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**FLYING**

✧ *through* ✧

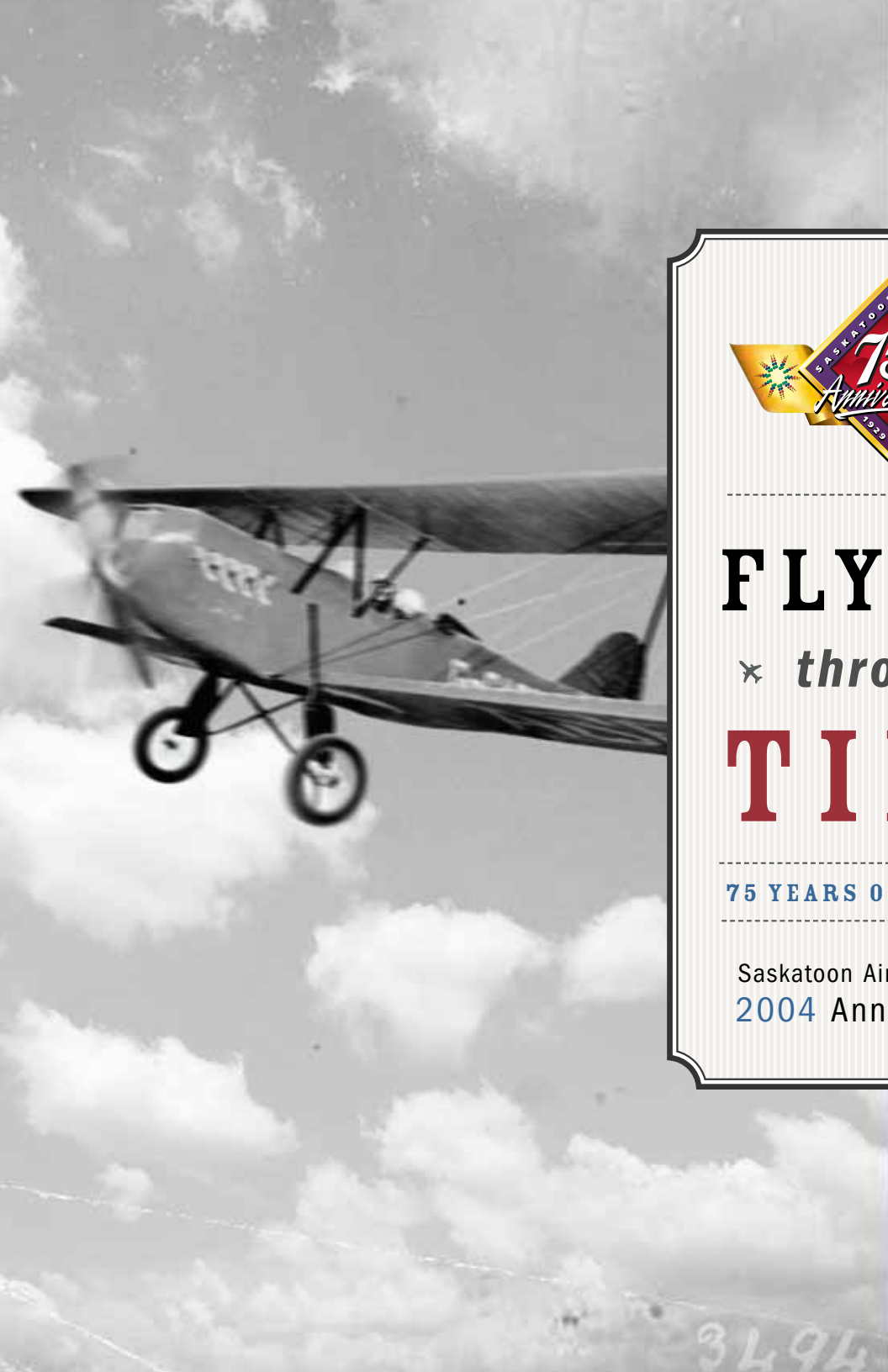
**TIME**

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**75 YEARS OF PROGRESS**

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Saskatoon Airport Authority  
2004 Annual Report



3494

# LICENSE FOR AIR HARBOUR

THIS CERTIFIES THAT THE CITY OF SASKATOON

whose address is SASKATOON, SASKATCHEWAN

is hereby granted a license under the Air Regulations, 1920, and under the conditions specified overleaf

for the use as a PUBLIC AIRPORT

by DAY ONLY of the area described as follows:—

"SOUTH EAST QUARTER OF SECTION 17, TOWNSHIP 57,  
RANGE 5, WEST OF THE 3rd MERIDIAN, CONTAINING 160 ACRES  
MORE OR LESS.

during the months of ALL THE YEAR ROUND inclusive.

The air harbour will be marked thus:



Circle, diameter outside 100', Band  
4', colour "Chrome yellow" or "White."

This marker is to be placed in the centre  
of the landing area when total area is  
used.

The following objects are to be marked with a "D":—

This certificate is subject to the Air Regulations, 1920, and is valid while the conditions specified are  
complied with.

Dated this 1st day of June 1929

For the Air Board



J. G. Wakeman  
Controller of Civil Aviation.

Background photo courtesy of Public Archives Canada

## VISION:

Saskatoon John G. Diefenbaker International Airport will remain Saskatchewan's premiere airport and will be the best mid-sized airport in Canada.

## MISSION:

The Saskatoon Airport Authority will, in operating an efficient, safe and secure facility, be a leader and partner in the development of Saskatoon and Saskatchewan.

A circle 100 feet in diameter marked by a four foot "chrome yellow" or "white" band, signalled the origin of today's Saskatoon airport.



## REPORT OF THE **CHAIR & CEO**

**It is the smiles on faces of airport visitors, as well as achievement of key performance indicators, that measure a year of solid progress for the Saskatoon Airport Authority (SAA). For in 2004, the 75th anniversary of Saskatoon airport, the most common reaction of those entering John G. Diefenbaker International Airport was a broad smile, acknowledging an impressive, modern and efficient airport experience.**

Those smiles are what SAA is all about. Smiling passengers and smiling visitors are a vital component in ensuring the long-term sustainability of Saskatoon's airport. It is those smiles that reflect the airport's progress, and it is that progress which casts the airport and our spectacular facility in the role of community catalyst and facilitator of local and regional economic development.

Saskatoon's airport began in 1929. After being operated by the city, the military and the federal government, our progress took a major leap forward in 1999 when local control of the airport was achieved with creation of the SAA, governed by a Board of Directors drawn from the community. In 2004

we marked the airport's 75th anniversary, an opportunity to reflect on 75 years of progress and five years of successful local control.

What we have built today is one of Canada's most successful, mid-sized airports. What we are building for tomorrow is a sustainable airport capable of growing with our community.

Key to that sustainability is remaining one of the country's lowest cost airports for both passengers and airlines. That strategic edge, over time, will allow Saskatoon to attract additional airlines. As air service increases, so will passenger traffic. One of the most significant developments of 2004 was steady growth in passenger traffic. More than 803,000 passengers traveled through the airport during the past year, up from 760,000 in 2003, marking the highest traffic since 9/11. The SAA Board is pleased to report that in pursuit of ensuring Saskatoon maintains its reputation as a low-cost airport,

**WHAT WE HAVE BUILT TODAY IS ONE  
OF CANADA'S MOST SUCCESSFUL, MID-SIZED  
AIRPORTS. WHAT WE ARE BUILDING FOR  
TOMORROW IS A SUSTAINABLE AIRPORT CAPABLE  
OF GROWING WITH OUR COMMUNITY.**

aviation and airport fees were not increased during the past year, nor during the past six years. The \$5 Airport Improvement Fee remains one of the lowest in Canada. Yet our financial picture remained strong in 2004, and we again achieved an operating surplus while investing sufficient resources in capital projects to keep the airport modern and safe.



Providing a positive airport experience – maintaining and increasing the flow of smiling people passing through our terminal – is an equally important element in building future sustainability. The more pleasant it is to use our airport – the ease and speed we provide – the more we encourage air travel by the public. It is especially important to convince prospective air passengers who might currently be driving to places like Calgary, Edmonton and Winnipeg, that flying is a more desirable alternative.

In 2004 we saw developments on many fronts in enhancing the airport experience:

- Implementation of the Customer Service Initiative continued, evident in a variety of improvements ranging from the opening of a new downstream concession to serve those who have already passed through security screening to installation of clocks throughout the terminal;
- Waiting time to clear security was reduced with the addition of a third line for security screening.

The outlook for positive changes continues:

- The next phase of capital improvements will see over \$5 million invested in renovations to the check-in counters to fully integrate the security screening of all checked baggage. The renovations will result in additional queuing space, making passenger check-in easier and providing space for additional airlines in the future.
- A Strategic Marketing Plan is in place which will see SAA continue to work towards attracting additional passenger air service, including flights to the southwestern United States;

Even more can be done to enhance the airport experience, and SAA is pressing for changes to accomplish that objective.

The time has come for introduction of trusted passenger cards to speed travelers through security screening. SAA encourages the federal government to balance

the need for tight security with an obligation to find innovative ways of dealing with irritating airport delays. Trusted passenger cards meet these dual objectives.

Further, SAA will continually invite the federal government to join in the quest for encouraging low-cost airports. There are simply too many taxes added to the price of an airline ticket and there is an urgent need to review fees such as the Security Surcharge. We look forward to the federal government delivering on its pledge to back away from charging airports rent, which will further increase the financial burden on travelers and impair airport sustainability.

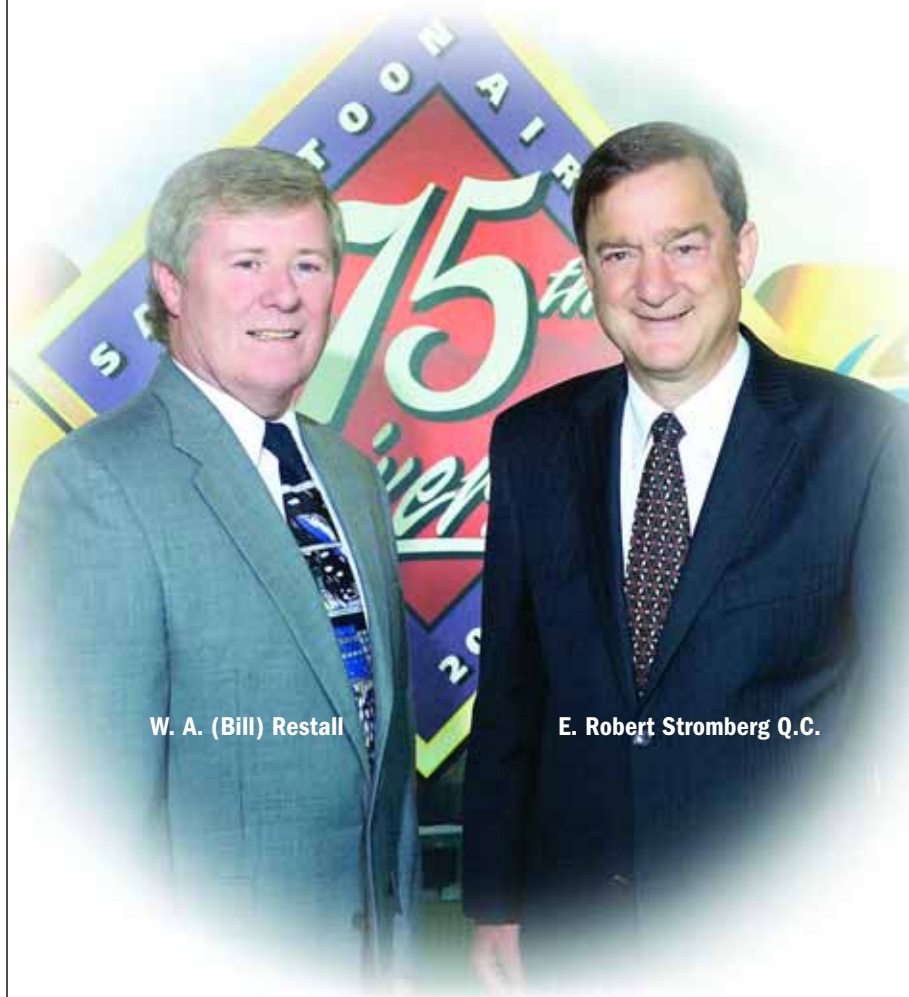
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**IT IS ESPECIALLY IMPORTANT TO CONVINC  
PROSPECTIVE AIR PASSENGERS WHO MIGHT  
CURRENTLY BE DRIVING TO PLACES LIKE CALGARY,  
EDMONTON AND WINNIPEG THAT FLYING IS A MORE  
DESIRABLE ALTERNATIVE.**

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Progress has been made on local taxation. The City of Saskatoon and SAA are in the final stages of working out a new tax regime which will ensure the municipality receives fair compensation based on the number of passengers passing through the airport. As airport usage grows, so will the city's tax revenue, while other tenants and businesses resident at the airport will continue to pay normal municipal taxes. This agreement demonstrates that innovative taxation solutions can be found, which enhance airport sustainability while maintaining reasonable tax revenue for government.

Finally, SAA is greatly aided by the dedication of many individuals and groups who work on our behalf. The community is well served by a professional and



W. A. (Bill) Restall

E. Robert Stromberg Q.C.

dedicated airport staff who are committed to always generating smiles on the faces of those using our facility. Equally, our emergence as Saskatchewan's premiere airport would not have been possible without the interest and ingenuity of our local aviation community – a varied cast of characters who for 75 years, have settled for nothing but the best in building the airport, air service and the proud tradition of community aviation. An important component of local aviation enthusiasts is the Authority's Board of Directors that will see the retirement this year of members Wayne Brownlee and Betty Anne Latrace-Henderson. From the perspective of Chairman of the Board, I thank the retiring members for their service, and thank the Authority for the opportunity to have been the Chairman of this most ambitious organization from its 1999 inception, to my coming retirement from the Board in spring 2005.

It's been a wonderful takeoff with a great flight ahead!

**E. Robert Stromberg Q.C.**  
Chairman of the Board

**W. A. (Bill) Restall**  
Chief Executive Officer



FLYING  
*✧ through ✧*  
 TIME

75 YEARS OF PROGRESS

FROM GOVERNMENT-RUN  
 TO COMMUNITY CONTROL



**B**ack in 1929, the City of Saskatoon was granted its first airport licence, or air harbour as it was called in those days. Then the military, and later the federal government, were responsible for Saskatoon's airport. In 1999, everything changed. The Saskatoon Airport Authority (SAA) was created, allowing – for the first time – the community to take control of airport operation and management, including financial management and capital investment. The rest of the story, as they say, is history. John G. Diefenbaker International Airport is now a thoroughly local institution, governed by a Board of Directors drawn from the community. The new SAA moved aggressively, initiating capital spending of more than \$25 million over its first five years to modernize the Air Terminal Building and related aviation facilities, ensuring Saskatoon is home to the province's premiere airport. ■

Today's modern and efficient airport terminal building started from very humble beginnings (above).





# FROM ONE PASSENGER TO ONE MILLION

The first passengers to land at Saskatoon's airport arrived one at a time – in the passenger seats of a two-seater aircraft with open cockpits. Through the rest of the century, passenger traffic steadily increased until the late 1990s when Saskatoon's passenger volumes regularly exceeded 800,000 annually. Even in 2001, when terrorist attacks in New York and Washington caused major challenges in the aviation industry, passenger flow in Saskatoon reached 809,000.

Passenger volumes continue to exceed 800,000 annually and to handle future growth, the redeveloped terminal is designed for a yearly flow of 1.4 million passengers. ■



# FROM MILITARY TO CIVILIAN



## 1940

The war years saw the airport's focus shift to military activity.

With war raging in Europe, the city leased the airport to the federal government in 1940 and it became a Royal Canadian Air Force base. The airport also housed No. 4 Flight Training School, which triggered construction of five large hangars, barracks, classrooms, workshops, a hospital and the first control tower. As a participant in the British Commonwealth Air Training Plan, Saskatoon's

RCAF base was part of what U.S. President Roosevelt referred to when he called Canada the "Aerodrome of Democracy." Following the war, the federal Department of Transport took over the airport, and in 1947 the first national passenger airline came to Saskatoon. Trans-Canada Airlines, the forerunner of Air Canada, connected Saskatoon with Canada and the world beyond. ■



## 1955

With the commencement of commercial passenger air travel in the late 1940's, terminal buildings were being constructed to offer public amenities.



## FROM TWO-SEATER TO SCHEDULED PASSENGER FLIGHTS

**S**askatoon's airport was first opened not to provide a base for an aviation company or destination for an airline flight, but to house the Saskatoon Aero Club. It was not until 1947 that Trans-Canada Airlines first arrived with passenger air service, with DC-3 aircraft. In 1950, the first four-engine Canadair North Star rumbled down the runway and in 1955, the Vickers Viscount, a four-engine turboprop, began flying into Saskatoon. In 1967, Canada's centennial year, Air Canada introduced the first jet service with the sleek DC-9 aircraft. In March 1967, Wardair landed a massive Boeing 707 with its first charter flight to Saskatoon. From those humble beginnings, today Saskatoon airport welcomes a variety of airlines with a variety of aircraft. Air Canada and subsidiary Jazz both fly into Saskatoon, along with WestJet, Northwest, Transwest, Norcanair, Westwind Aviation and a variety of additional aviation companies. On an average day at Saskatoon's airport, as many as 50 passenger flights arrive and depart. ■



## FROM LANDING STRIPS TO RUNWAYS

**T**he first planes landing at Saskatoon's airport used a circular gravel landing area. Even the first three paved runways, built in a triangular shape in 1938 near where the airport now meets Idlywyld Drive, are dwarfed by the current-day configuration of runways and taxiways. Today's airport is served by two major runways, each in excess of one mile in length. ■





## FROM WIND SOCK TO AIR TRAFFIC CONTROL TOWER



When Saskatoon's airport was first licensed for daytime aviation use back in 1929, a lonely windsock was the main attraction. It stood in the centre of a small gravel circle, designed to provide airplanes with space to take off and land. The technology of handling aircraft steadily improved over the years with installation of the first aeradio in 1944. Today, a glistening 30-metre-tall Nav Canada Air Traffic Control Tower, opened in 2001, and equipped with state-of-the-art technology, oversees daily air traffic. Air traffic controllers, aided by sophisticated radar, computerized weather forecasts and constant communication with every aircraft, direct the daily flow of commercial and private air traffic. ■

**2001**

The growth in the industry is demonstrated by the evolution from a 100 foot circle and a windsock to today's runways and taxiways with sophisticated navigational aids



## FROM GRAVEL CIRCLE TO INTERNATIONAL AIRPORT



Saskatoon's first airport – 65 hectares of wide open prairie centred around where the Purolator Building stands today – featured a small gravel circle where airplanes of the day would take off and land. Beyond the war time construction by the Royal Canadian Air Force, the first formal terminal building dedicated to handling air passengers only was built in 1955. Twenty years later, a second new terminal was opened, doubling the size of the original building and introducing the famous bright red furniture in the public waiting area. In 2001, the first phase of a massive airport redevelopment project opened. The entire project was completed the following year, resulting in the dazzling new terminal building now serving Saskatoon air travelers. Additional construction plans are on the horizon as 2005 will see the passenger check-in area renovated and expanded to fully integrate the security screening of checked baggage. The renovations will provide airport users with a more spacious and convenient check-in area as well as provide accommodation for additional airlines in the future. ■



SASKATOON AIRPORT AUTHORITY

MEMBERS OF THE  
**BOARD**

Guided by what's best for the community



(l-r back) **Greg Trew, Karim Nasser, Betty Anne Latrace-Henderson, Fraser Sutherland, Peter MacKinnon Q.C..**

(l-r seated) **Henry Dayday, Patrick Pitka, E. Robert Stromberg Q.C., Tom Coates.**

(inset) **Wayne Brownlee, Nancy Hopkins Q.C., Gary Merasty**

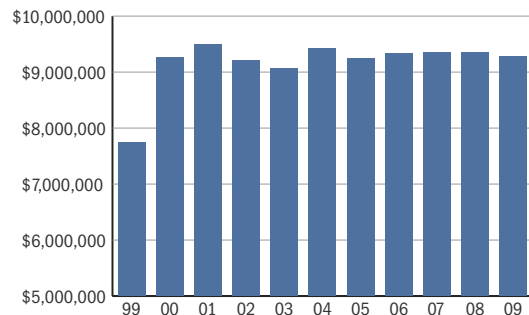


SASKATOON AIRPORT AUTHORITY

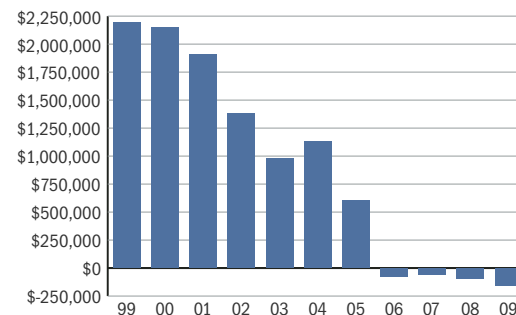
# HISTORICAL ANALYSIS AND FIVE-YEAR FORECASTS:

The following charts offer an analysis of the key performance indicators for the Saskatoon Airport Authority and its stakeholders both historically and in anticipation of what the future may hold.

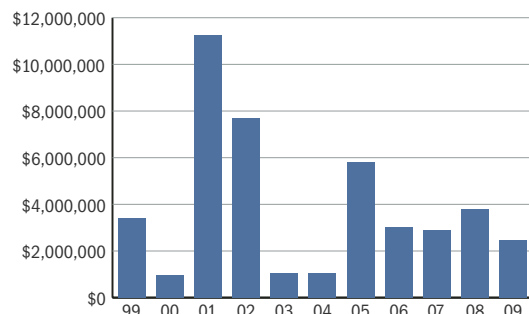
**AIRPORT REVENUE**



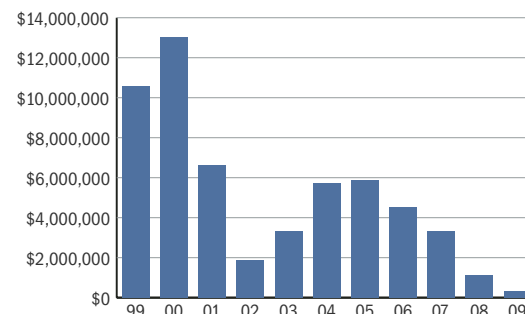
**GENERAL FUND OPERATING PROFIT**



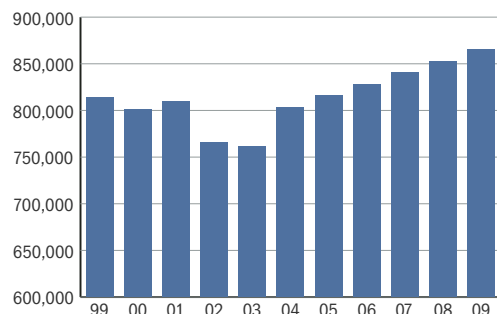
**CAPITAL EXPENDITURES**



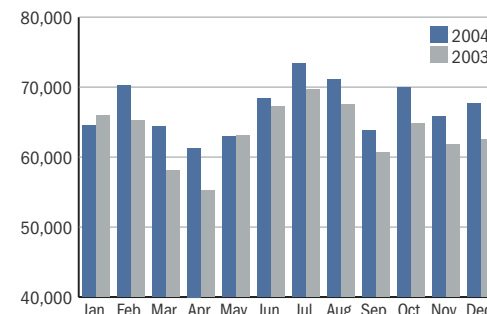
**CASH RESOURCES**



**ANNUAL PASSENGER TRAFFIC**



**MONTHLY PASSENGER TRAFFIC**





# THE YEAR 2004 IN PERSPECTIVE

## Saskatoon Airport Authority Goals and Key Deliverables

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### **1 Financial Viability:**

The Saskatoon Airport Authority's key financial objective is to ensure the revenues are sufficient to fund long-term capital and ongoing operating expenses while remaining a low cost airport for airline and aviation operators. We are pleased to report that through the continued application of sound business principles we have again complied with and achieved our Business Plan for the year without any rate increases to our aviation partners. The Airport operated within budget, provided cost effective services and continued to improve its' competitive position relative to other airports while delivering a comprehensive capital program. The airline and aviation industry has started to show signs of recovery and growth in 2004 and the Saskatoon Airport Authority chose to support this recovery trend by maintaining rates and working with our aviation partners in a proactive and fiscally responsible manner.

### **2 Airport Image:**

The image of the Airport as a community asset, which is operated in a safe, secure and environmentally responsible manner continued to be the focus in 2004. This was accomplished through full consultation with users and visitors of the airport and the utilization of various feedback mechanisms intended to seek insight from the community in general. This community asset and economic facilitator Airport image was promoted further through the establishment of a number of working groups of the Community Consultative Committee intended to expand our community's participation and involvement at the airport.

### **3 Customer/Client Service:**

During 2004 we continued to pursue initiatives aimed at enhancing the Airport experience and eliminating the hassle factor that has recently been associated with flying. We undertook to work with the Canadian Air Transportation Security Authority to expand the pre-boarding security screening facility to reduce the process times and assist in eliminating waiting queues. Further, to meet demand for services on the secure side of the Terminal we worked with our concession partners to open a comprehensive "downstream" retail and food service facility.

### **4 Business Partnerships, Promotion and Marketing:**

In 2004 the aviation sector started to show signs of recovery and the Authority undertook to work with our aviation and commercial partners to seek opportunities to expand the current air service and related services to meet the demand now being shown by the traveling public. The community has demonstrated a stable demand for air service throughout the past number of years and the 5.6% increase in traveling public in 2004 demonstrated that there is customer demand that needs to be met and hence in the latter part of 2004 we started to see a rebound in the level of air service being provided to the community. We also concentrated on commercial and land development



opportunities in 2004 and we continue to mature and establish new partnerships with a number of entities interested in promoting aviation growth in our community.

2004 also marked the 75th anniversary of the Saskatoon Airport and we undertook a number of community and airport events throughout the year to celebrate this milestone.

### 5 Summary of Key Objectives for 2005

- Continue to operate a safe, secure, environmentally responsible and financially viable airport
- Pursuit of enhanced air service in all sectors
- Deliver a \$5m redevelopment of the passenger check-in area of the Terminal with a fully integrated state-of-the-art security system
- Negotiate an elimination of the Federal Government Airport Rent
- Plan for the redevelopment of the parking lot, drainage and roadway at the Terminal
- Enhance customer service to provide the best “airport experience” possible
- Pursue new land development opportunities and general aviation growth

## AUDITORS' REPORT

### TO THE MEMBERS OF SASKATOON AIRPORT AUTHORITY

We have audited the statement of financial position of the Saskatoon Airport Authority as at December 31, 2004 and the statements of operations and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the 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 Authority as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. In accordance with the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the prior year.

Chartered Accountants  
February 4, 2005



year ended December 31, 2004

SASKATOON AIRPORT AUTHORITY

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	General Fund	Capital Fund	2004	Total 2003
<b>REVENUE</b>				
Aircraft landing fees	\$ 1,781,977	\$ -	\$ 1,781,977	\$ 1,821,263
General terminal fees	1,316,404	-	1,316,404	1,331,415
Concessions	1,307,403	-	1,307,403	1,272,497
Car parking	1,219,444	-	1,219,444	1,039,728
Space rental	372,796	-	372,796	363,791
Land rental	368,092	-	368,092	380,557
Other revenue	532,384	-	532,384	445,109
Airport improvement fee (Note 7)	-	1,936,599	1,936,599	1,863,913
Investment income	-	103,003	103,003	67,276
Amortization of deferred contribution	-	482,592	482,592	482,592
	<u>6,898,500</u>	<u>2,522,194</u>	<u>9,420,694</u>	<u>9,068,141</u>
<b>EXPENDITURES</b>				
Salaries and benefits	1,756,094	-	1,756,094	1,606,078
Operational and professional services	2,058,836	-	2,058,836	1,762,597
Operating and administrative expenses	862,225	136,983	999,208	1,362,545
Property taxes	598,710	-	598,710	567,763
Utilities	491,693	-	491,693	531,514
Depreciation and amortization	-	1,389,793	1,389,793	1,297,627
Gain on disposal of capital assets	-	(4,301)	(4,301)	(5,755)
	<u>5,767,558</u>	<u>1,522,475</u>	<u>7,290,033</u>	<u>7,122,369</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	1,130,942	999,719	2,130,661	1,945,772
<b>FUND BALANCES, BEGINNING OF YEAR</b>	388,325	15,925,455	16,313,780	14,368,008
<b>INTERFUND TRANSFERS</b> (Note 8)	(1,000,000)	1,000,000	-	-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 519,267</u>	<u>\$ 17,925,174</u>	<u>\$ 18,444,441</u>	<u>\$ 16,313,780</u>



as at December 31, 2004

SASKATOON AIRPORT AUTHORITY

# STATEMENT OF FINANCIAL POSITION

	General Fund	Capital Fund	2004	Total 2003
<b>CURRENT ASSETS</b>				
Cash	\$ 671,233	\$ 5,067,179	\$ 5,738,412	\$ 3,346,592
Short-term investments (Note 3)	-	36,440	36,440	-
Accounts receivable	435,221	46,272	481,493	669,328
Consumable supplies	150,615	-	150,615	149,145
Prepaid expenses	100,483	-	100,483	114,284
	<u>1,357,552</u>	<u>5,149,891</u>	<u>6,507,443</u>	<u>4,279,349</u>
<b>CAPITAL ASSETS (Note 4)</b>				
	-	20,931,888	20,931,888	21,296,516
	<u>\$ 1,357,552</u>	<u>\$ 26,081,779</u>	<u>\$ 27,439,331</u>	<u>\$ 25,575,865</u>
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 462,603	\$ 278,699	\$ 741,302	\$ 592,544
Security deposits	202,084	-	202,084	182,034
Deferred revenue	40,675	-	40,675	19,905
	<u>705,362</u>	<u>278,699</u>	<u>984,061</u>	<u>794,483</u>
<b>LONG-TERM DEBT (Note 5)</b>				
	-	533,878	533,878	533,878
<b>OTHER LONG-TERM LIABILITIES</b>				
	132,923	-	132,923	107,104
<b>DEFERRED TRANSPORT CANADA CONTRIBUTION (Note 6)</b>				
	-	7,344,028	7,344,028	7,826,620
	<u>838,285</u>	<u>8,156,605</u>	<u>8,994,890</u>	<u>9,262,085</u>
<b>FUND BALANCES</b>				
	<u>519,267</u>	<u>17,925,174</u>	<u>18,444,441</u>	<u>16,313,780</u>
	<u>\$ 1,357,552</u>	<u>\$ 26,081,779</u>	<u>\$ 27,439,331</u>	<u>\$ 25,575,865</u>

APPROVED BY THE BOARD

Director 

E. Robert Stromberg Q.C.

Director 

Fraser Sutherland



year ended December 31, 2004

SASKATOON AIRPORT AUTHORITY

# STATEMENT OF CASH FLOWS

	General Fund	Capital Fund	2004	Total 2003
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Excess of revenue over expenditures	\$ 1,130,942	\$ 999,719	\$ 2,130,661	\$ 1,945,772
Adjustments for				
Depreciation and amortization	-	1,389,793	1,389,793	1,297,627
Amortization of deferred contribution	-	(482,592)	(482,592)	(482,592)
Gain on disposal of capital assets	-	(4,301)	(4,301)	(5,755)
Changes in non-cash working capital				
Accounts receivable	58,705	129,130	187,835	197,304
Consumable supplies	(1,470)	-	(1,470)	(1,300)
Prepaid expenses	13,801	-	13,801	83,658
Accounts payable and accrued liabilities	106,321	42,437	148,758	(318,581)
Security deposits	20,050	-	20,050	(2,600)
Deferred revenue	20,770	-	20,770	394
Other long-term liabilities	25,819	-	25,819	24,056
	<u>1,374,938</u>	<u>2,074,186</u>	<u>3,449,124</u>	<u>2,737,983</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>				
Purchase of capital assets	-	(1,030,665)	(1,030,665)	(1,076,208)
Sale of capital assets	-	9,801	9,801	6,127
Purchase of investments	-	(36,440)	(36,440)	-
	<u>-</u>	<u>(1,057,304)</u>	<u>(1,057,304)</u>	<u>(1,070,081)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Repayment of long-term debt	-	-	-	(177,960)
<b>NET INCREASE IN CASH</b>	1,374,938	1,016,882	2,391,820	1,489,942
<b>CASH POSITION, BEGINNING OF YEAR</b>	296,295	3,050,297	3,346,592	1,856,650
<b>INTERFUND TRANSFERS</b> (Note 8)	(1,000,000)	1,000,000	-	-
<b>CASH POSITION, END OF YEAR</b>	\$ <u>671,233</u>	\$ <u>5,067,179</u>	\$ <u>5,738,412</u>	\$ <u>3,346,592</u>



SASKATOON AIRPORT AUTHORITY

# NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2004

## 1. NATIONAL AIRPORTS POLICY

In July 1994, the Federal Government announced its National Airports Policy whereby the management, operation and maintenance of 26 airports within the national airport system were to be transferred through various ground lease arrangements to locally controlled Canadian Airport Authorities (“CAAs”).

The Saskatoon Airport Authority (the “Authority”) was incorporated without share capital under Part II of the Canada Corporations Act. The Authority has operated the Saskatoon John G. Diefenbaker International Airport since January 1, 1999 under a lease from the Government of Canada. All earnings of the Authority are retained and reinvested in airport operations and development.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for commercial enterprises and include the following significant accounting policies:

### Fund Accounting

Saskatoon Airport Authority follows the restricted fund method for contributions.

The General Fund accounts for the Authority's operating activities. This fund reports unrestricted resources.

The Capital Fund reports the assets, liabilities, revenues and expenditures as allocated by the Board of Directors to the Authority's capital assets, expansion and renovation projects.

### Use of Estimates

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

### Short-term Investments

Investments are carried at cost and are written down where there has been a loss that is other than temporary.

### Consumable Supplies

Inventories of consumable supplies are recorded at the lower of cost and estimated replacement cost.

### Capital Assets

Capital assets are recorded at cost and, when put in use, depreciation and amortization is provided for on the following basis:

Paved surfaces and land improvements	25 years straight line
Buildings	20 years straight line
Vehicles, machinery and equipment	7 - 10 years straight line
Computer equipment	2 years straight line
Computer software	1 year straight line



### Income Taxes

The Authority is exempt from federal and provincial income tax, large corporations tax and capital tax.

### Revenue Recognition

Revenues are recorded when the services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements. The Airport Improvement Fee ("AIF") revenue is recognized when passengers depart the terminal building.

Pursuant to the Ground Lease the Government of Canada agreed to provide financial assistance for use toward capital projects including the modernization of the Air Terminal facility. In 1999, the Authority received a \$9,651,944 contribution for capital projects (see Note 6).

The contribution is accounted for under the deferral method whereby the contribution is deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. The maximum annual amount recognized as revenue is based on a 20-year straight-line amortization of the contribution. The current year amortization is \$482,592 (2003 - \$482,592).

### Ground Lease

The Authority entered into a ground lease with Transport Canada effective January 1, 1999. The lease is being accounted for as an operating lease.

### 3. SHORT-TERM INVESTMENTS

Short-term investments consist of shares of ACE Aviation Holdings Inc. which were received as a result of the Air Canada restructuring process. The shares were sold subsequent to December 31, 2004.

### 4. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value 2004	2003
Building	\$ 19,514,410	\$ 2,581,852	<b>\$16,932,558</b>	\$17,334,593
Paved surfaces and land improvements	3,178,313	491,407	<b>2,686,906</b>	2,518,068
Vehicles, machinery and equipment	2,532,210	1,241,993	<b>1,290,217</b>	1,414,403
Computer equipment	149,648	128,437	<b>21,211</b>	29,078
Computer software	78,437	77,441	<b>996</b>	374
	<u>\$ 25,453,018</u>	<u>\$ 4,521,130</u>	<u><b>\$20,931,888</b></u>	<u>\$21,296,516</u>

### 5. LONG-TERM DEBT

	2004	2003
Transport Canada non-interest bearing promissory note due in annual instalments of \$177,960	<b>\$ 533,878</b>	\$ 533,878

During 2003 Transport Canada agreed to defer loan payments for 2004 and 2005 and resume the annual installments in 2006. The future annual payments required to retire the debt are as follows:

2006	\$ 177,960
2007	177,960
2008	177,958
	<u>\$ 533,878</u>

### 6. DEFERRED TRANSPORT CANADA CONTRIBUTION

	2004	2003
Balance, beginning of year	<b>\$ 7,826,620</b>	\$ 8,309,212
Less: Current year amortization	<u>482,592</u>	<u>482,592</u>
	<u><b>7,344,028</b></u>	<u>7,826,620</u>



### 7. AIRPORT IMPROVEMENT FEE (AIF)

The Authority collects an AIF of \$5 per local boarded passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving Saskatoon International Airport. The Board of Directors has internally restricted AIF revenues in the Capital Fund to pay for the capital and related financing costs of major airport infrastructure development.

### 8. INTERFUND TRANSFERS

In 2004, \$1,000,000 (2003 - \$1,000,000) was transferred from the General Fund to the Capital Fund in order to fund the cash outlays for capital asset acquisitions.

### 9. LEASE COMMITMENT

Effective January 1, 1999 the Saskatoon Airport Authority entered into a 60 year lease of the Saskatoon airport facilities with Transport Canada, 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 Authority will begin to pay base rent on January 1, 2006. In addition, the Authority will begin to pay participation rent on January 1, 2011. The rents are calculated based on a formula reflecting annual passenger volumes, annual revenues and predetermined base operating costs.

### 10. EMPLOYEE FUTURE BENEFITS

The Authority sponsors and funds a pension plan (the Authority's Plan) on behalf of its employees, which has defined benefit and defined contribution components. The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees, some of whom transferred their entitlements under the Public Service Superannuation Plan to the Authority's Plan. The cost of the defined benefit component of the pension plan is actuarially determined using

the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary adjustments and retirement ages.

Based on a first actuarial determination of pension plan benefits completed as at January 1, 2002 and extrapolated to December 31, the status of the defined benefit component of the pension plan is as follows:

	2004	2003
Fair value of plan assets	<b>\$ 3,512,000</b>	\$ 3,040,000
Accrued pension obligation	<b>4,163,000</b>	3,709,000
Funded status - plan deficit	<b>(651,000)</b>	(669,000)
Unamortized transitional obligation	<b>296,000</b>	352,000
Unamortized net actuarial loss	<b>217,000</b>	246,000
Accrued benefit liability	<b>\$ (138,000)</b>	\$ (71,000)

The significant economic assumptions used by the Authority's actuaries in measuring the Authority's accrued benefit obligations are as follows:

	2004	2003
Discount rate	<b>5.90%</b>	6.20%
Expected rate of return on plan assets	<b>6.50%</b>	7.00%
Rate of compensation increases	<b>4.25%</b>	4.25%

The net expense for the Authority's pension benefit plans is as follows:

	2004	2003
Defined benefit pension plan component	<b>\$ 158,528</b>	\$ 152,191
Defined contribution pension plan component	<b>11,192</b>	11,370

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

	2004	2003
Employer contributions	<b>\$ 154,289</b>	\$ 156,431
Employees' contribution	<b>50,868</b>	52,392
Benefits paid	<b>41,227</b>	33,785



## REQUIRED DECLARATIONS

### 1. COMPLIANCE WITH THE CODE OF CONDUCT

The Saskatoon Airport Authority has established and maintains a comprehensive Code of Conduct for Directors, Members, Officers and Employees. In accordance with the provisions of the lease agreement with the Government of Canada, the Saskatoon Airport Authority confirms that it has complied with this Code of Conduct.

### 2. COMPENSATION OF DIRECTORS AND OFFICERS

The compensation paid to the Directors of the Saskatoon Airport Authority for the year ending December 31, 2004 was:

Stromberg, Robert (Chairman)	\$ 18,300
Brownlee, Wayne	\$ 8,700
Coates, Tom	\$ 10,000
Dayday, Henry	\$ 10,000
Hopkins, Nancy	\$ 9,700
Latrace-Henderson, Betty Anne	\$ 9,500
MacKinnon, Peter	\$ 8,200
Merasty, Gary	\$ 8,900
Nasser, Karim	\$ 9,200
Pitka, Pat	\$ 10,300
Sutherland, Fraser	\$ 9,300
Trew, Greg	\$ 10,300

The total remuneration paid to the Chief Executive Officer, Chief Financial Officer, Manager Operations and the Manager Facilities of the Saskatoon Airport Authority was \$349,000.

The base salary range for the officers is \$60,000 to \$110,000.

### 3. COMPETITIVE TENDERING

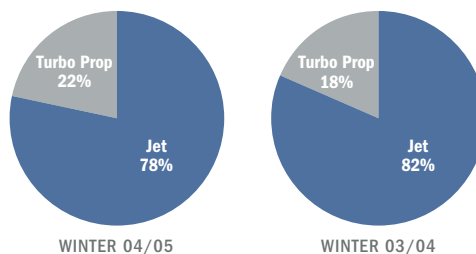
The Saskatoon Airport Authority is committed to doing business locally and in a competitive fashion. To that end, the Authority seeks competitive bids on all contracts exceeding \$75,000.



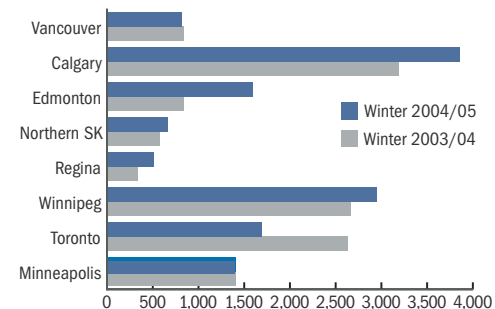
SASKATOON AIRPORT AUTHORITY

# STATISTICAL HIGHLIGHTS

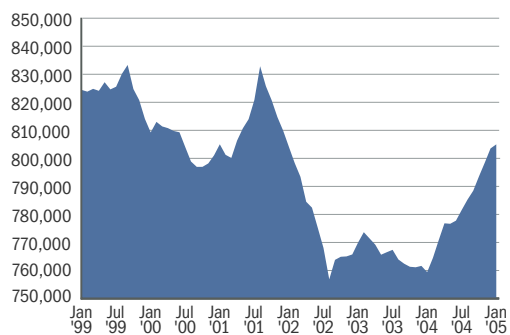
**WEEKLY DEPARTING SEATS BY AIRCRAFT CATEGORY**



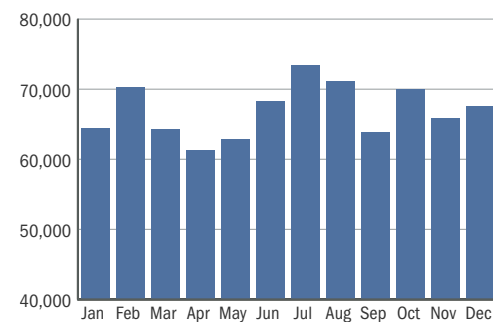
**WEEKLY DEPARTING SEATS BY FIRST STOP DESTINATION**



**ROLLING 12-MONTH PASSENGER VOLUME**



**MONTHLY PASSENGER TRAFFIC 2004**



Y X E



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