



**VERNON REGIONAL
AIRPORT CORPORATION**
Financial Statements
For the year ended December 31, 2006

Contents

| | |
|--|--------------|
| Auditors' Report | 2 |
| Financial Statements | |
| Balance Sheet | 3 |
| Statement of Deficit | 4 |
| Statement of Operations | 5 |
| Statement of Cash Flows | 6 |
| Summary of Significant Accounting Policies | 7 |
| Notes to the Financial Statements | 8 - 9 |



BDO Dunwoody LLP
Chartered Accountants
and Advisors

2nd Floor, CIBC Building
3201 - 30th Avenue
Vernon BC Canada V1T 2C6
Telephone: (250) 545-2136
Telefax: (250) 545-3364
www.bdo.ca

Auditors' Report

**To the Directors of
Vernon Regional Airport Corporation**

We have audited the balance sheet of Vernon Regional Airport Corporation as at December 31, 2006 and the statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the company'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 amounts 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 company as at December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants

Vernon, British Columbia
January 23, 2007

Vernon Regional Airport Corporation Balance Sheet

December 31 **2006** **2005**

Assets

Current

| | | | | |
|---------------------|----|--------|----|---------|
| Cash | \$ | 89,874 | \$ | 414,933 |
| Accounts receivable | | 73,277 | | 177,229 |
| Inventory | | 26,666 | | 26,393 |
| Prepaid expenses | | 4,230 | | 3,919 |
| Deposit on building | | - | | 19,886 |

194,047 642,360

Property, plant and equipment (Note 1)

2,311,216 1,893,963

\$ 2,505,263 \$ 2,536,323

Liabilities and Shareholder's Equity

Current

| | | | | |
|--|----|--------|----|---------|
| Accounts payable and accrued liabilities | \$ | 17,850 | \$ | 33,026 |
| Deferred revenue | | 36,717 | | 129,757 |

54,567 162,783

Shareholder's equity

| | | | | |
|------------------------|--|-----------|--|-----------|
| Share capital (Note 2) | | 1 | | 1 |
| Contributed surplus | | 2,719,837 | | 2,472,037 |
| Deficit | | (269,142) | | (98,498) |

2,450,696 2,373,540

\$ 2,505,263 \$ 2,536,323

Commitments (Note 3)

Approved on behalf of the Board:

_____ Director

_____ Director

Vernon Regional Airport Corporation
Statement of Deficit

| For the year ended December 31 | 2006 | 2005 |
|---------------------------------------|---------------------|--------------------|
| Deficit, beginning of year | \$ (98,498) | \$ (34,643) |
| Net loss for the year | <u>(170,644)</u> | <u>(63,855)</u> |
| Deficit, end of year | <u>\$ (269,142)</u> | <u>\$ (98,498)</u> |

Vernon Regional Airport Corporation Statement of Operations

| For the year ended December 31 | 2006 | 2005 |
|---|---------------------|--------------------|
| Revenue | | |
| Hangar and aircraft tiedown lease | \$ 175,752 | \$ 130,446 |
| Grants | 105,049 | 105,000 |
| Fuel sales commissions | - | 8,284 |
| Air Pageant revenues | 12,166 | 10,700 |
| Miscellaneous | 17,777 | 17,547 |
| | 310,744 | 271,977 |
| Other revenue | | |
| Fuel sales | 440,107 | 287,456 |
| Less: Cost of sales | (380,851) | (247,141) |
| | 59,256 | 40,315 |
| | 370,000 | 312,292 |
| Expenses | | |
| Advertising | 4,379 | 3,500 |
| Air Pageant costs | 11,307 | 9,442 |
| Bad debts | 2,000 | 4,179 |
| Insurance | 11,390 | 6,848 |
| Land lease | 50,711 | 24,435 |
| Licences and subscriptions | 2,166 | 89 |
| Office and vehicle | 36,935 | 26,466 |
| Professional fees | 46,088 | 19,188 |
| Repairs and maintenance | 164,384 | 94,432 |
| Salaries and wages | 66,139 | 66,207 |
| Utilities | 7,814 | 10,279 |
| Wildlife control | 6,830 | 4,560 |
| | 410,143 | 269,625 |
| Income (loss) before the following | (40,143) | 42,667 |
| Amortization | 130,501 | 95,216 |
| Loss on razing of building | - | 11,306 |
| Net loss for the year | \$ (170,644) | \$ (63,855) |

Vernon Regional Airport Corporation Statement of Cash Flows

| For the year ended December 31 | 2006 | 2005 |
|--|------------------|-------------------|
| Cash flows provided by (used in): | | |
| Operating activities | | |
| Cash receipts from operations | \$ 755,283 | \$ 556,470 |
| Cash paid to suppliers and employees | (787,300) | (552,941) |
| Interest received | 6,912 | 5,789 |
| | (25,105) | 9,318 |
| Investing activities | | |
| Purchase of plant and equipment | (547,754) | (190,238) |
| Financing activities | | |
| Contribution by shareholder | 247,800 | 250,000 |
| Net increase (decrease) in cash | (325,059) | 69,080 |
| Cash, beginning of year | 414,933 | 345,853 |
| Cash, end of year | \$ 89,874 | \$ 414,933 |

Vernon Regional Airport Corporation Summary of Significant Accounting Policies

December 31, 2006

Nature of Business

The company is incorporated under the laws of British Columbia and operates the Vernon Regional Airport. The company is a wholly owned subsidiary of the Corporation of the City of Vernon and because it conducts its business within the boundaries of the City of Vernon it is considered a non-taxable entity for purposes of the Income Tax Act.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While management uses its best efforts to reasonably assess judgmental issues at a point in time, actual results could differ from those estimates.

Financial Instruments

The company's financial instruments consist of cash, accounts receivable, inventory and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Inventory

Inventory is valued at the lower of cost or net realizable value. Cost is generally determined on the first-in, first-out basis.

**Property, Plant
and Equipment**

Property, plant and equipment are recorded at cost. Amortization based upon the estimated useful life of the asset is as follows:

| | | |
|----------------|---|----------------------------------|
| Tarmac & Roads | - | 8% diminishing balance basis |
| Buildings | - | 4% diminishing balance basis |
| Equipment | - | 30-45% diminishing balance basis |
| Automotive | - | 30% diminishing balance basis |

Amortization is provided for at one-half of the above rates in the year of acquisition.

Revenue Recognition

Operating grant revenue is recognized as earned when the grant money is received. Lease revenue is recognized as earned over the lease term, which is generally on a straight line basis.

Vernon Regional Airport Corporation Notes to Financial Statements

December 31, 2006

1. Property, Plant and Equipment

| | 2006 | | 2005 | |
|----------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land | \$ 173,743 | \$ - | \$ 173,743 | \$ - |
| Tarmac & Roads | 416,473 | 27,854 | 85,276 | 8,555 |
| Buildings | 1,821,969 | 190,485 | 1,621,640 | 126,680 |
| Equipment | 153,565 | 59,695 | 137,337 | 22,370 |
| Automotive | 39,497 | 15,997 | 39,497 | 5,925 |
| | \$ 2,605,247 | \$ 294,031 | \$ 2,057,493 | \$ 163,530 |
| Net book value | | \$ 2,311,216 | | \$ 1,893,963 |

The Vernon Regional Airport Corporation and the City of Vernon have entered into a trust agreement in which the City of Vernon retains the registered title of the land and premises and the Vernon Regional Airport Corporation has the authority to manage and deal with the property in a manner that benefits the Vernon Regional Airport Corporation. The Vernon Regional Airport Corporation has beneficial ownership to the land and buildings transferred from the City of Vernon.

2. Share Capital

Authorized

10,000 Common shares with no par value

Issued

| | 2006 | | 2005 | |
|----------------|------|------|------|--|
| 1 Common share | \$ 1 | \$ 1 | | |

3. Commitments

The company leases 2.83 hectares of land for \$50,000 per year. The lease has expired and the Vernon Regional Airport Corporation is currently in the process of negotiations to renew the lease.

In May 2005 the Vernon Regional Airport Corporation entered into a two year contract to have fuel supplied and dispensed.

The company has entered into an airport maintenance contract of \$5,000 per month expiring in April, 2007.

Vernon Regional Airport Corporation Notes to Financial Statements

December 31, 2006

4. Related Party Transactions

During the year the Vernon Regional Airport Corporation received a transfer of \$247,800 (2005 - \$250,000) for current and future capital expenditures to be incurred by the Vernon Regional Airport. These amounts have been transferred from the City of Vernon by virtue of its position as shareholder and therefore have been credited to contributed surplus.

The Vernon Regional Airport Corporation received a grant from the City of Vernon of \$105,049 (2005 - \$105,000) to help fund current operations. The grant was included in revenue by the Vernon Regional Airport Corporation.

These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

5. Subsequent Event

The City of Vernon council has passed a resolution to dissolve the Vernon Regional Airport Corporation effective January 1, 2007. The Airport function will be assumed directly by the City of Vernon.
