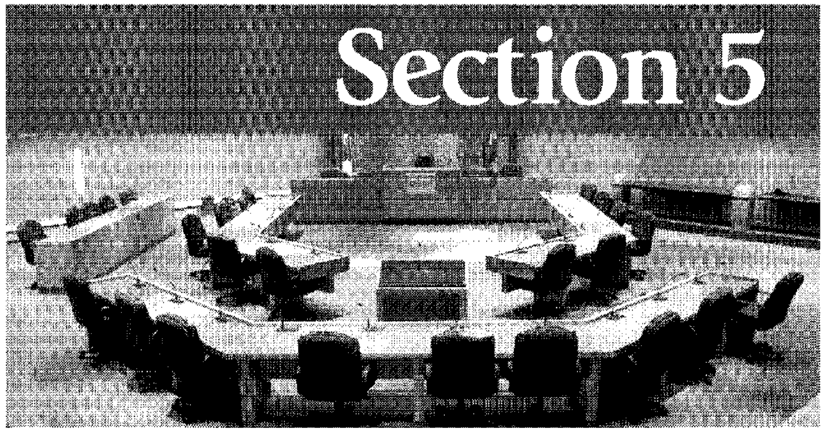

Financial Statements of the Sudbury Airport Community Development Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sudbury Airport Community Development Corporation

We have audited the accompanying financial statements of **Sudbury Airport Community Development Corporation** which comprise the statement of financial position as at December 31, 2010, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Sudbury Airport Community Development Corporation as at December 31, 2010 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow, Sudbury - Nipissing LLP

COLLINS BARROW, SUDBURY - NIPISSING LLP
Chartered Accountants, Licensed Public Accountants

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP
Chartered Accountants, Licensed Public Accountants

KPMG LLP

KPMG LLP
Chartered Accountants, Licensed Public Accountants

June 8, 2011
Sudbury, Canada

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

		Operating Fund	Capital Fund	Total 2010	Total 2009
Assets					
Current assets:					
Petty cash	$	1,000	-	1,000	1,000
Accounts receivable		827,251	-	827,251	1,617,767
Receivable from the City of Greater Sudbury (note 2)		495,486	-	495,486	16,016
Prepaid expenses		16,755	-	16,755	6,454
Inventory		99,147	-	99,147	99,135
		1,439,639	-	1,439,639	1,740,372
Capital assets (note 3)		-	14,214,265	14,214,265	13,446,499
	$	1,439,639	14,214,265	15,653,904	15,186,871
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	$	320,581	-	320,581	711,122
Other liabilities:					
Employee benefit obligations (note 4)		241,180	-	241,180	239,480
Deferred capital contributions (note 5)		-	7,896,196	7,896,196	7,487,066
		241,180	7,896,196	8,137,376	7,726,546
Fund balances		877,878	6,318,069	7,195,947	6,749,203
Commitments (note 6)					
Contingent liability (note 7)					
	$	1,439,639	14,214,265	15,653,904	15,186,871

See accompanying notes to financial statements.

Approved on behalf of the Board:

_______________________ Director

_______________________ Director

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2010, with comparative figures for 2009

		Operating Fund	Capital Fund	Total 2010	Total 2009
Revenue:					
Supplementary terminal fees	$	1,515,820	-	1,515,820	1,478,830
Amortization of deferred capital contributions		-	473,086	473,086	414,335
Rentals and concessions		1,231,458	-	1,231,458	1,017,159
National landing fees		651,445	-	651,445	633,634
Terminal fees		500,866	-	500,866	509,431
Services		458,273	-	458,273	265,279
Interest (note 2)		29,482	-	29,482	28,256
		4,387,344	473,086	4,860,430	4,346,924
Expenses:					
Wages and benefits		1,342,214	-	1,342,214	1,328,976
Security and commissionaires		367,636	-	367,636	335,541
Materials		359,800	-	359,800	303,938
Amortization of capital assets		-	947,338	947,338	821,944
Energy costs		268,228	-	268,228	243,272
Purchased services		240,290	-	240,290	238,378
Repairs and maintenance		282,060	-	282,060	213,495
Administration (note 2)		123,255	-	123,255	116,747
Insurance		105,187	-	105,187	84,764
Professional development		80,045	-	80,045	72,439
Property taxes		237,724	-	237,724	57,350
Marketing and promotion		83,630	-	83,630	62,075
Bad debt (recovery)		(1,158)	-	(1,158)	(15,248)
		3,488,911	947,338	4,436,249	3,863,671
Excess (deficiency) of revenue over expenses before undernoted item		898,433	(474,252)	424,181	483,253
Gain on sale of equipment		22,563	-	22,563	20,517
Excess (deficiency) of revenue over expenses		920,996	(474,252)	446,744	503,770
Fund balances, beginning of year		789,770	5,959,433	6,749,203	6,245,433
Fund transfers		(832,888)	832,888	-	-
Fund balances, end of year	$	877,878	6,318,069	7,195,947	6,749,203

See accompanying notes to financial statements.

SUDBURY AIRPORT COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

		2010	2009
Cash flows from operating activities:			
Excess of revenue over expenses	$	446,744	503,770
Adjustments for:			
Amortization of capital assets		947,338	821,944
Amortization of deferred capital contributions		(473,086)	(414,335)
Gain on sale of equipment		(22,563)	(20,517)
		898,433	890,862
Changes in non-cash working capital:			
Decrease (increase) in accounts receivable		790,516	(855,181)
Decrease (increase) in prepaid expenses		(10,301)	18,464
Increase in inventory		(12)	(505)
Increase in employee benefit obligations		1,700	12,481
Increase (decrease) in accounts payable and accrued liabilities		(390,541)	310,496
		1,289,795	376,617
Cash flows from financing activities:			
Increase in deferred capital contributions		882,216	1,618,981
Cash flows from investing activities:			
Purchase of capital assets		(1,715,104)	(2,628,719)
Proceeds on sale of equipment		22,563	20,517
		(1,692,541)	(2,608,202)
Net increase (decrease) in cash		479,470	(612,604)
Receivable from City of Greater Sudbury, beginning of year		16,016	628,620
Receivable from City of Greater Sudbury, end of year (note 2)	$	495,486	16,016

See accompanying notes to financial statements.

The Sudbury Airport Community Development Corporation (the "Corporation") is incorporated without share capital under the laws of Ontario. Its principal business activity is to manage, operate and maintain the Sudbury Airport.

The objective of the Corporation is to promote community economic development in the City of Greater Sudbury ("CGS") with the cooperation and participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community through the development and enhancement of the Sudbury Airport.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which includes government grants and contributions. The principles under this method are summarized as follows:

Unrestricted contributions are recognized as revenue when received.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset is amortized.

Landing fees, terminal fees, rentals and concessions are recognized as revenue in the fiscal period when the respective service is performed.

(b) Inventory:

Inventory is stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

(c) Capital assets:

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis at the following rates:

Buildings	10 to 30 years
Equipment	2 to 50 years
Runway	15 years
Parking Lot	20 years

Assets under construction are not amortized until they are placed into use.

In the year of acquisition or usage, half of the annual amortization charge is taken.

1. Significant accounting policies (continued):

(d) 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 at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying value of capital assets and valuation allowances for accounts receivable and inventory. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(e) Pensions and employee benefits:

Vacation entitlements are accrued for as entitlements are earned.

Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Corporation's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Actuarial gains (losses) or the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains and losses are amortized over the average remaining service period of active employees.

(f) Financial instruments:

The Corporation accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

In accordance with the Canadian generally accepted accounting principles the Corporation has undertaken the following:

(i) Designated cash and cash equivalents as held-for-trading, being measured at fair value.

(ii) Accounts receivable and receivable from the City of Greater Sudbury are classified as loans and receivables, which are measured at amortized cost.

(iii) Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Corporation also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Corporation has selected to account for transactions as at the trade date.

2. Receivable from the City of Greater Sudbury:

The Corporation is operated by the City of Greater Sudbury (the "City") in accordance with an operating agreement between the parties. Under terms of the agreement, employees remain employed by the City however the Corporation is responsible for reimbursing the City for all employee related costs.

Consequently, cash flows of the Corporation flow through the City. The resulting receivable at December 31, 2010 in the amount of $495,486 (2009 - $16,016) is unsecured, bears interest at the City's average monthly rate of return on investments plus 1% and has no specified terms of repayment. In the event that the account is in a receivable balance, the Corporation earns interest at the City's average monthly rate of return on investments.

Included in expenses is $91,442 (2009 - $84,900) charged by the City for the provision of administrative services. In addition, net interest in the amount of $29,482 (2009 - $28,256) was earned during the year.

3. Capital assets:

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	$ 8,318,598	1,654,936	7,871,722	1,404,700
Equipment	4,879,567	1,142,262	3,632,338	812,144
Runway	5,287,707	1,748,646	5,287,707	1,396,133
Transferred assets	2	–	2	–
Parking lot	289,413	36,178	289,413	21,706
Capital assets under construction	21,000	–	–	–
	18,796,287	4,582,022	17,081,182	3,634,683
Less accumulated amortization	4,582,022		3,634,683	
	$ 14,214,265		13,446,449	

Transferred assets represent assets acquired pursuant to an agreement with Transport Canada that transferred the Sudbury Airport on March 31, 2000 to the newly incorporated Sudbury Airport Community Development Corporation ("SACDC"). This transfer included the transfer of all chattels by way of bill of sale and property by way of instruments of grant to the SACDC for consideration of $2.

4. Employee benefit obligations:

Details of the obligations are as follows:

	2010	2009
Other post-employment and sick leave benefits	$ 114,000	115,000
Vacation pay	127,180	124,480
	$ 241,180	239,480

(i) Accumulated sick leave benefits accrue to certain employees of the Corporation and are paid out either on approved retirement, or upon termination or death.

(ii) Other post employment benefits represent the Corporation's share of the cost to provide certain employees with extended benefits upon early retirement.

4. Employee benefit obligations (continued):

(iii) The following table sets out the results as determined by the actuarial valuation completed in March 2011 for each of the plans, as at December 31, 2010:

	2010	2009
Accrued benefit obligation, beginning of year	$ 149,000	170,000
Benefit cost	4,000	7,000
Interest cost	7,000	9,000
Benefit payments	(15,000)	(15,000)
Actuarial costs	(8,000)	(22,000)
	137,000	149,000
Unamortized gain (loss)	(23,000)	(34,000)
Accrued benefit obligation, end of year	$ 114,000	115,000

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	Sick Leave	Other Post Employment Benefits
Expected inflation rate	2.5%	2.5%
Expected level of salary increases	2.5%	2.5%
Interest discount rate	5%	5%

5. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets.

Details of the change in deferred capital contributions are as follows:

	2010	2009
Balance, beginning of year	$ 7,487,066	6,282,420
Add: Contributions received in the year	882,216	1,618,981
Less: Amount amortized to revenue	(473,086)	(414,335)
Balance, end of year	$ 7,896,196	7,487,066

6. Commitments:

(i) The Corporation has entered into an Assignment, Assumption and Indemnity Agreement which relates to the Corporation taking on all the rights related to leasing of land to the Province for air ambulance and for the forest fire facility at the airport. The leases expire in 2014.

Navcan operates a Flight Service Station at the airport. There is an agreement with Navcan to perform these functions and a lease has been entered into with them for the land under their tower and space in the administration building. This agreement terminated March 31, 2010. Terms of a new agreement were being negotiated as at the date of these financial statements.

(ii) The Corporation entered into an agreement with Canadian Corps of Commissionaires for the provision of security services. The approximate annual payments are as follows:

2011	354,819

7. Contingent liability:

Pursuant to funding agreements with Transport Canada, the Corporation may in certain circumstances be considered in default of the agreement. Should the Corporation be considered in default of the agreements, action may be taken which could result in repayment of funding or cancellation of the agreements.

8. Fair value of financial instruments:

The carrying values of the Corporation's petty cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

It is not practicable to determine the fair value of the receivable from the City of Greater Sudbury in view of the relationship.