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the organization by:

- 3.1 Satisfying itself as to the integrity of the management team
- 3.2 Adopting a strategic planning process
- 3.3 Identifying the principle risks
- 3.4 Having a management succession plan in place
- 3.5 Adopting a communications policy
- 3.6 Have internal controls and information systems operational
- 3.7 Have Governance guidelines and principles in place







## GOVERNANCE GUIDELINES

### Disclosure

The Mission Statement for the Prince George Airport Authority is to “provide leadership as a regional economic driver and a gateway for passengers and cargo by providing exceptional services and facilities”.

To achieve this mandate:

3.1 The Authority has an in depth monthly and quarterly 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.

3.2 The Authority has a strategic planning process, which includes a long-term Airport Master plan, a dynamic five year Strategic Operating plan and annual operating and capital budgets with goals and expectations reviewed and revised annually.

3.3 The Authority continuously implements necessary changes to safety and security management functions relating to aircraft and passenger movement and protection of airport assets through consideration of:

- (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.

3.4 A management organizational structure has been approved by the Board.

3.5 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.

3.6 A comprehensive Management Information and Reporting System which tracks, measures and monitors the integrity of the financial statistics, to provide reliable data for decision making. Service improvement, safety, environmental and security statistics are regularly tracked and monitored.

3.7 The Board has established a Governance Committee and a policy and procedure manual have been completed for the Authorities Directors and employees guidance.

## 4. POSITION DESCRIPTIONS

### Guideline

The Board should develop clear position descriptions for the chair, each Committee and the General Manager.

### Disclosure

Detailed position descriptions have been developed for the Authorities Board and for each Board officer's position. The General Managers job description is in place, as are job descriptions for each of the management team.

Staff job descriptions are also in place and specific job training is conducted continuously.

## 5. ORIENTATION AND CONTINUING EDUCATION

### Guideline

The Board should ensure that all new Directors receive a comprehensive orientation.

### Disclosure

Each new PGAA Director receives a Directors manual that contains current PGAA policies and procedures at the airport as well as the Directors role and responsibilities. Tours of the airport including Nav Canada and Canadian Air Transport Security Authority site tours as well as procedures are part of the orientation. Subsequent presentations on airport maintenance and safety procedures are provided. Management and staff receive initial job orientation and follow up specific job element training as required.



## GOVERNANCE GUIDELINES

### 6. CODE OF BUSINESS CONDUCT AND ETHICS

#### Guideline

The Board should develop a written code of business conduct and ethics applicable to Directors and employees of the Authority.

The code should address in particular:

- 6.1 Conflicts of interest.
- 6.2 Protection of corporate assets.
- 6.3 Confidentiality of corporate information.
- 6.4 Fair dealing with customers, suppliers, competitors and employees.
- 6.5 Compliance with laws and regulations.
- 6.6 Reporting of any illegal or unethical behavior.

#### Disclosure

- 6.1 Directors annually complete conflict of interest disclosure documents.
- 6.2 Purchases and approval of payments to employees and customers have established approval protocol in place.
- 6.3 Confidential corporate information is disseminated on a need to know basis.
- 6.4 Equal opportunity is stressed for suppliers and contractors and employee working agreements provide equity for employees.
- 6.5 No Director or employee will be required to break any law and compliance with regulations are paramount for employees.
- 6.6 Directors and employees are encouraged to report any behavior that is outside legal or ethical circumstance to management.

### 7. 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.

### 7. NOMINATION OF DIRECTORS (con't)

#### Disclosure

It is the duty of the Chair of the Governance Committee to chair the Nominating Committee and the remaining members of the Nominating Committee are also to be members of the Governance Committee. The Nominating Committee communicates with the various nominating entities and appointers to seek a balance of Director skills.

### 8. COMPENSATION

#### Guideline

The Board should appoint a Compensation Committee composed entirely of independent Directors to make recommendations to the Board with respect to General Managers and the Director's compensation.

#### Disclosure

The Board has charged the Human Resources Committee with the responsibility to bring a recommendation annually to the Board as to the method and level of compensation the General Manager should receive, based on market comparisons and personal performance.

The Governance Committee has the responsibility to bring a recommendation to the Board, from time to time, as to the level of compensation the Directors should receive.

### 9. REGULAR BOARD ASSESSMENTS

#### Guideline

The Board, its Committees, and each individual Director should be regularly assessed regarding their effectiveness and contribution.

#### Disclosure

The Board has adopted a formal evaluation process in which each Director annually completes an assessment of the Board's effectiveness. Attendance expectations objectives for Directors have been established.







## GOALS AND OBJECTIVES

### 1. SUPPORT OUR STAFF

- a. Establish organizational values and obtain employee commitment.
- b. Establish a career development plan and implement individualized training plans.
- c. Maintain a workplace where respect and fairness is demonstrated openly: a workplace free of harassment plus fun for everyone, while still providing professional and first-class services.
- d. Involve all staff in strategic planning and decision-making.

### 2. OPERATE IN A SAFE, SECURE & ENVIRONMENTALLY RESPONSIBLE MANNER

- a. Maintain and exceed any required safety programs.
- b. Maintain and exceed all security requirements.
- c. Develop and apply an effective and proactive environmental management program.

### 3. PROVIDE OUR CUSTOMERS WITH A USER-FRIENDLY, FIRST-CLASS FACILITY

- a. Maintain a competitive cost environment for airlines
- b. Maintain and upgrade existing airside and groundside facilities.
- c. Improve facilities to support growth and new opportunities.
- d. Improve the customer experience by developing great customer service.
- e. Drive down the cost of travel using the YXS Gateway.

### 4. OPERATE AS A FINANCIALLY VIABLE ENTITY

- a. Maximize all sources of revenue.
- b. Provide cost-effective service, minimizing expenditures without compromising safety, security or customer service.
- c. Operate within operational revenues.
- d. Capital program will be funded through the Airport Improvement Fee.

### 5. ENSURE PUBLIC ACCOUNTABILITY

- a. Establish public accountability mechanisms.
- b. Implement a commitment to excellence through strategic planning.

### 6. FORM PARTNERSHIP STAKEHOLDER RELATIONSHIPS WITH THE COMMUNITY, AIRPORT TENANTS & USERS

- a. Develop a Protocol Agreement with the City of Prince George and the Regional District that illustrates the philosophy of co-operation, good communications and addresses a common vision.
- b. Maintain and grow existing relationships with Initiatives PG, the Northwest Corridor Development Corporation, Northwest Tourism Association, Chamber of Commerce and other organizations to work at improving the economic climate of Northern British Columbia.
- c. Ensure good communications and co-operation are maintained with airline partners by continuing the Airline Operating Committee and through the Airline Consultation Committee.
- d. Encourage open communication with community members through the Community Consultation Committee.

### 7. PURSUE MARKETING INITIATIVES AND ECONOMIC DEVELOPMENT

- a. Develop and implement a strategic marketing plan.
- b. Develop airport lands while supporting community objectives.
- c. Retain and strengthen existing air services.
- d. Develop new markets (international, national & transborder).

### 8. CULTIVATE AND PROMOTE THE AIRPORT'S ROLE AND IMAGE WITHIN THE COMMUNITY

- a. Focus information campaigns regionally.
- b. Continue tradeshow regionally and locally.
- c. Continue developing expertise on northern transportation issues.
- d. Strengthen media relationships.
- e. Promote school programs.





## 5 YEAR BUSINESS PLAN FORECAST

### BUSINESS PLAN CASH FLOW FORECAST 2006 - 2010

Shown in thousands of dollars.

YEAR	2007	2008	2009	2010	2011
Revenues	6,704.5	6,831.8	8,097.7	8,229.9	8,364.7
Expenses	4,532.0	4,908.8	5,027.9	4,979.9	4,923.8
Capital	18,240.0	15,235.0	4,980.0	850.0	585.0

#### ASSUMPTIONS:

1. Forecasted revenues and expenses assume 1.9% annual passenger growth.
2. Amortization is not included.



## BOARD OF DIRECTORS

#### JAMES (JIM) BLAKE

CHAIR

Nominated by City of Prince George

#### DAVE WILSON

VICE CHAIR

Chair • Governance & Nominating Committee

Nominated by Regional District of Fraser-Fort George

#### RON EPP

TREASURER

Chair • Finance & Audit Committee

Nominated by City of Prince George

#### DAVE WILBUR

SECRETARY

Chair • Community Consultation Committee

Nominated by City of Prince George

#### MIKE TKACHUK

Chair • Noise Committee

Nominated by Regional District of Fraser-Fort George

#### LES WALDIE

Chair • Human Resource Committee

Nominated by Initiatives Prince George\*

#### NEIL KING

Chair • Airline Consultation Committee

Nominated by Initiatives Prince George\*

#### CAROL BROWN

Director

Appointed by Transport Canada

#### SIMON YU

Director

Appointed by Transport Canada

#### DON GOULD

Director

Nominated by Provincial Government

#### NEIL MEAGHER

Director

Nominated by Prince George Airport Authority

#### MARION BARTLETT

Director

Nominated by Prince George Airport Authority

\*Formerly Prince George Regional Development Corporation



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