



Kelowna International Airport



2009 Annual Report

AMSTERDAM VICTORIA BERLIN
FUKUOKA LONDON MADRID CALIFORNIA
ISLAND SKATON ROME ZURICH
ATLANTA BOSTON CANCUN
VANUATU CINCINNATI DENVER
LAS VEGAS VANCOUVER FORT
MURRAY HONOLULU HOUSTON
ATLANTA REGINA MEXICO CITY
MINNEAPOLIS MONTREAL
PHILADELPHIA EDMONTON
PITTSBURGH RENO LOS CABOS
ATTLE SAN FRANCISCO SALT
CALGARY WASHINGTON BANGKOK
HONG KONG OSAKA SEOUL
PHILADELPHIA TORONTO WINNIPEG
GEORGE NEW YORK AMSTERDAM
LIN BRUSSELS FRANKFURT
CALGARY MUNICH PARIS SALT
ZURICH ATLANTIC CITY ATLANTA
CUN CHICAGO PUERTO VALLARTA
DENVER DALLAS DETROIT LONDON
VER FORT LAUDERDALE FT MC

Your *Link to the World*



LIS MONTREAL NEW YORK
PHIA EDMONTON PHOENIX
LOS CABOS SAN DIEGO SEATTLE
SALT LAKE CITY TORONTO CALGARY
BANGKOK FUKUOKA HONG KONG
SINGAPORE SAPPORO TORONTO



Arriving from:
LOS ANGELES USA
through: Seattle

Reason for travelling to Kelowna:
My sisters wedding



Arriving from:
LONDON, UK
through: *Calgary*

Reason for travelling to Kelowna:
Working at a Winery



Travelling to:
NEW YORK, USA
through: *Toronto*

Reason for travelling from Kelowna:
Shareholders meeting at head office



Travelling to:
FRANKFURT, GERMANY
through: *Calgary*

Reason for travelling from Kelowna:
Going home after a vacation

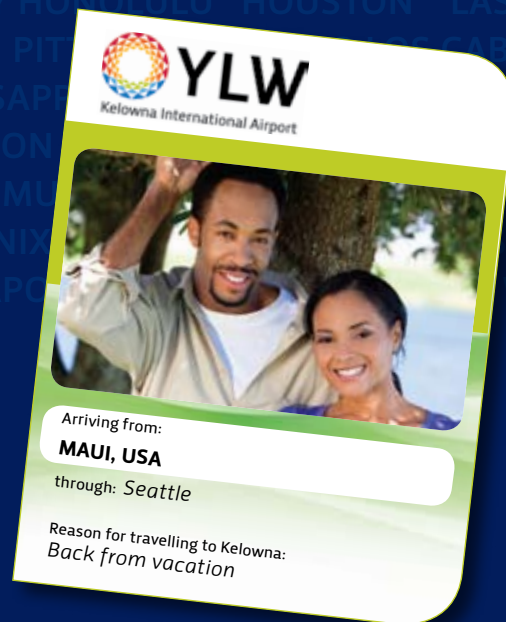
Your Link to the World

Kelowna International Airport

City Message	4
At a Glance	6
Linking to the World	8
Community Link	10
Linking Customer Service	12
Linking Airport Development	13
Linking Airport Operations	14
Linking Leadership	16

Financial information

Auditors' report	17
YLV Financials Statements	18
Notes to Financial Statements	22



2009 was another year of growth and development for Kelowna International Airport.

In March, Kelowna City Council appointed a new Airport Advisory Committee, with members representing the local business and tourism communities as well as representatives of other local governments in the region served by YLW. The Advisory Committee reviews and makes recommendations on matters concerning the operation and development of the airport.

In December the Committee passed a resolution supporting the Western Premiers' Open Skies Summit Declaration which calls for the adoption of a national Open Skies Policy to seek agreement with other countries on de-restricting international air access for both cargo and passengers. An Open Skies agreement with direct transportation links between Western Canada and the World would have a positive effect on not only our local, but our national and indeed the global economy.

This year our Airport Ambassador Program celebrated 10 years of providing exceptional customer service to airport travellers and those meeting or accompanying them to the airport. Thanks to our Ambassadors and to all the airport's dedicated employees, tenants, volunteers and service providers, YLW again received an outstanding 4.45 out of 5 from the annual Customer Satisfaction and Benchmarking Survey, equating to 95% of passengers providing a "satisfied" or "very satisfied" rating for YLW's overall facilities and services. The highest scores were awarded to safety and security (4.53), cleanliness of the terminal (4.51) and the courtesy of airport staff (4.46).



It was also an award-winning year for YLW, being recognized by the Airports Council International (ACI) for "Excellence in Marketing and Communications" and receiving first place at the ACI awards for YLW Connection Magazine and a second place award for marketing and communication in partnership with our airlines. The Okanagan Mainline Real Estate Board recognized the airport by giving it an excellence award in the "Renovation-Addition" category for the 2008 Departure Room expansion.

I look forward to continuing to work with my Council colleagues, the Airport Advisory Committee and airport staff as YLW works even harder to be Your Link to the World.

A handwritten signature in black ink that reads "Sharon Shepherd". The signature is fluid and cursive.

Sharon Shepherd

Mayor, City of Kelowna
Airport Advisory Chair



City Manager

Kelowna International Airport is an essential part of our Active Community, serving as a vital link to the world for business and recreational travellers both to and from the Okanagan. In 2009 YLW grew further towards its anticipated 1.6 million passengers by 2015, bringing with it the benefits of economic growth and prosperity and a significant contribution to our goal of being the best mid-sized city in North America, pursuing the goals of social, economic and environmental sustainability in all our policies and actions.

As one of fifteen city departments, YLW offers a vital service to the residents and business community of Kelowna and the surrounding region, providing fast and reliable access to national and international destinations. In addition, the airport attracts industrial partners such as Kelowna Flightcraft with

a commensurate economic benefit to the city and its residents.

In 2009 the management and staff at YLW demonstrated their ability to react quickly to changes in both the market and regulations of the air transportation industry. When rapid changes were needed in response to enhanced security measures for travellers flying to the United States, YLW was able to implement new procedures and a dedicated holding area with a minimum of disruption to passengers, proving that customer service and safety need not be contradictory priorities.

As YLW further develops and grows in the coming years it will continue to be an airport the city and region can be proud of, providing the highest levels of service and commitment to our community and visitors.

Ron Mattiussi
City Manager



Airport Director

2009 was a challenging year for airports and airlines across Canada. Nationally, passenger numbers were down approximately 5.5% from 2008 as the global recession took its toll on air

travel. Despite this trend, and local factors such as weather issues and the West Kelowna fires, Kelowna International ended the year with only a 1.6% drop in passenger numbers from 2008's record-breaking levels. In addition our airline partners were able to expand their service from YLW, with WestJet adding more direct flights to Calgary and Edmonton, and Air Canada using larger aircraft to increase the number of seats available on key routes. Horizon Air and Central Mountain Air were able to maintain good load factors and the winter-sun vacations became more accessible for Okanagan residents as the number of seasonal charter flights from YLW to Mexico doubled in 2009, and WestJet introduced a scheduled service to Puerto Vallarta, Cancun and Los Cabos.

Our industry partners in the aerospace sector reaped the benefits of 2008's runway expansion, and September saw the arrival at YLW of one of the world's largest aircraft – the massive Antonov AN-124

– delivering helicopters from Russia for retro-fitting at Kelowna Flightcraft.

YLW was proud to serve our local community in other ways as well in 2009, including sponsoring Kelowna and Vernon Chamber of Commerce events and supporting local aviation through the Kelowna Flying Club, Vernon Flying Club, Canadian Air Search and Rescue and Air Cadets.

We were able to continue improving our facilities and customer service in 2009, with the launch of a new Gift Shop, Okanagan Style and Duty Free, a refurbished Skyway Café and Wine Bar, and free 15 minutes of parking for the benefit of drivers meeting or dropping off passengers.

Following the approval of the “Drive to 1.6 Million Passengers” program by the Airport Advisory Committee and City Council, YLW is on track for further expansion and improvements as passenger numbers increase. As the global economy recovers, YLW will continue to grow to meet the demands of Okanagan and visiting passengers, always with safety and customer service as our foremost priorities.

Sam Samaddar
Airport Director



At a Glance



1,367,631 passengers

5000 spectators to watch the landing of the Antonov AN-124

1292 seats per week to Mexico

62 commercial flights per day

74,027 aircraft landings

2 international awards

177 aircraft and medical responses

5 commercial airlines serving YLW

8,000 donuts baked at YLW Tim Horton's each month

100 bottles of wine served each day at YLW

10 years of airport ambassador volunteer program

15 min FREE parking when picking up and dropping off passengers in the long/short term lots

95% passenger satisfaction with services and facilities at YLW



Linking to the World

Nationally, 2009 passenger numbers at Canadian airports were down 5.5 percent; at Kelowna International, passenger numbers reached 1,367,631 which was only 1.6 percent below 2008 record breaking year end numbers of 1,389,883.

Air service retention and growth continued at YLW in 2009 with the support of YLW's partners: Air Canada, AC Jazz, Central Mountain Air, Horizon Air and WestJet, together with charter service provided by Nolitours/Transat Holidays, Sunquest Vacations and Signature Vacations using Canjet and Air Transat.

Okanagan residents reaped the benefits of more sun destination charter flights as the number of seats to Mexico doubled during the winter season and for the first time YLW saw scheduled service to Mexico which allowed Mexican residents non-stop flights to the Okanagan.

Westjet increased its non-stop flights to Calgary and Edmonton, while Air Canada increased their available seats in and out of YLW by using larger aircraft.

Horizon Air and Central Mountain Air retained the same air service levels that were available in 2008.

Today, you can take off from the Kelowna airport and link directly to five destinations that act as gateways to much of the world:

VANCOUVER
link to Asia, Australia, Caribbean and Europe

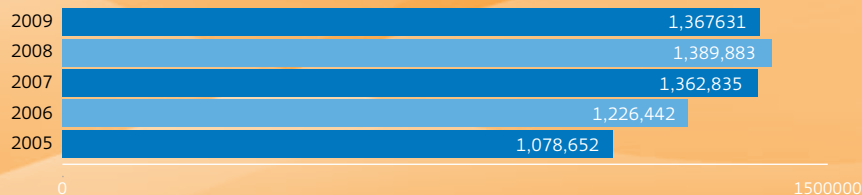
CALGARY
link to eastern Canada, Caribbean and Europe

EDMONTON
link to the north

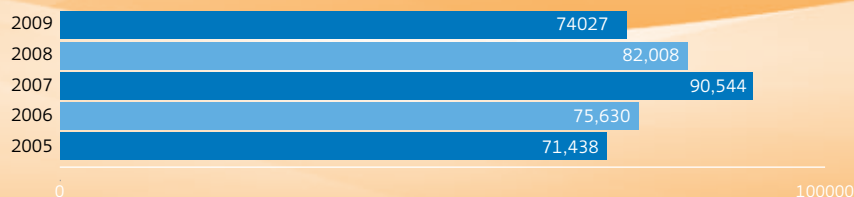
SEATTLE
link to the USA, Latin America, Asia, and Europe

TORONTO
link to Europe, Latin America, Caribbean and Middle East

Passenger Movement



Aircraft Landings



Travelling non-stop to:
LOS CABOS, MEXICO

*Reason for travelling from Kelowna:
Escaping winter for a week under
the Mexican sun*

--- Same plane flights
— Non-stop flights





Non-stop from Russia

Over 5000 spectators came out to watch the world's second largest fixed-wing aircraft land at Kelowna International on September 26. The Antonov AN-124 flew 12 hours non-stop from Moscow to deliver three helicopters to Kelowna Flightcraft for aerospace retro-fitting. After a crew rest and refueling with over 75,000 gallons of fuel, the Russian aircraft departed later in the evening for Kansas City. Accommodating this super-sized aircraft at YLW was made possible due to the runway extension in 2008.

Celebrating 10 years

The Airport Ambassador program celebrated 10 years of exceptional service to passengers at Kelowna International. With 70 volunteers, 15 of them receiving their 10-year exceptional service award, the ambassador program has been a huge contributor to the airport's success over the past 10 years. Since 1994 the Ambassadors have donated over \$47,400 to local charities from money collected from returning luggage carts from around the terminal and parking lots which equates to just over 189,600 carts used and returned.

Magical experience

In December 2009, 81 children challenged by severe physical disabilities and/or life-threatening illnesses – from as far north as Fort St. John, southeast to Cranbrook, south to Osoyoos and everywhere in between – along with 76 volunteers, medical staff and media took off on a magical flight to Disneyland thanks to the Sunshine Dreamlift Foundation. In order for the passengers to be processed and in some cases carried on to the aircraft, airport staff and tenants started at 4 a.m. and many volunteered their time to help make the loading and unloading of passengers a smooth process.

Supporting local aviation

Just over 50 boys and girls took part in a one-day free event hosted by the Kelowna Flying Club and Canadian Owners and Pilots Association National Kids Aviation program which gave young people between the ages of 7-17 a taste of flying in a light plane. Many of the participants had never before been up in a light aircraft or in any aircraft and this program has become an important catalyst in steering young people towards possible careers in aviation or aerospace. YLW continues to support local general



aviation through this program in Kelowna and the Vernon Flying Club's Wings and Wheels air show.

To commemorate 2009 as the 100th year of powered flight in Canada, Kelowna Museums installed a photo mural in the Departures lounge highlighting some of Kelowna's own aviation history.

The Caribbean and Mexico come to YLW

For the first time, two public events were held in the Terminal showcasing sun destinations from YLW. In partnership with Air Canada Vacations, hotel suppliers and various Caribbean Tourism Boards travelled to Kelowna and set up display booths for a day. Almost 1000 people had the opportunity to learn about travelling and vacation options in the Caribbean from YLW. The second event included various local travel agencies, all of the air carriers – charter and commercial serving YLW and the Mexican Tourism Board. Approximately 1500 people attended the free event bringing food items for the Kelowna, West Kelowna and Lake Country food banks as local media outlets competed in the Dia De Muertos altar building contest.

Airport Watch Program

To ensure the security of passengers and airport property, many Canadian airports have started a Watch Program. In co-ordination with the local RCMP detachment, Canada Border Service Agency and other agencies, Kelowna International Airport started its own Airport Watch program in November with approximately 26 local aviation enthusiasts' signed on to volunteer. Airport Watch is designed to involve the community in reporting any suspicious behaviors on YLW property.





Courtesy ride

Travellers parking in the long-term lot are offered a free lift to and from the terminal by Royal Star Enterprises parking staff using a highly visible marked Toyota Hybrid in winter months and an open air golf cart the rest of the year.

Free parking

In an effort to reduce greenhouse gas emissions by discouraging vehicle idling and driving in circles around the airport, drivers dropping off or picking up passengers are now entitled to 15 minutes of free parking when picking up or dropping off in the short and long-term lots.

Airport volunteers

Over 90 Airport Ambassadors and Tourism Kelowna volunteers continued to volunteer thousands of hours each month to assist residents and visitors at the airport and answer questions about the facility and the region to ensure a positive travel experience at YLW.



Customer satisfaction survey

In the annual independent national customer satisfaction survey, YLW passengers awarded Kelowna International Airport a solid 4.45 overall satisfaction score out of a possible 5, identical to the 2008 score. YLW passengers continue to express a high level of satisfaction with the airport's facilities and services, resulting in 95 per cent of passengers being very satisfied or satisfied. Safety and security, cleanliness, and roadway/directional signage continue to meet or exceed passenger expectations.

Spotless award

The staff and management of Kelowna Airport's White Spot Restaurant finished first out of 63 in a company cleanliness contest in addition they have been recognized for their excellent customer service and well prepared meals.

No injuries - no lost time

City of Kelowna Airport staff celebrated five years, or 1,825 days, without any lost time for work related injuries. The last incident at YLW was on November 9, 2004.



Drive to 1.6 million passenger program

With a changing economic environment and enhanced security measures, even the best-laid plans need to be flexible and the 2025 Master Development plan which was adopted in 2007 is no exception. After consultation with YLW stakeholders, support of the Airport Advisory Committee and approval of Kelowna City Council, the capital development plan was revised in the form of a phased approach that will see construction take place over the next six years at an estimated cost of \$50.4 million in order to meet projected passenger growth to 1.6 million by 2015.

Expanded and refurbished retail and beverage services

Additional retail service was added in the Departures area which included the new Okanagan Style and Duty Free while the Skyway Café and Wine Bar received a facelift and began offering a greater variety of Okanagan wine for sampling.

Airfield development

The Apron 1 rehabilitation project was completed in September. The asphalt that was dug up from the Apron was recycled and reused for other projects around the airport, including a new helicopter touchdown pad.

A new heavy-duty equipment storage building was constructed for the storage of snow removal equipment, including a snow blower and three combination plow-truck and sweeper units.

Kelowna Flightcraft

Kelowna Flightcraft landed a \$46M Canadian Forces contract for the DHC-5 Buffalo and DHC-6 Twin Otter aircraft. Flightcraft also extended the aeronautical storage warehouse to the west of its facility to accommodate additional business opportunities.



Emergency Preparedness

H1N1

As the end of the winter charter season approached in the Spring of 2009, concern for the H1N1 influenza outbreak in Mexico caused airports in Canada and the U.S. to react swiftly. YLW, along with all Canadian airports, worked closely with Transport Canada and Public Health officials to help ensure the travelling public was informed of recommended precautions against this airborne illnesses.

Aircraft emergency landings

Kelowna International Airport's Aircraft Rescue Fire Fighting (ARFF) crews attended two separate incidents in '09 involving the hard landing of light Cessna aircraft. In both situations, the ARFF team helped the pilot to safety, provided basic medical attention and completed a report to the Transportation Safety Board.



Enhanced security measures for U.S. bound travellers

On December 25th, 2009, an attempted ignition of an explosive device aboard a Detroit bound Northwest Airlines flight still over Canadian air space, resulted in heightened passenger security measures on all U.S. bound aircraft world-wide. Airport staff, airline staff and the Canadian Air Transportation and Security Authority reacted quickly and efficiently to the rapidly changing situation in the middle of peak holiday travel, implementing enhanced screening and separation of U.S.-bound passengers with a minimum of disruption and inconvenience to travellers.

Environment

Reducing greenhouse gas emissions

Environmental stewardship and a focus on reducing greenhouse gas emissions continue to be priorities at YLW. 2009 found staff analyzing, prioritizing and moving into the implementation phase of the key recommendations to reduce emissions as detailed in the 2008 Greenhouse Gas Study, as well as recommendations from the 2008 Ground

Transportation Study. Programs were introduced to encourage passengers to use alternative transportation to and from the airport along with a new "cell call" concept: vehicles park for free in the short-term or long-term lots for 15 minutes while they wait for a phone call from whomever they are picking up.



Aircraft Rescue/Firefighting/ First Response 2009

26	aircraft incidents
151	first medical responses
61	hazardous material spills/leaks
168	foreign object damage responses
91	animal control and bird strikes
10	vehicle incidents
41	safety reports
34	building and alarm responses
86	security and miscellaneous responses
668	total calls



Airport Advisory Committee 2009-2011

The Airport Advisory Committee includes representation from Okanagan communities, in addition to Kelowna, that are served by the Kelowna International Airport. Elected officials from member communities are nominated to the committee as representatives by their respective local governments. This important Committee provides regional collaboration and support for the future of Kelowna International Airport.



(back l-r) Councillor Andre Blanleil City of Kelowna, Len Novakowski Westbank & District Chamber of Commerce, Mayor James Baker District of Lake Country, Michael Ballingall Tourism Kelowna

(centre l-r) Brian Wills Greater Vernon Chamber of Commerce, Councillor Vern Moberg District of Peachland, Councillor David Knowles District of West Kelowna, Loretta Swite Westbank First Nation, Mayor Wayne Lippert City of Vernon, Colin Day Kelowna City at Large

(front l-r) Mayor Marty Bootsma City of Salmon Arm, Ron Mattiussi City of Kelowna, Mayor Sharon Shepherd Airport Advisory Chair, Meryle Corbett Kelowna Chamber of Commerce, Sam Samaddar Airport Director

Missing Councillor Robert Hobson Regional District of Central Okanagan and Robert Fine Central Okanagan Economic Development Commission

Kelowna City Council 2009

The Kelowna International Airport has been managed and operated by the City of Kelowna since its inception in 1946, making this the largest airport in Canada that is municipally operated. City Council ultimately makes the final decisions concerning airport management and operations.

(L to R) Andre Blanleil, Brian Given, Michele Rule, Luke Stack, Mayor Sharon Shepherd, Angela Reid, Robert Hobson, Graeme James, Charlie Hodge

** A by-election was held November 28 for the councillor position left vacant with the death of Brian Given. Kevin Craig was elected.*





Grant Thornton

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Auditors' report

To the members of Council of
the City of Kelowna

We have audited the statement of financial position of the Kelowna International Airport as at December 31, 2009 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City's and the Airport'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 Kelowna International Airport as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC

Grant Thornton LLP

April 29, 2010

Chartered accountants

Partners

Kevin Crookes, CA, CBV, CFE
Paul F. Gallo, CA
Bryn Gilbert, CA, CBV
James R. Grant, MBA, CA
Bill McTavish, CGA, CA
Anne C. Postlewaite, CA
Martin Rutherford, CA
Dan Vass, CA
J. Kim Ward, CA, CFP

Audit • Tax • Advisory

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Kelowna International Airport

Statement of Financial Position As at December 31, 2009

	Actual <u>2009</u>	Actual <u>2008</u> <small>(Restated - Note 8)</small>
Financial Assets		
Cash and temporary investments	\$ 19,922,144	\$ 16,952,501
Accounts receivable		
Federal government	208,145	889,567
Trade	1,650,104	1,532,692
Municipal Finance Authority debt reserve deposit	<u>1,048,034</u>	<u>1,043,333</u>
	<u>22,828,427</u>	<u>20,418,093</u>
Liabilities		
Accounts payable		
Federal government	75,902	106,164
Regional government	140,647	140,647
Trade	215,320	1,164,651
Performance deposits	212,550	213,536
Deferred revenue	125,791	12,960
Municipal Finance Authority debt reserve		
Cash deposits	169,706	165,005
Demand notes	878,328	878,328
Debenture debt (Note 4)	<u>14,667,345</u>	<u>16,000,000</u>
	<u>16,485,589</u>	<u>18,681,291</u>
Net Financial Assets	<u>6,342,838</u>	<u>1,736,802</u>
Non Financial Assets		
Prepaid expenses	109,258	115,008
Construction in progress, at cost (Note 5)	19,141,636	19,275,997
Capital (Note 6)	<u>43,433,252</u>	<u>42,399,398</u>
	<u>62,684,146</u>	<u>61,790,403</u>
Accumulated Surplus (Note 7)	<u>\$ 69,026,984</u>	<u>\$ 63,527,205</u>

Contingent liabilities (Note 9)
Commitments (Note 10)



S. Samaddar
Airport Director



K. Grayston, CGA
Director, Financial Services

See accompanying notes to the financial statements

Kelowna International Airport

Statement of Operations and Accumulated Surplus For the Year Ended December 31, 2009

	Budget <u>2009</u>	Actual <u>2009</u>	Actual <u>2008</u> <small>(Restated - Note 8)</small>
Revenue			
Sale of services (Note 12)	\$ 16,603,510	\$ 16,889,880	\$ 16,308,920
Interest earned	283,740	83,232	449,992
Conditional grant - Federal government	-	135,000	2,465,000
Conditional grant - Provincial government	-	100,000	-
Conditional transfers - Federal government	373,380	313,075	461,329
	<u>17,260,630</u>	<u>17,521,187</u>	<u>19,685,241</u>
Expenditures			
Administration	1,643,765	1,623,597	1,631,864
Interest	1,376,000	744,000	666,803
Air Terminal Complex	4,030,023	4,052,820	3,455,209
Groundside Operations	1,104,893	1,091,308	678,762
Airside Operations	1,388,904	1,524,257	2,038,234
Amortization	-	2,985,426	2,918,319
	<u>9,543,585</u>	<u>12,021,408</u>	<u>11,389,191</u>
Excess Revenue Over Expenditures	7,717,045	5,499,779	8,296,050
Accumulated Surplus, beginning of year		<u>63,527,205</u>	<u>55,231,155</u>
Accumulated Surplus, end of year		<u>\$ 69,026,984</u>	<u>\$ 63,527,205</u>

See accompanying notes to the financial statements

Kelowna International Airport

Statement of Changes in Net Financial Assets For the Year Ended December 31, 2009

	Budget <u>2009</u>	Actual <u>2009</u>	Actual <u>2008</u> <small>(Restated - Note 8)</small>
Excess of Revenue over Expenditure	\$ 7,717,045	\$ 5,499,779	\$ 8,296,050
Amortization	-	2,985,426	2,918,319
Proceeds from disposal of capital assets	-	26,433	-
Acquisition of capital assets	(4,847,950)	(3,884,919)	(14,924,928)
Gain on disposal of capital assets	-	(26,433)	-
Change in prepaid expense	-	5,750	5,750
	<u>2,869,095</u>	<u>4,606,036</u>	<u>(3,704,809)</u>
Net Financial Assets, beginning of year	<u>1,736,802</u>	<u>1,736,802</u>	<u>5,441,611</u>
Net Financial Assets, end of year	\$ <u><u>4,605,897</u></u>	\$ <u><u>6,342,838</u></u>	\$ <u><u>1,736,802</u></u>

See accompanying notes to the financial statements

Kelowna International Airport

Statement of Cash Flows For the Year Ended December 31, 2009

	Actual <u>2009</u>	Actual <u>2008</u> (Restated - Note 8)
Net cash inflow (outflow) from operating activities		
Excess of revenue over expenditures	\$ 5,499,779	\$ 8,296,050
Adjustment for non-cash items		
Amortization	2,985,426	2,918,319
Gain on disposal of capital assets	(26,433)	-
Decrease (increase) in assets		
Accounts receivable	564,010	(135,954)
Other assets	1,049	(1,037,582)
Increase (decrease) in liabilities		
Accounts payable	(979,593)	878,904
Deferred revenue	112,831	12,960
Other liabilities	3,715	1,044,016
	<u>8,160,784</u>	<u>11,976,713</u>
Financing		
Repayment to City of Kelowna	-	(8,686,783)
(Repayment of) proceeds from debenture debt	(1,332,655)	16,000,000
	<u>(1,332,655)</u>	<u>7,313,217</u>
Investing		
Proceeds from disposal of capital assets	26,433	-
Purchase of capital assets	(3,884,919)	(14,924,928)
	<u>(3,858,486)</u>	<u>(14,924,928)</u>
Net cash inflow	2,969,643	4,365,002
Cash and temporary investments, beginning of year	<u>16,952,501</u>	<u>12,587,499</u>
Cash and temporary investments, end of year	\$ <u><u>19,922,144</u></u>	\$ <u><u>16,952,501</u></u>
Supplementary cash flow information		
Interest paid	\$ <u><u>744,000</u></u>	\$ <u><u>666,803</u></u>

See accompanying notes to the financial statements

Kelowna International Airport

December 31, 2009

1. Organization and nature of operations

The Kelowna International Airport (the "Airport") is controlled by the City of Kelowna (the "City") and is reported in the City's financial statements as part of the City's resources and operations.

The City operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada entered into January 1, 1969 ("the Ground Lease"). The current term of the lease, renewed January 1, 1996 for a period of 39 years, ends on December 31, 2034.

These financial statements reflect only the assets, liabilities and operations of the Airport. The financial statements have been prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

2. Significant accounting policies

Accrual accounting

The accrual method for reporting revenues and expenditures has been used.

Cash and temporary investments

Cash and temporary investments represent funds held by and invested in the City of Kelowna pooled investments. The amounts are recorded at cost and are comprised of deposits with banks, guaranteed investment certificates, municipal finance authority bond and money market funds, and provincial and bank issued accrual notes and debentures.

Capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the assets are amortized on a straight-line basis over their estimated useful as follows:

Land improvements	25 years
Buildings	10 to 75 years
Infrastructure	10 to 75 years
Machinery and equipment	5 years

Municipal Finance Authority cash deposits and demand notes

The Airport has issued its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The Airport also executes demand notes in connection with each debenture whereby the Airport may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature.

Financial instruments

The Airport's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and debenture debt. Unless otherwise noted, it is management's opinion that the Airport 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 value, unless otherwise noted.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Actual results could vary from those estimates.

Budget figures

The budget figures are from the City's Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

Revenue recognition

Airport improvement fees revenue is recognized as income in the period that passengers depart from the Airport.

Landing fees and terminal fees are generated principally from scheduled airlines and non-scheduled commercial aviation and are recognized when the airport facilities are utilized.

Kelowna International Airport

Rentals and fees, car parking revenue and other revenue are recognized when the airport facilities are utilized.

Car rental concession revenue is recognized based on the greater of agreed percentage of reported concessionaire sales and specified minimum rentals. Other concession revenue is recognized based on an agreed percentage of reported concessionaire sales.

Ground lease

The Ground Lease is accounted for as an operating lease and has a single rent payment of \$1 for the current 39 year term.

Reserves for future expenditure

Reserves for future expenditure are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditure include funds to finance incomplete projects and accumulations for specific purposes.

3. Application of new accounting standard

PS 1100 – Financial Statement Objectives

Effective January 1, 2009, the Airport adopted PS 1100 – Financial Statement Objectives of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”). Under this new standard entities reporting under Public Sector Accounting Standards are required to present four statements including a statement of financial position, operations, changes in net financial assets and cash flows.

PS 1200 – Financial Statement Presentation

Effective January 1, 2009, the Airport adopted PS 1200 – Financial Statement Presentation of the Public Sector Accounting Handbook of the CICA. Under this new standard entities reporting under Public Sector Accounting Standards are required to present budget and actual figures on both of the statements of operations and changes in net financial assets.

PSAB 3150 – Tangible Capital Assets

Effective January 1, 2009, the Airport adopted PSAB 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook of the CICA. Under this revised section entities reporting under Public Sector Accounting Standards are required to recognize and amortize their tangible capital assets. The effect of applying this revised section on the Airport is disclosed in Note 8.

4. Debenture debt

Debenture debt principal is reported net of sinking fund balances. The sinking fund balance at December 31, 2009 was \$nil. The interest rate on debenture debt is 4.65% and is due in 2018.

Principal repayments for the next five years are as follows:

2010	\$ 1,332,655
2011	\$ 1,332,655
2012	\$ 1,332,655
2013	\$ 1,332,655
2014	\$ 1,332,655

5. Construction in progress

Construction in progress is recorded at cost and is comprised of:

	2009	2008
Buildings	\$ 9,852,585	\$ 8,972,214
Engineering structures	8,382,339	10,272,884
Land improvements	811,196	-
Machinery and equipment	<u>95,516</u>	<u>30,899</u>
Total construction in progress	<u>\$ 19,141,636</u>	<u>\$ 19,275,997</u>



Kelowna International Airport

December 31, 2009

6. Capital assets

			<u>2009</u>	<u>2008</u> (Restated - Note 8)
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 495,332	\$ -	\$ 495,332	\$ 495,332
Land improvements	11,707,280	3,406,190	8,301,090	8,756,269
Buildings	33,146,219	11,477,526	21,668,693	21,643,358
Infrastructure	22,324,385	13,612,209	8,712,176	6,829,160
Machinery and equipment	<u>8,144,362</u>	<u>3,888,401</u>	<u>4,255,961</u>	<u>4,675,279</u>
	<u>\$ 75,817,578</u>	<u>\$ 32,384,326</u>	<u>\$ 43,433,252</u>	<u>\$ 42,399,398</u>

7. Accumulated Surplus

	<u>Reserves for Future Expenditure</u>	<u>General Surplus</u>	<u>Capital Assets</u>	<u>Total 2009</u>	<u>Total 2008</u>
Surplus, beginning of year as previously reported	\$ 17,691,037	\$ 160,773	\$ 54,061,669	\$ 71,913,479	\$ 60,654,221
Transitional adjustment (Note 8)	<u>-</u>	<u>-</u>	<u>(8,386,274)</u>	<u>(8,386,274)</u>	<u>(5,423,066)</u>
Balance as restated	17,691,037	160,773	45,675,395	63,527,205	55,231,155
Excess of revenue over expenditures	80,155	4,520,130	899,494	5,499,779	8,296,050
Transfers	3,187,678	(3,187,678)	-	-	-
Retirement of debt-debenture	<u>-</u>	<u>(1,332,655)</u>	<u>1,332,655</u>	<u>-</u>	<u>-</u>
Surplus, end of year	<u>\$ 20,958,870</u>	<u>\$ 160,570</u>	<u>\$ 47,907,544</u>	<u>\$ 69,026,984</u>	<u>\$ 63,527,205</u>

Kelowna International Airport

December 31, 2009

8. Transitional adjustment for new Accounting Standards

The Airport has restated its financial statements to comply with provisions of the Public Sector Accounting Board Handbook PS 3150, Tangible Capital Assets, which requires entities reporting under Public Sector Accounting Standards to record and amortize their capital assets on their financial statements. These changes have been applied retroactively. As a result, the December 31, 2008 figures presented for comparative purposes have been restated from those previously reported. The retroactive adjustments resulted in the following changes to the 2008 comparative figures:

	<u>Increase (decrease)</u>
Capital assets	\$ (8,386,274)
Invested in capital assets	\$ (8,386,274)
Conditional grant –	
Federal Government	\$ 2,465,000
Amortization expense	\$ (2,918,319)
Air terminal complex	\$ (69,485)
Excess revenue over expenditures	\$ (522,804)

9. Contingent liabilities

Pension liability

The Airport and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at

December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to the individual employers. The Airport paid \$195,890 for employer contributions to the plan in fiscal 2008. Employee contributions were \$162,353.

Legal actions

The City is currently engaged in certain legal actions. The outcome and the possible effect on the Airport of these legal actions are not determinable at this time. Accordingly, no provision has been made in the accounts for these actions. The amount of loss, if any, arising from these contingent liabilities will be recorded in the accounts in the period in which the loss is realized.

10. Commitments

At December 31, 2009, the Airport had entered into construction commitments relating to the Airport capital program amounting to \$4,405,980.

11. Airport Improvement Fees

The Kelowna International Airport entered into a Memorandum of Agreement (the "Agreement") dated September 23, 1997 with the Air Transport Association of Canada and all major carriers operating from the Airport. The Agreement provides for a consultative process with air carriers regarding the improvement to and expansion of airport facilities and the collection of airport improvement fees (AIF) by air carriers through the carrier's ticketing process.

On February 1, 1998, the Airport implemented an AIF of \$5.00 per departing passenger. On March 1, 2002 the AIF fee was raised to \$8.00 per passenger. On November 1, 2007, the AIF was increased to \$10.00 per passenger. AIF revenues can only be used to fund approved Airport infrastructure projects and associated financing costs.



Kelowna International Airport

Airport Improvement Fee summary to December 31:

	<u>2009</u>	<u>2008</u>
Cumulative AIF Revenue	\$ 42,084,390	\$ 35,948,719
Cumulative AIF Expenditures	<u>59,141,514</u>	<u>54,314,000</u>
Deficiency of revenue over expenditures	<u>\$ (17,057,124)</u>	<u>\$ (18,365,281)</u>

12. Sale of Service by Object

	<u>2009</u>	<u>2008</u>
Airport improvement fee	\$ 6,135,671	\$ 6,632,502
Aircraft parking	67,651	52,741
Airline CUTE charges	38,604	51,435
Airline terminal fees	1,686,844	1,611,252
Apron equipment parking	11,712	9,873
Aviation fuel concessions	15,820	15,647
Car rentals	1,607,164	1,400,533
Ground handler concessions	51,375	62,117
Land lease revenue	445,900	300,961
Landing fees	2,534,184	2,410,397
Other	234,880	206,771
Terminal building space rental	416,211	363,085
Terminal concessions	577,008	680,381
Vehicle parking	<u>3,066,856</u>	<u>2,511,225</u>
	<u>\$ 16,889,880</u>	<u>\$ 16,308,920</u>

13. Expenditures by Object

	<u>2009</u>	<u>2008</u>
Expenditures reported by object comprise:		
Salaries and benefits	\$ 2,912,795	\$ 2,651,141
Contract and professional services	3,190,375	3,039,620
Interest expense	744,000	666,802
Materials and supplies	1,255,899	1,575,518
Equipment	17,421	16,134
Allocations	733,013	607,965
Cost recoveries	(332,647)	(551,273)
Utilities	515,126	464,965
Amortization	<u>2,985,426</u>	<u>2,918,319</u>
	<u>\$ 12,021,408</u>	<u>\$ 11,389,191</u>



Arriving from:
HOUSTON, USA

through: *Calgary*

Reason for travelling to Kelowna:
35th wedding anniversary of my parents



Arriving from:
BANGKOK, THAILAND

through: *Vancouver*

Reason for travelling to Kelowna:
Bringing our daughter to UBCO



Travelling direct to:
REGINA

Reason for travelling from Kelowna:
Going home to my parents for Thanksgiving



Travelling to:
DELHI, INDIA

through: *Toronto*

Reason for travelling from Kelowna:
Visiting my family



Arriving from:
ST. LOUIS, USA

through: *Seattle*

Reason for travelling to Kelowna:
Visited the NTEA work truck show

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