YXS
prince george airport authority

Setting the Foundation for Future Economic Growth

2014 Annual Report

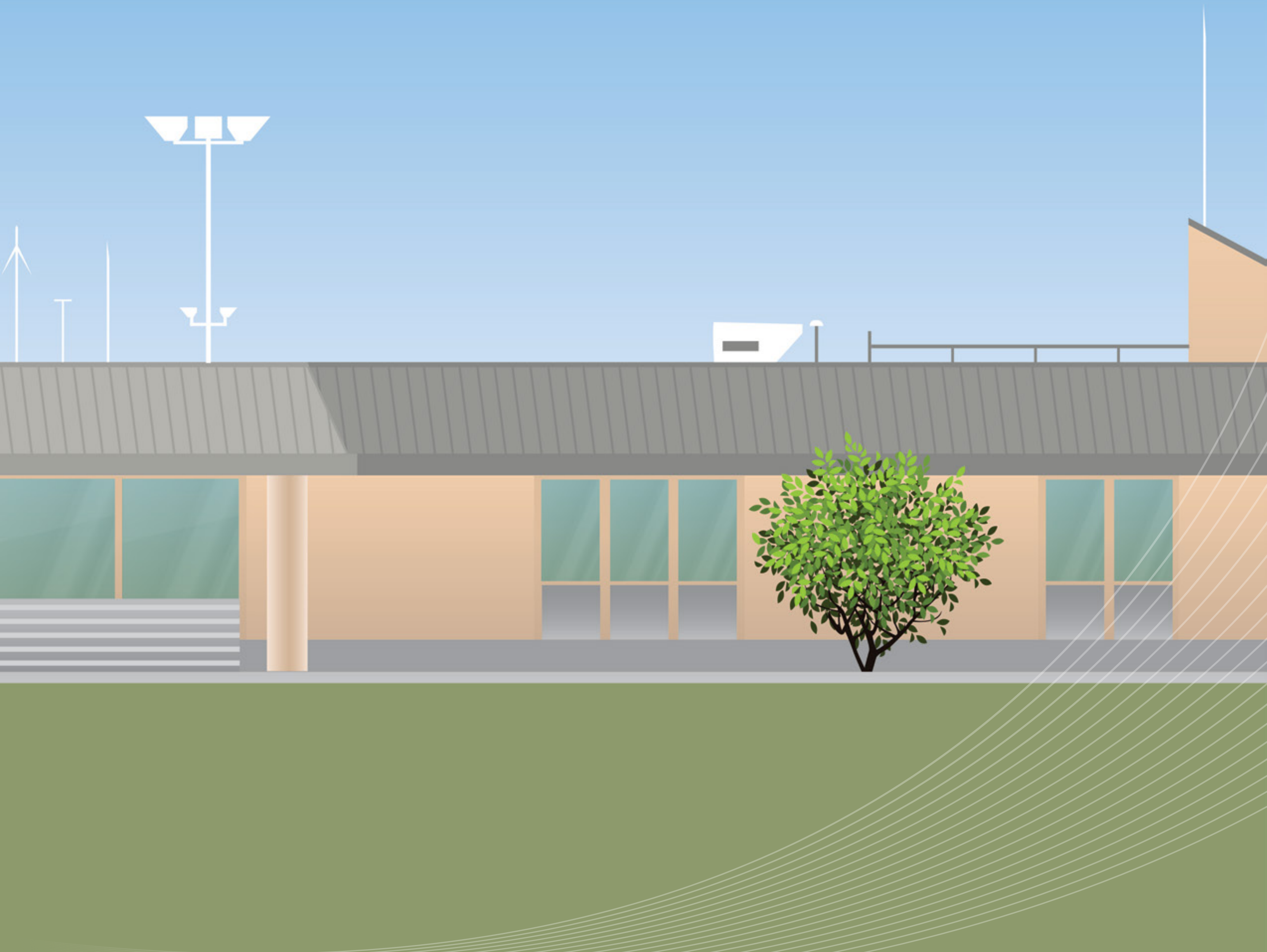
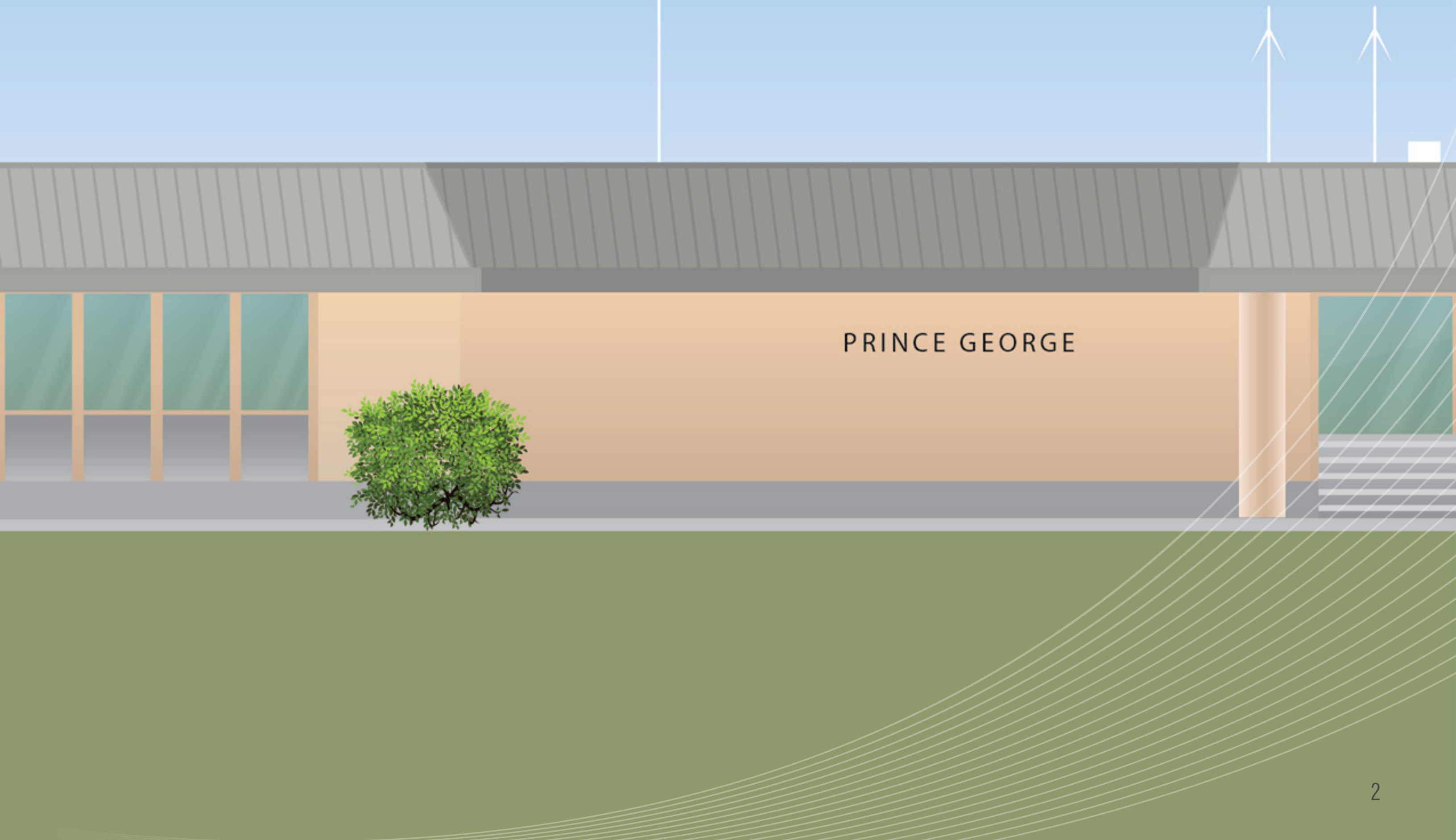


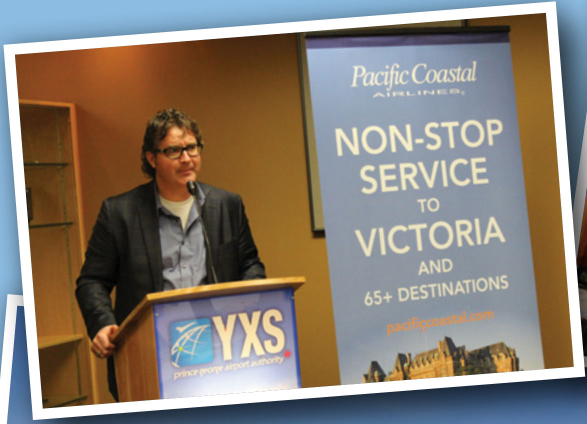
Table of Contents

Our Vision is:
To be the 'best in class' airport.

Our Mission is:
Operate a safe secure airport with quality customer oriented passenger facilities and services and a developing cargo business in an economically sustainable and environmentally responsible manner that contributes to regional economic development.



2014 Highlights



> *"We are on the cusp I believe of a Northern Renaissance, something the region has not seen in decades."*
>
> – BC Premier Christy Clark

Over the last couple of years northern British Columbia has seen a huge increase in major projects and investment. Billions of dollars have been invested in Northern BC and over $60 billion in investment is planned.

The region has seen expanded employment opportunities in mining, forestry, transportation, energy and healthcare. Between 2010-2013 Prince George's economy grew by 4.7% compared to British Columbia at 2.4%. The average employment rate in 2014 was 71.6% for Prince George, compared to BC at 59.6%, while the average unemployment rate during 2014 was 5.1% for Prince George, compared to 6% for BC.

The value of building permits went up 8.0% in 2014 compared to 2013. The number of people employed was up by 2.2% during 2014 and an additional 1,100 jobs were added. As for real estate, the average home price increased 4.5% in 2014 compared to 2013 (from $259,000 in 2013 to $271,000 in 2014) and the number of properties sold in Prince George went up 12.2% in 2014 compared to the previous year.

Signs of a strong economy were also seen at the Prince George Airport (YXS). Passenger numbers reached an all-time high in 2014 and two new passenger services were announced.

All of these statistics provided by Initiatives Prince George show healthy, steady growth and the Prince George Airport Authority (PGAA) is working hard to ensure we are ready to handle an even bigger upswing in the local economy. As you'll read in this publication, the foundation for future economic growth has begun.

Board Chair Report

The aviation and airline industry is dynamic. Those in the industry charged with providing leadership and management need to be nimble and innovative. 2014 was no exception to that imperative.

The Prince George Airport Authority Board is a governance and policy board that sets the overall direction for the Authority and vests responsibility for the day to day management with its CEO and his staff. The Board sets standards and expectations to ensure that its vision of being a 'best in class' airport is met. They focus on achieving best practices in all areas of the business and constantly look for improvement in all areas. The Board reviews results and pursues areas of deviation from plans as appropriate.

One of the Board's key responsibilities is to set the strategic direction of the organization in collaboration with management. The Board holds a comprehensive strategic planning session normally in a 3 or 4 year interval. In the off years the Board holds a shorter more specific business planning session for the following year.

2014 was the year for a full strategic planning session which we held in July. We revised our mission statement which is included in the opening section of this report. The plan has five key elements on which the Board and management will focus.

1. Strategic Excellence – we will continue to nurture a results-oriented culture that focuses on team work and collaboration.
2. Build capacity – protect and enhance our physical infrastructure and ensure we have the right people in the right roles working on our behalf.
3. Sustainable and effective business – to the extent that the market will allow, we will expand and enhance our passenger service, build on the cargo and tech stop initiative and explore secondary business opportunities to increase our net revenue.
4. Build partnerships with our community, businesses and stakeholders and advocate economic growth for the region.
5. Be a socially responsible operation by operating a safe and secure facility in an environmentally responsible manner while managing risk.

Our CEO report that follows this report covers the main operational and service developments that we addressed and were accomplished in 2014.

By launching our own fuel service this year we removed another hurdle in our quest for international cargo and tech stop business. Developing the cargo and tech stop business requires a significant amount of effort and patience. Our management with Board support is focusing attention on identifying opportunities and developing relationships which we fully expect to bring results in the long run.

Our financial situation remains stable with each of the past five years resulting in an operating surplus. While we have sufficient financial capacity to meet our current capital projects, future capital requirements that we face to maintain the infrastructure we inherited exceed our capacity in the longer run. We are exploring all options to address that concern going forward.

Industry Canada introduced a Not for Profit Corporations Act under which the Prince George Airport Authority was required to transfer its registration in 2014. That process was completed by the October 2014 deadline. It included the requirement to revise our bylaws which has been done. They have been approved in principle by Transport Canada and once formally signed by the Federal Minister of Transportation will be filed with Corporations Canada as the bylaws under which the Authority will function in 2015 forward. The changes were not substantial and provide a new degree of consistency across the Airport Authorities.

Our CEO, John Gibson, is in the first year of a two year term as Chair of the Canadian Airports Council. He has provided significant leadership on a number of fronts that impact both the airport industry in general and the Prince George Airport Authority specifically.

At the end of the year, three board members departed. Marion Bartlett who served as Governance Chair for many years concluded her 9 year term as a board member at the end of November. Tom Newell who served as Board Secretary for several years left the Board at the end of December after serving just less than 8 years. Bob Radloff, P. Eng whose initial 3 year term expired at the end of the year elected not to seek a renewal of his appointment. All three departing members made a significant contribution and commitment to the board which is recognized and appreciated.

Jennifer Brandle-McCall was appointed to succeed Marion Bartlett as the PGAA nominated Board member effective December 1, 2014. Michelle Marrelli was appointed by the Federal Government to replace Tom Newell, and Emily Cheung, P. Eng., was nominated by the Regional District of Fraser Fort George to replace Bob Radloff. Those two appointments are effective January 1, 2015.

I am extremely grateful for the support and commitment of all Board members, our CEO, his staff and all employees and stakeholders, all of whom have the best interests of the airport and our community at heart.

We are well served by them all.

Les Waldie

Les Waldie
Board Chair, Prince George Airport Authority

CEO Report

2014 was an incredible year for the Prince George Airport. A new passenger record was set as 445,929 passengers travelled through the terminal. This represents a 4.5% growth in the number of passengers over 2013. Aircraft movements were up 15% over 2013 with a total of 45,623. The growth is attributed to continued development in Northern British Columbia, as well as preliminary travel associated with the 2015 Canada Winter Games.

In 2014 there were increased flight services as WestJet commenced service to Calgary and increased Vancouver frequency to 5 flights per weekday from 3, and Central Mountain Air added non-stop service to Vancouver and Ft. Nelson. In the fall, Pacific Coastal Airlines announced they will be operating out of the Prince George Airport starting with non-stop service to Victoria in January 2015.

The Airport Authority posted net earnings before other income of $1,542,816. This is the fifth straight year that the airport has exceeded its financial objective for the year. The net earnings after all revenues and costs were accounted for were $3,957,831. The surplus can be attributed to: increased revenue from growth on scheduled seats from the passenger carriers, increased water bomber activity, increased parking revenue associated with passenger traffic growth and continued cost management.

In May 2014 the Prince George Airport Authority as a result of an increase in air traffic had to meet expanded emergency response criteria. Three additional staff members were hired in order to provide Category 6 emergency response coverage. The new staff were trained in emergency response procedures and equipment operation as required by regulation and existing emergency response staff all completed their annual re-certification.

It was a big year for our fuel farm as a second fuel truck was brought into service to provide over-wing aircraft fueling. 2014 brought JetMark International Fuel Services its first fueling contract.

From a capital improvement perspective, Canadian Air Transportation Security Authority (CATSA) installed a state of the art outbound baggage security system. Nav Canada upgraded weather instrumentation and installed a backup instrument to ensure redundancy of weather information critical to aviation safety. Also in 2014, the PGAA upgraded the HVAC in the Combined Services Building and replaced some water and sewer lines. To help spruce up the grounds, an electronic Welcome Sign was installed as the old sign had become a safety hazard. All projects that require a Canadian Environmental Assessment Act review have been conducted. Assessment reviews are available on request.

In order to prioritize upgrades to the airfield and re-qualify the potential capital costs, an airside engineering report was completed in the fall. The report, along with previous engineering reports, has identified approximately $60 million dollars in capital over the next 10 years in rehabilitation capital.

The Airport Authority strives to offer best in class customer service for our customers, so an improvement strategy continues to be implemented and reviewed year after year. In 2014 the PGAA ordered multi-use seating, complete with laptop stations for the Departure Lounge. Electronic Tourism Information Kiosks were installed in the Tourism Center of the terminal along with the Departure Lounge. Both these initiatives allow customers to stay connected.

Throughout the year, work continued on securing a key stakeholder for a cargo facility that brings warehousing and trucking experience to the airport cargo operations. An announcement will be forthcoming in early 2015. Two Memorandums of Understandings were signed in China to further investigate and develop a cargo and refueling program at YXS. In order to share our story, the PGAA co-hosted a booth at a Cargo Logistics Forum last January with Initiatives Prince George.

2014 became the key planning year for the 2015 Canada Winter Games operations. Coordination of screening processes, remote loading and unloading of athlete charters, and cargo handling requirements, as well as coordination of activities associated with the scheduled flights would be key to a successful operation. The PGAA planned contingency processes in all aspects of the operation to ensure a memorable first and last impression of Prince George.

The Prince George Airport Authority was named an Official Community Partner of the 2015 Canada Winter Games. The airport community is extremely excited to play such an integral role in the Games. Games pageantry was installed throughout the terminal to showcase the excitement of the Games and to show support. In October, a public art piece was unveiled at YXS titled "Spirit of the Games." This legacy mural tells northern BC's story, celebrates our heritage and ignites our future. It will be showcased at YXS for years to come.

The PGAA stays connected with the community through social media and presentations to organizations, Boards and City and Regional Councils. The PGAA continues to work with the Immigrant and Multicultural Services Society, Tourism PG, Initiatives Prince George and Northern Development Initiatives Trust in growing the economy of Prince George and Northern BC.

(continued)

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 (CAC) Council of Chairs; the Canadian Airports Council Board of Directors; the Canadian Airports Council Cargo, Human Resources, Marketing and Public Relations, Environmental, Security and Operations/Safety and technical Affairs sub committees; the British Columbia Aviation Council, Tourism Prince George, amongst others.

We are especially pleased that Cuyler Green, Director of Operations, is Chairman of International Association of Airport Executives (Canada). Consultant Cargo Business Development, Allan Ridgway, sits on the British Columbia Guangdong Business Council & the Vancouver - Guangzhou Friendship Society.

Looking ahead to next year, we continue to plan for the 2015 Canada 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 the fabulous 11 years of our existence, as well as pushing us forward for the future.

John Gibson
President and CEO, Prince George Airport Authority

PGAA Executive Team:

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

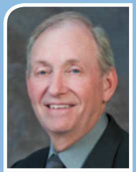
Front Row (L-R): Cuyler Green – Director of Operations, John Gibson – President and CEO, Diane Bertram – Director of Finance and Administration, Allan Ridgway – Consultant Cargo Business Development

Board of Directors

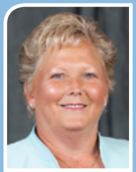
Les Waldie
Chair
Nominated by City of Prince George
Attendance 9/9 Board*

Blair Mayes
Vice Chair
Nominated by Prince George Airport Authority
Attendance 8/9 Board, 11/16 Committee

Tom Newell
Secretary
Chair – Airline Consultative Committee
Appointed by Federal Government
Attendance 8/9 Board, 12/16 Committee



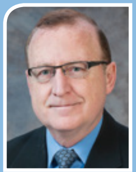
Dean Mason
Treasurer
Chair – Finance & Audit Committee
Nominated by City of Prince George
Attendance 6/9 Board, 5/6 Committee



Marion Bartlett
Chair – Governance & Nominating Committee
Nominated by Prince George Airport Authority
Attendance 7/9 Board, 17/18 Committee
Term ended November 30, 2014

Carol Brown
Chair – HR Committee
Nominated by Regional District of Fraser-Fort George
Attendance 9/9 Board, 8/14 Committee

Andy Clough
Chair – Environment/Noise Committee
Appointed by Federal Government
Attendance 8/9 Board, 4/6 Committee

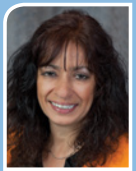


Robert (Bob) Radloff
Chair – Major Projects Committee
Nominated by Regional District of Fraser-Fort George
Attendance 5/9 Board, 4/4 Committee

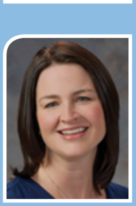
Don Zurowski
Chair – Community Consultative Committee
Nominated by Provincial Government
Attendance 7/9 Board, 2/3 Committee

Al Leier
Director
Nominated by Prince George Airport Authority
Attendance 6/9 Board, 6/6 Committee

Tejinder Grewal
Director
Nominated by City of Prince George
Attendance 7/9 Board, 7/8 Committee



Ranjit Gill
Director
Nominated by Prince George Chamber of Commerce
Attendance 8/9 Board, 3/5 Committee



Jennifer Brandle-McCall
Director
Nominated by Prince George Airport Authority
Attendance 1/1
Term commenced December 1, 2014

*The Board Chair attends all Committee meetings as required.

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, the PGAA's operating bylaws have a very thorough section dealing with conflict of interest guidelines.

In addition, the Board has a Conflict of Interest policy that requires each Board member to disclose any real, perceived or potential areas of conflict. The 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 ensured that all Directors, officers and employees complied with these rules in 2014.

Code of Conduct

Code of Conduct guidelines are clearly outlined within the Bylaws of the Authority.

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 2014, the adjusted value was $107,229.97 and all contracts valued at or over the adjusted value were awarded by bid.

Goals and Objectives

1. Support of Staff

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

2. Operate in a Safe, Secure and Environmentally Responsible Manner

- The PGAA is committed to meeting or exceeding all requirements for the safety and security of all users of the airport. In addition, the PGAA maintains an effective and proactive environmental programme.

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 PGAA maintains and plans for upgrades of existing airside and groundside facilities to support growth and new opportunities.
- The PGAA 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 PGAA 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 PGAA operates within established budgets and generated revenues. Capital programs are funded through the Airport Improvement Fee.

5. Ensure Public Accountability

- The PGAA will maintain 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 PGAA has formed a partnership stakeholder relationship with the community, airport tenants and users. As well, a Protocol Agreement with the City of Prince 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 Northwest Corridor Development Corporation, Northern BC Tourism Association, Prince George Chamber of Commerce and other organizations with the goal of improving the economic climate of Northern British Columbia.
- As well, the PGAA has developed a strong relationship with Northern Development Initiative Trust, whose mandate is economic development and job creation in central and Northern British Columbia.
- The PGAA also ensures that good communication and cooperation are maintained with airline partners through the continuation of the Airline Consultation Committee.
- The PGAA encourages open communication with community members through the Community Consultation Committee.

7. Pursue Marketing Initiatives and Economic Development

- The PGAA will pursue marketing initiatives and economic growth through a strategic marketing plan which includes retaining and strengthening existing air services, the promotion of new national and international markets, and developing airport land while supporting community objectives
- The PGAA 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 PGAA will cultivate and promote the airport's role and image within the community directly and through strengthening media relationships with the establishment of focused information campaigns, tradeshows, promotion of school programs, and by continuing to develop expertise on northern transportation issues.

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 PGAA'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 and governance board. The Board approves all significant decisions that affect the organization before implementation, as well as monitoring and reviewing outcomes.

1.2 The PGAA 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 PGAA, 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 that address 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 hiring and overseeing the CEO. The PGAA is developing a formal management succession plan. Senior management positions can be temporarily covered either from existing PGAA 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 PGAA and for airlines and industry service providers to communicate with the PGAA. The Board approves all major communications such as annual reports and financing documents. The PGAA communicates with stakeholders through information on its website, and meetings held by the Board's Airline and Community Consultation Committees.

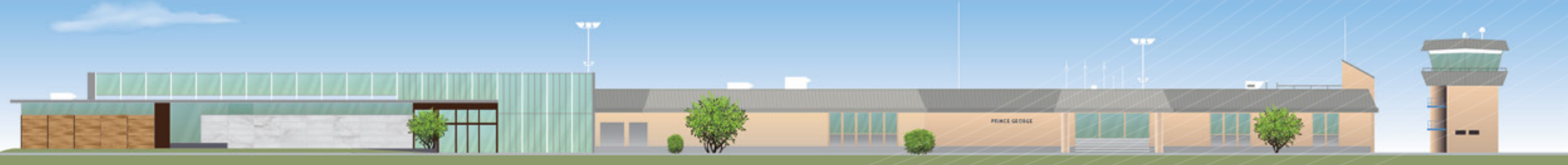
1.6 The PGAA has an in-depth monthly, quarterly and annual reporting and performance measurement system, including regular Board presentations from management and the ongoing monitoring, comparison, analysis and explanation of results and expectations. External professional resources are employed to test the integrity of internal control systems.

1.7 The Board, through the Governance Committee has implemented applicable governance guidelines and principles.

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 PGAA, 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 an annual one on one feedback session with each director.

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 labour.

It includes Directors having legal, engineering, accounting, commercial banking, human resources expertise and experience and skills from various industries and relevant 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 take part in a comprehensive orientation session, and are provided with a copy of the 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, 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.

The Director's Manual is on-line for all directors to access and is updated on a regular basis. 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 method and level of compensation the CEO should receive, based on market comparisons and performance.

The annual remuneration for the Board during 2014 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 2014 for all Directors was $93,200.

The combined salaries of the Senior Managers [i.e.] President and CEO, Director of Finance and Administration and Director of Operations in the year 2014 was $433,822.35

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 had seven committees in 2014, 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 Carol Brown as Chair
- Community Consultation Committee
  – 3 members with Don Zurowski as Chair
- Airline Consultation Committee
  – 3 members with Tom Newell as Chair
- Major Projects Committee
  – 4 members with Bob Radloff as Chair
- Environment/Noise Committee
  – 2 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 controls 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 and/or without management present 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.

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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 comprised the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2014 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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, 2014 and the results of its operations and its cash flows for the year ended December 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants

Prince George, British Columbia
April 10, 2015

Statement of Financial Position

Year ended December 31, 2014

	2014	2013 (as restated Note 3)
CURRENT ASSETS		
Cash	**$ 1,550,984**	$ 1,117,817
Investments (Note 4)	**2,566,927**	3,897,671
Accounts receivable	**1,335,816**	1,154,855
Inventory	**22,390**	29,860
Prepaid expenses	**320,441**	268,444
	5,796,558	6,468,647
CAPITAL ASSETS (Note 5)	**50,596,748**	51,690,250
DEFINED BENEFIT ASSET (Note 14)	**949,000**	390,000
	$ 57,342,306	$ 58,548,897
CURRENT LIABILITIES		
Bank demand loan (Note 6)	**$ -**	$ 3,798,365
Accounts payable and accrued liabilities (Note 7)	**839,930**	1,116,958
Government remittances payable	**26,611**	17,303
Deferred revenue and deposits	**26,059**	40,464
	892,600	4,973,090
LONG-TERM DEBT (Note 8)	**12,612,087**	12,612,087
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**21,942,583**	23,272,515
	35,447,270	40,857,692
COMMITMENTS (Note 10)		
CONTINGENCIES (Note 15)		
NET ASSETS		
Invested in capital assets (Note 11)	**16,041,789**	12,006,997
Restricted airport improvement fee (Note 12)	**3,132,268**	4,752,045
Unrestricted (Note 13)	**2,720,979**	932,163
	21,895,036	17,691,205
	$ 57,342,306	$ 58,548,897

APPROVED BY THE BOARD:

Director

Director

Statement of Operations

Year ended December 31, 2014

	2014	2013 (as restated Note 3)
Revenue		
Concessions	**$ 146,166**	$ 183,923
General terminal charges	**1,539,501**	1,271,212
Landing fees	**2,789,034**	2,253,143
Other	**666,192**	542,667
Parking	**1,535,762**	1,448,252
Rentals	**801,140**	792,188
	7,477,795	6,491,385
Expenses		
Administration	**898,253**	665,650
Insurance	**178,157**	171,043
Operations	**2,116,287**	1,938,324
Property taxes	**235,066**	217,631
Salaries and employee benefits	**2,117,542**	2,159,583
Utilities	**389,674**	331,352
	5,934,979	5,483,583
Operating surplus	**1,542,816**	1,007,802
Other revenue (expense)		
Airport improvement fee (net) (Note 12)	**3,871,215**	3,723,366
Amortization of deferred contributions (Note 9)	**1,329,932**	1,530,188
Amortization - capital assets	**(2,328,009)**	(2,464,697)
Gain on disposal of assets	**-**	5,288
Interest on long-term debt	**(458,123)**	(542,313)
	2,415,015	2,251,832
EXCESS OF REVENUE OVER EXPENSES	**$ 3,957,831**	$ 3,259,634

Statement of Changes in Net Assets

Year ended December 31, 2014

	Invested in Capital Assets (Note 11)	Restricted Airport Improvement Fee (Note 12)	Unrestricted	2014	2013
Balance, beginning of year as previously reported	$ 12,006,997	$ 4,752,045	$ 542,163	$ 17,301,205	$ 14,292,571
Change in accounting policy (Note 3)	-	-	390,000	390,000	(107,000)
As adjusted	12,006,997	4,752,045	932,163	17,691,205	14,185,571
Excess of revenue over expenses	-	3,413,092	544,739	3,957,831	3,259,634
Capital asset additions	1,234,504	(1,234,504)	-	-	-
Net repayment of bank demand loan	3,798,365	(3,798,365)	-	-	-
Amortization of capital assets	(2,328,009)	-	2,328,009	-	-
Amortization of deferred contributions	1,329,932	-	(1,329,932)	-	-
Remeasurement of pension benefit assets	-	-	246,000	246,000	246,000
Balance, end of year	$ 16,041,789	$ 3,132,268	$ 2,720,979	$ 21,895,036	$ 17,691,205

Statement of Cash Flows

Year ended December 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 3,957,831**	$ 3,259,634
Items not affecting cash		
Amortization	**2,328,009**	2,464,697
Gain on disposal of assets	**-**	(5,288)
Amortization of deferred contributions	**(1,329,932)**	(1,530,188)
Defined benefit adjustment	**(313,000)**	(251,000)
	4,642,908	3,937,855
Changes in non-cash operating working capital		
(Increase) decrease in accounts receivable	**(180,961)**	197,301
Decrease in inventory	**7,470**	7,694
Increase in prepaid expenses	**(51,997)**	(46,925)
(Decrease) increase in accounts payable and accrued liabilities	**(277,031)**	405,856
Increase (decrease) in government remittances payable	**9,308**	(17,834)
Decrease in deferred revenue and deposits	**(14,405)**	(25,920)
	4,135,292	4,458,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset additions	**(1,234,504)**	(1,302,045)
Proceeds on disposal of capital assets	**-**	5,288
Decrease (increase) in investments	**1,330,744**	(2,021,868)
	96,240	(3,318,625)
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of bank demand loan	**(3,798,365)**	(651,180)
NET INCREASE IN CASH	**433,167**	488,222
CASH, BEGINNING OF YEAR	**1,117,817**	629,595
CASH, END OF YEAR	**$ 1,550,984**	$ 1,117,817

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. 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 initially 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 include 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%
Fuel farm	4%
Other	5%-33%
Computer hardware and software	33%
Vehicles	10%
Machinery and other equipment	10%-20%
Runway	5-50 years

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.

Employee future benefits

The cost of the Authority's defined benefit pension plans is determined periodically by independent actuaries. The Authority's uses the most recently completed actuarial valuation prepared for funding purposes (but not one prepared using a solvency, wind-up, or similar valuation basis) for measuring its defined benefit plan obligations. A funding valuation is prepared in accordance with pension legislation and regulations, generally to determine required cash contributions to the plan.

The Authority's recognizes:

a) the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance in the balance sheet; and
b) the cost of the plan for the year.

The Authority also contributes to a defined contribution pension plan for which the Authority pays fixed contributions into a separate pension plan. The Authority has no legal obligation to pay further contributions if the plan is not fully funded.

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. Restricted 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 13) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, useful life of capital assets, and employee future benefits. Actual results could differ from the estimates.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2014, the Company adopted Section 3462 *Employee Future Benefits* ("Section 3462"). In accordance with the transitional provisions, the Company retrospectively applied the revised standard. The 2013 corresponding figures and notes have been restated as a result.

Section 3462 eliminated the deferral and amortization method as a policy choice for accounting for defined benefit plans and the three-month window for measuring plan assets and obligations. The standard requires that changes in the fair value of plan assets and in the measurement of the plan obligation, including past service costs, actuarial gains and losses, and curtailment/settlement gains and losses, will be recognized immediately in the income statement. As a result, the defined benefit asset or liability on the balance sheet reflects the defined benefit obligation, net of the fair value of any plan assets, adjusted for any valuation allowance as of the balance sheet date. Further, Section 3462 requires separate identification of remeasurements and other items from the other pension costs thereby allowing visibility to the impact resulting from the periodic remeasurements.

Additionally, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost. Under Section 3462, the same discount rate must be applied to the benefit obligation and the plan assets to determine the finance cost. The discount rate will continue to be determined by reference to market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments or the interest rate inherent in the amount at which the defined benefit obligation could be settled.

In the current year, as a result of adopting Section 3462, the following financial statement line items were affected by the following amounts:

	Reported amount	Restatement	Restated amount
Net assets as at January 1, 2013	$ **14,292,571**	$ (107,000)	$ 14,185,571
Remeasurement of pension assets	**-**	246,000	246,000
Accrued benefit assets	**-**	390,000	390,000
Salaries and employee benefits	**2,410,583**	(251,000)	2,159,583

The retrospective application of the new standard resulted in a decrease to opening equity at January 1, 2013, of $107,000 with an additional increase to opening equity of $497,000 at January 1, 2014

4. INVESTMENTS

During the year, the Authority has invested $66,927 in a one-year redeemable GIC with an interest rate of 1.25% maturing on April 30, 2015, $500,000 in a one-year redeemable GIC with an interest rate of 0.8% maturing on March 24, 2015 and $2,000,000 in a one-year redeemable GIC with an interest rate of 1.25%, maturing on September 28, 2015.

5. CAPITAL ASSETS

			2014	2013
	Cost	Accumulated Amortization	Net Book Value	
Land	**$ 15,650,471**	**$ -**	**$ 15,650,471**	15,556,473
Leasehold improvements				
Buildings	**15,552,710**	**5,804,448**	**9,748,262**	10,084,821
Parking facilities and roadway systems	**5,182,113**	**2,241,906**	**2,940,207**	3,121,689
Fuel farm	**2,480,373**	**147,369**	**2,333,004**	1,030,445
Other	**672,225**	**147,248**	**524,977**	518,333
Runway	**22,504,083**	**5,821,416**	**16,682,667**	17,654,077
Computer hardware and software	**296,104**	**130,164**	**165,940**	88,448
Vehicles	**153,405**	**41,784**	**111,621**	126,961
Machinery and other equipment	**4,887,800**	**3,034,857**	**1,852,943**	1,754,742
Construction in progress/ equipment not in use	**586,656**	**-**	**586,656**	1,754,261
	$ 67,965,940	**$ 17,369,192**	**$ 50,596,748**	$ 51,690,250

6. BANK DEMAND LOAN

	2014	2013
CIBC demand instalment loan	**$ -**	$ 3,798,365

The Authority has a $500,000 operating line of credit bearing interest at the prime rate (December 31, 2014 – 3%). The 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 also has a $9,000,000 demand revolving loan bearing interest at the prime rate (December 31, 2014 – 3%) and stamping fee of 1.5%. As well as a demand instalment loan of $5.5 million bearing interest at prime rate (December 31, 2014 – 3%). The Authority has a bank covenant on cash coverage of capital expenditure and debt repayment, with which it is in compliance. These credit facilities were not in use at December 31, 2014.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2014		2013
Trade payables	**$**	**515,073**	$	699,796
Payroll accruals		**324,857**		417,162
	$	**839,930**	$	1,116,958

8. LONG-TERM DEBT

Northern Development Initiative Trust, unsecured, bearing interest at prime (December 2014 - 3%), interest only payments commencing November 2012, for 34 months. Commencing August 2015, 120 monthly payments of principal plus interest at prime.	**$**	**12,612,087**	$	12,612,087

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

2015	2016	2017	2018	2019
$ 525,504	$ 1,261,209	$ 1,261,209	$ 1,261,209	$ 1,261,209

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.

		2014		2013
Opening balance	**$**	**23,272,515**	$	24,802,703
Amortization		**(1,329,932)**		(1,530,188)
	$	**21,942,583**	$	23,272,515

10. 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 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 2014 was $131,962 (2013 - $75,015).

11. INVESTED IN CAPITAL ASSETS

	2014	2013
Opening balance	**$ 12,006,997**	$ 10,988,281
Capital asset additions, including construction in progress	**1,234,504**	1,302,045
Payment of: Long-term debt, accounts payable and deferred contributions related to additions	**3,798,365**	651,180
	5,032,869	1,953,225
Amortization	**(2,328,009)**	(2,464,697)
Amortization of deferred contributions	**1,329,932**	1,530,188
	(998,077)	(934,509)
Closing balance	**$ 16,041,789**	$ 12,006,997

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. Earned AIF is net of a 7% handling fee withheld by the airlines.

13. UNRESTRICTED NET ASSETS

Of the $2,720,979 ($932,163 – December 31, 2013) of unrestricted net assets, $949,000 ($390,000 – December 31, 2013) is associated with the defined benefit asset as shown on the statement of financial position as of December 31, 2014. In accordance with the terms of the pension plan, the Authority is not able to utilize this asset to pay any regular or other contributions.

14. PENSION PLAN

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 currently has 21 participating employees. The defined benefit component of the pension plan has two participating employees. The Authority pension contributions for the defined contribution component was $79,345 in 2014 ($68,313 – 2013) and the defined benefit component was $208,566 in 2014 ($287,614 – 2013). 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.

14. **PENSION PLAN** (continued)

Information about the Authority's defined benefit plan contained in the actuarial report prepared as at December 31, 2014 is as follows:

	2014	2013
Market value of plan assets	**$ 3,339,000**	$ 3,251,000
Accrued defined benefit obligation	**(2,390,000)**	(2,861,000)
Plan surplus	**949,000**	390,000
Valuation Allowance	**-**	-
Defined benefit asset, net of valuation allowance	**$ 949,000**	$ 390,000

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

	2014	2013
Discount rate	**5.50%**	4.80%
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:

	2014	2013
Employer contribution	**$ 301,000**	$ 280,000
Employees' contribution	**5,000**	8,000
Benefits paid	**524,000**	300,000

Plan assets consist of:

Equity securities	**61.8%**	62.4%
Debt securities	**30.6%**	29.9%
Other	**7.8%**	7.7%

15. 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.

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.

17. FINANCIAL INSTRUMENTS

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 at December 31, 2014, the most significant financial liabilities are 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, 2014, the fees paid to the Board of the Authority for their services as directors amounted to $93,200 (2013 - $86,150).

Capital Initiatives and Business Plan

During 2014 the Prince George Airport invested in capital projects totalling $948.4 thousand; some of the significant projects completed in 2014 included:

	Thousands $
Combined services building HVAC (commenced in 2013)	**109.6**
Runway overlays	**101.8**
SSALR Rwy 15 – engineering	**157.0**
Groundside utility rehabilitation	**41.8**
Fuel truck	**157.4**
Electronic billboard / signage	**132.4**
Security / IT	**83.3**
Holdroom seating	**69.2**

2014 Actual vs. Business Plan

Shown in thousands of dollars.

	Actual	Plan	Difference	Explanation
Revenues	11,349.3	10,276.1	1,073.2	Variance attributable to additional air service, and higher than expected parking revenue and billable services.
Expenses	6,688.5	6,809.1	120.6	Variance mainly attributable to savings in employee salaries, fuel and materials & supplies.
Capital	948.4	1,330.5	382.1	Timing due to carry over of projects to 2015 that commenced in 2014, and reallocation of project to 2015 originally slated for 2014.

Business Plan Cash Flow Forecast 2015 - 2019

Shown in thousands of dollars.

YEAR	2015	2016	2017	2018	2019
Revenues	11,314.4	11,540.7	11,771.5	12,006.9	12,247.0
Expenses	7,456.5	7,605.6	7,757.7	7,912.9	8,071.2
Capital	21,973.3	3,255.0	3,630.0	7,219.6	2,772.0

Assumptions:

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

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