2017

Financial Report

YYC CALGARY AIRPORT AUTHORITY

Independent Auditor's Report

March 21, 2018

To the Board of Directors of
The Calgary Airport Authority

We have audited the accompanying financial statements of The Calgary Airport Authority, which comprise the balance sheets as at December 31, 2017 and December 31, 2016 and the statements of operations, net assets and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Airport Authority as at December 31, 2017 and December 31, 2016 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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Management's Responsibility for Financial Reporting

The management of The Calgary Airport Authority (the "Authority") is responsible for the preparation and fair presentation, in accordance with Canadian accounting standards for private enterprises, of the financial statements. The financial statements and notes include all disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of the Authority in accordance with Canadian accounting standards for private enterprises, and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Authority's management maintains appropriate accounting and internal control systems, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of the financial statements. These financial statements also include amounts that are based on estimates and judgements, which reflect currently available information.

The financial statements have been audited by PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, who were appointed by the Board of Directors.

The Audit and Finance Committee of the Board of Directors is composed of seven directors who are not employees of the Authority. The Committee meets periodically with management and the independent external auditors to review any significant accounting, internal control and auditing matters. The Audit and Finance Committee also reviews and recommends the annual financial statements of the Authority together with the independent auditor's report to the Board of Directors which approves the financial statements.

Robert (Bob) Sartor
President & Chief Executive Officer

Robert J. Palmer
Vice President, Finance & Chief Financial Officer

March 21, 2018
Calgary, Alberta

Balance Sheets

At December 31 *thousands of Canadian dollars*	NOTE	2017	2016
Assets			
Current Assets:			
Cash and cash equivalents		$ 19,438	$ 36,944
Accounts receivable		38,639	34,366
Inventories	3	6,225	5,630
Prepaid expenses		3,374	4,093
		67,676	81,033
Capital and Intangible Assets	4	3,296,535	3,408,128
Pension Asset	11	28,168	23,067
Other Assets		841	1,181
		$ 3,393,220	**$ 3,513,409**
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	6	$ 57,607	$ 135,003
Interest payable on long-term debt		19,233	21,230
Deferred revenue		1,229	1,504
Current portion of other long-term liabilities	7	1,759	1,837
Current portion of long-term debt	8	-	75,000
		79,828	234,574
Other Long-term Liabilities	7	2,637	1,758
Pension Liability	11	17,570	16,382
Long-term Debt	8	2,915,901	2,740,901
		3,015,936	2,993,615
Net Assets		377,284	519,794
		$ 3,393,220	**$ 3,513,409**

Commitments and contingencies (Notes 5, 8, 10, and 16)

Approved on behalf of the Board:

Michael Casey **Terry L. Allen**

Statements of Operations and Net Assets

For the years ended December 31 *thousands of Canadian dollars*	NOTE	2017	2016
Revenue:			
Airport improvement fees		$ 156,138	$ 147,949
Non-aeronautical revenues			
Concessions		61,879	57,265
Car parking		44,115	42,704
Land rental		19,468	17,423
Terminal space rental		6,563	5,813
Other revenue		372	4,423
		132,397	127,628
Aeronautical revenues			
General terminal fees		53,381	53,994
Aircraft landing fees		44,148	41,719
Other aeronautical fees		21,077	18,734
		118,606	114,447
		407,141	390,024
Expenses			
Amortization of capital assets		226,871	122,059
Goods and services		116,740	92,806
Interest	15	97,595	47,166
Canada Lease	10	40,820	38,902
Salaries and benefits		33,721	30,666
Amortization of intangible assets		15,440	4,824
Property taxes		14,958	11,231
Airport improvement fee collection costs		6,204	5,899
		552,349	353,553
(Loss) Earnings from Operations		(145,208)	36,471
Other Income (Loss)			
Post-employment pension benefits	11	2,698	(5,066)
Net (Loss) Income		(142,510)	31,405
Net Assets, Beginning of Year		519,794	488,389
Net Assets, End of Year		**$ 377,284**	**$ 519,794**

Statements of Cash Flows

For the years ended December 31
thousands of Canadian dollars

	2017	2016
Operations		
Net (loss) Income	$ (142,510)	$ 31,405
Employer future benefit contributions	(2,752)	(3,635)
Add (deduct) non-cash items:		
Amortization of capital assets	226,871	122,059
Amortization of intangible assets	15,440	4,824
(Gain) loss on disposals of capital assets	(114)	242
Accrued retiring allowance	(153)	(94)
Post-employment pension benefits	(1,161)	7,321
	95,621	162,122
Change in non-cash working capital:		
Accounts receivable	(4,273)	(3,617)
Inventories	(595)	(1,282)
Prepaid expenses	718	(1,663)
Accounts payable and accrued liabilities	(20,456)	(5,856)
Interest payable on long-term debt	(1,997)	806
Deferred revenue	(276)	432
Cash flow from operating activities	68,742	150,942
Financing		
Increase in long-term debt, net	100,000	210,000
Other assets	340	582
Repayments of other long-term liabilities	955	48
Total financing activities	101,295	210,630
Investing		
Investment in capital and intangible assets	(130,799)	(514,658)
Proceeds from disposals	194	119
Change in accounts payable and accrued liabilities related to capital and intangible assets	(56,938)	(16,811)
Total investing activities	(187,543)	(531,350)
Decrease in cash	**(17,506)**	**(169,778)**
Cash and cash equivalents, beginning of year	**36,944**	**206,722**
Cash and cash equivalents, end of year	**$ 19,438**	**$ 36,944**
Cash and cash equivalents investments consist of:		
Cash in bank	$ 2,098	$ 6,534
Cash Equivalents	17,340	30,410
	$ 19,438	**$ 36,944**

1 DESCRIPTION OF BUSINESS

The Calgary Airport Authority (the "Authority") was incorporated in July 1990 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non-share capital corporation. The mandate of the Authority, as defined in the Act, is to manage and operate the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in its region.

The Authority has operated YYC Calgary International Airport since July 1992, under a lease from the Government of Canada (the "Canada Lease"). The Canada Lease has an initial term of 60 years with a 20-year option that was exercised in 2011. In October 1997, the Authority entered into a lease with the Government of Canada for the operation of Springbank Airport for a term concurrent with the Canada Lease term.

Pursuant to the Act, the Authority reinvests all net income in the capital renovation and expansion requirements of the airports for which it is responsible. In addition to the investment of net income, the Authority is authorized to borrow to invest in airport infrastructure, and current borrowings are detailed in Note 8. Capital includes investment in both leasehold and freehold assets of the Authority, as detailed in Note 4. Renovation requirements are determined through life-cycle management processes and physical asset inspections, while expansion requirements are determined in reference to airport capacity and demand. Capital requirements are generally determined on an annual basis in conjunction with the Authority's Business Plan, although larger projects may involve financial commitments that extend beyond one year. The Authority conducts an annual re-evaluation of projected economic conditions and facility demand factors.

At December 31, 2017, the Authority was in compliance with all externally imposed requirements regarding the management of capital. Failure to comply with these requirements could potentially result in the Authority being deemed non-compliant with the terms of the Canada Lease, the Airport Improvement Fee Agreement (Note 2) and the Credit Agreement (Note 8).

2 SIGNIFICANT ACCOUNTING POLICES

Accounting Standards for Private Enterprises
These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE") which sets out generally accepted accounting principles ("GAAP").

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements and the reported amounts of revenues, expenses and other income (loss) during the reporting period. Actual results could differ from these estimates.

Airport Improvement Fees
The Authority derives revenue from the Airport Improvement Fee (the "AIF"), which is collected by air carriers pursuant to an agreement among various airports in Canada, The Air Transport Association of Canada and air carriers serving Canadian airports that are signatories to the agreement (the "AIF Agreement"). Pursuant to the AIF Agreement, signatory airlines receive a 4% (2016 – 4%) collection fee at the Calgary International Airport. AIF revenue is used to fund the costs of new airport infrastructure and costs of major improvements to existing facilities at Calgary International and Springbank Airports, as well as related financing costs, debt repayment and the collection fee retained by the signatory airlines. The Authority records the AIF revenue and AIF collection costs on a gross basis in the statement of operations and net assets. The AIF as at December 31, 2017 was $30.00 (2016 - $30.00) for each originating passenger departing Calgary International Airport.

(thousands of Canadian dollars, except percentages)

Cash and cash equivalents

Cash and cash equivalents consist of cash and short term investments that are highly liquid in nature and have maturity dates of up to three months.

Accounts Receivable

Accounts receivable are reported net of any allowance for bad debts that are estimated to occur. The allowance for 2017 was $275 (2016 - $65). Bad debt expense of $700 (2016 - $35) has been included in Goods and services in the Statements of Operations and Net Assets.

Inventories

Inventories of consumable supplies are stated at the lower of cost (cost being determined using the weighted average cost of materiel purchased) and net realizable value.

Capital and Intangible Assets

Capital and intangible assets are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Vehicles	18-30%	declining balance
Machinery & equipment	5-30 years	straight-line
Computer equipment	3 years	straight-line
Furniture & fixtures	3-10 years	straight-line
Intangibles – computer software	3 years	straight-line

The various components of the air terminal building, other buildings and structures and roadways and airfield surfaces are amortized on a straight-line basis over 5 to 55 years, based on the estimated economic useful life of the component asset, limited to the term of the Canada Lease. These structural assets will revert to the Government of Canada upon the expiration of the Canada Lease.

The Authority has previously purchased Land for operational purposes and future development. The Canada Lease requires that at commencement of development the applicable Land be transferred to the Government of Canada at which time the Authority reclassifies the Land to Leased land and commences amortization on a straight-line basis over the remaining full fiscal years of the Canada Lease.

Construction work in progress is capitalized to Construction in progress at cost. Costs are transferred to the appropriate capital asset account, and amortization commences when the project is completed and the assets become operational.

Impairment of Long-lived Assets

The Authority uses a two-step process for determining whether an impairment of long-lived assets should be recognized in the financial statements. If events or changes in circumstances indicate that the carrying value of a long-lived asset may have been impaired, a recoverability analysis is performed based on the estimated undiscounted future cash flows to be generated from the asset's operations and its projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the long-lived asset is written down to its estimated fair value and an impairment loss is recognized in the statement of operations.

Capitalized Interest

Interest costs associated with the long-term debt utilized for the construction of capital assets are capitalized until the assets are placed in service. Once in service, the assets are amortized based on the life of the associated assets.

Employee Future Benefits

The Authority has a retirement pension plan for all permanent employees and term employees. New permanent employees are members of the plan upon hire. Term employees become members of the pension plan after completion of 24 months of continuous service. The retirement pension plan has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. The Authority does not provide any non-pension post-retirement benefits. Actuarial valuations for post-employment pension benefit plans are calculated annually by accredited actuaries using the projected benefits method. The related post-employment pension benefit asset/liability recognized in the balance sheets is the present value of the post-employment pension benefit obligation at the balance sheet date less the fair value of plan assets, if any. The present value of the post-employment benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability for the nonregistered plan and going concern discount rate for the registered plan that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in full in the period in which they occur, in net income. Current service costs are included in salaries and benefits on the Statements of Operations and Net Assets. Past service costs are recognized immediately to the extent the benefits are vested. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Authority can unilaterally reduce future contributions to the plan. The change in the long-term pension benefit obligation in the year is recognized in the Statements of Operations and Net Assets.

Deferred Revenue

Deferred revenue consists primarily of land leasing, space rental and aeronautical fee revenue received in advance of land or facilities being utilized.

Revenue Recognition

Aircraft landing, general terminal, other aeronautical fees and car parking revenues are recognized as the airport facilities are utilized. Concession revenues are earned on a monthly basis and are recognized based on a percentage of sales. Rental income from land and terminal space is recognized at the commencement of each month when rent is due. Other income is recognized when earned or received. The AIF revenue is recognized when originating departing passengers board their aircraft as reported by the airlines.

Leases

The Canada Lease and Springbank Lease are accounted for as operating leases.

Financial Instruments

Cash, short-term investments, accounts receivable, accounts payable, security deposits, accrued liabilities, interest payable and demand operating loans are initially measured at fair value and subsequently carried at amortized cost. Long-term debt is initially measured at fair value and subsequently carried at amortized cost.

Fair Value

The fair value of the Authority's financial instruments, other than its long-term debt, approximates its carrying value due to their short-term nature.

3 INVENTORIES

At December 31, 2017, all inventories are carried at weighted average cost. During the year, $4,156 (2016 - $2,856) was recognized as an operational expense in Goods and services, of which a nominal amount for obsolescence for both years was written off.

(thousands of Canadian dollars, except percentages)

4 CAPITAL AND INTANGIBLE ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Assets				
Land	$ 3,303	$ -	$ 3,303	$ 3,303
Leased land	24,513	3,615	20,898	21,301
Air terminal building	3,006,355	812,649	2,193,706	2,262,868
Other buildings & structures	373,119	119,465	253,654	257,435
Roadways & airfield surfaces	804,583	227,694	576,889	605,316
Computer equipment	62,484	44,653	17,831	30,201
Vehicles	41,693	26,431	15,262	18,442
Machinery & equipment	75,011	25,163	49,848	55,695
Furniture & fixtures	24,446	9,113	15,333	15,916
Construction in progress	122,881	-	122,881	97,699
	4,538,388	1,268,783	3,269,605	3,368,176
Intangible Assets				
Computer software	68,310	41,380	26,930	39,952
	$ 4,606,698	**$ 1,310,163**	**$ 3,296,535**	**$ 3,408,128**

Interest capitalized and in Construction in progress, in respect to borrowings for infrastructure expansion under the long-term debt facility was $3,655 (2016 - $49,950). Included in Capital Assets are certain assets that are subject to commercial leases with third parties with long term durations (up to 55 years).

5 OPERATING LINE OF CREDIT

The Authority has a $35,000 (2016 - $35,000) operating line of credit (the "Operating Facility") bearing interest at the bank's prime lending rate plus 1.0%. The Operating Facility is unsecured and repayment terms are on demand. Letters of Credit drawn on the Operating Facility for specific operational expenses and capital projects amounting to $11,731 were outstanding (2016 - $10,203). Standby fees on the unutilized portion of the operating facility are 30 bps (2016– 30 bps). The Authority can borrow on the operating facility at the following rates: Prime loan margins are 60 bps (2016– 60 bps); banker's acceptance loan margin is 200 bps (2016 – 200 bps). Issued letters of credit have fees of 200 bps (2016 – 200 bps). In 2017, the amount drawn on the Line of Credit was $NIL (2016 - $NIL).

6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Goods and services taxes payable to the Government of Canada as at December 31, 2017 were $489 (2016 - $NIL) and are included in accounts payable and accrued liabilities.

7 OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are cash security deposits which are received from commercial and new airline operators to provide the Authority with security on the associated potential accounts receivable. There is also an amount outstanding amount for retiring allowance deferred by employees until retirement. The Authority does not have any further obligation to accrue a retiring allowance for employees. Other long-term liabilities also includes an amount for long-term incentive plan for certain employees.

8 LONG-TERM DEBT

The Authority's Credit Agreement with Alberta Capital Finance Authority ("ACFA") was amended in December 2014 and has a maximum credit commitment of $2.99 billion to finance the construction and acquisition of Airport infrastructure. Borrowings under the Credit Agreement are secured by a Fixed and Floating Charge Debenture including Assignment of Leases and Rents.

The ACFA debentures issued and outstanding prior to December 31, 2003 (series 2002) require annual interest payments on the anniversary date of issue, while all debentures issued subsequent to December 31, 2003 require semi-annual interest payments. Throughout the period when any debentures are outstanding, the Authority is required to maintain an interest coverage ratio, as defined, of not less than 1.25:1 and net cash flow greater than zero, as determined as of the end of any fiscal quarter on a rolling four fiscal quarter basis. The coverage ratio at December 31, 2017 was 1.82:1 (2016 1.82:1).

(thousands of Canadian dollars, except percentages)

The bullet debentures issued and outstanding under the Credit Agreement are:

Series	Interest Rate	Due Date	2017 Debenture Amount $	2016 Debenture Amount $
2002-4	6.0625%	February 15, 2017	-	50,000
2002-8	6.3125%	April 2, 2017	-	25,000
2002-9	6.0625%	December 16, 2022	70,000	70,000
2004-10	5.1245%	December 1, 2023	20,000	20,000
2005-13	4.9590%	April 6, 2020	25,000	25,000
2007-14	4.7950%	February 15, 2027	50,000	50,000
2010-15	4.6790%	February 16, 2025	25,000	25,000
2010-16	4.6640%	March 15, 2025	30,000	30,000
2011-19	4.5440%	March 15, 2031	13,000	13,000
2011-20	4.2760%	June 15, 2031	25,000	25,000
2011-21	3.7575%	August 11, 2031	100,000	100,000
2011-22	3.8080%	September 19, 2031	100,000	100,000
2011-23	3.5590%	December 15, 2031	75,000	75,000
2012-24	3.4750%	February 15, 2032	50,000	50,000
2012-25	3.4670%	March 15, 2032	137,000	137,000
2012-26	3.4140%	April 2, 2032	25,000	25,000
2012-27	3.4200%	June 29, 2032	200,000	200,000
2012-28	3.4005%	September 17, 2032	86,000	86,000
2012-29	3.2460%	October 4, 2032	75,000	75,000
2012-30	3.1340%	December 17, 2027	109,000	109,000
2013-31	3.2580%	March 15, 2028	89,000	89,000
2013-32	3.4090%	June 17, 2028	98,000	98,000
2013-33	4.2580%	September 16, 2033	113,000	113,000
2013-34	4.0590%	December 1, 2033	107,901	107,901
2014-35	3.8550%	March 17, 2034	83,000	83,000
2014-36	3.5130%	June 16, 2029	200,000	200,000
2014-37	3.2930%	September 16, 2029	100,000	100,000
2014-38	3.1550%	December 15, 2029	150,000	150,000
2015-39	2.7900%	March 16, 2030	125,000	125,000
2015-40	2.6780%	June 15, 2025	100,000	100,000
2015-41	2.9800%	September 15, 2030	150,000	150,000
2016-42	2.3760%	March 15, 2026	50,000	50,000
2016-43	1.4450%	June 15, 2021	50,000	50,000
2016-44	2.2250%	September 15, 2026	50,000	50,000
2016-45	3.4899%	December 15, 2036	60,000	60,000
2017-46	3.6430%	February 15, 2042	100,000	-
2017-47	3.5180%	April 15, 2042	50,000	-
2017-48	3.1530%	December 15, 2047	25,000	-
Less: Current portion			-	(75,000)
			$ 2,915,901	**$ 2,740,901**

The Authority has a Letters of Credit Facility ("L/C Facility") with the Toronto-Dominion Bank to a maximum of $55,000 for issuance of Letters of Credit in respect to requirements under the Credit Agreement to secure 50% of the annual interest payable to ACFA. The L/C Facility is secured such that it ranks pari passu with the Credit Agreement. At December 31, 2017, the contingent indebtedness under the L/C Facility was $36,382 (2016 - $31,348). The L/C Facility fees for issuing letters of credit is 55 bps (2016 – 55 bps).

(thousands of Canadian dollars, except percentages)

The future long-term debt principal retirement dates are:

2018	$ -
2019	-
2020	25,000
2021	50,000
2022	70,000
2023	20,000
2024	-
2025	155,000
2026	100,000
2027	159,000
Thereafter	2,336,901
	$ 2,915,901

9 INCOME TAXES

Pursuant to the Airport Transfer (Miscellaneous Matters) Act, income that may reasonably be regarded as being derived from airport business is exempt from federal and provincial income taxes. All reported income in 2017 and 2016 is considered to be derived from airport business and therefore, exempt from income tax.

10 OPERATING LEASE COMMITMENTS

The Authority pays an annual lease rental payment based on a sliding scale percentage, to a maximum of 12%, of gross revenue to Transport Canada pursuant to the Canada Lease.

The estimated lease rental payment obligations over the next five years are:

2018	$ 40,512
2019	42,720
2020	44,245
2021	45,623
2022	47,241

The Authority is committed to payments under operating leases for vehicles and office space for the next five years amounting to:

2018	$ 423
2019	405
2020	339
2021	87
2022	-

11 PENSION FUNDS

The Authority sponsors a registered pension plan (the "Plan") for its employees that has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. For certain individuals whose benefits are limited under the Plan, that portion that is in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency is payable out of the Authority's revenue and charged to a notional pension expense. Pensions payable from the defined benefit components are generally based on a member's average annual earnings near retirement and indexed annually to 100% of the Canadian Consumer Price Index. The Authority accrues its obligations and related costs under the Plan, net of Plan assets.

(thousands of Canadian dollars, except percentages)

The Authority has adopted various policies in respect to the Plan.

a) The cost of pensions under the defined benefit component earned by employees is actuarially determined using a funding valuation for the Registered Plan and an accounting valuation for the Non-Registered Plans which uses the projected benefit method and assumptions for the discount rate, salary escalation and retirement ages of employees.

b) The pension cost for the defined contribution component is equal to the contributions made by the Authority to the Plan during 2017.

c) Plan assets are valued at fair value.

d) At December 31, 2017, the assets for the defined benefit component were invested in various pooled funds managed by Fidelity Institutional Asset Management and certain TD Asset Management index funds.

e) The Authority defined benefit obligation is actuarially determined. Gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Under CPA Canada handbook section 3462, these gains and losses are recognized immediately in the Statements of Operations and Net Assets.

f) Differences in the actual return on plan assets and the return using the discount rate are recognized immediately in the Statements of Operations and Net Assets.

g) The last actuarial valuation for funding purposes of the Plan was prepared as at January 1, 2017. The next scheduled actuarial valuation of the Plan for funding purposes will be performed as at January 1, 2018.

h) The Authority uses a December 31 measurement date.

The Authority's net pension cost for 2017 amounted to negative $1,242 (2016 – $7,191) for the defined benefit component and $728 (2016 – $649) for the defined contribution component, and the pension expense in respect of the notional account is $81 (2016 – $130). Remeasurement costs for 2017 amounted to negative $2,115 (2016 – $5,689). In 2017, $2,265 (2016 – $2,904) of the cost has been recognized in salaries and benefits.

The following table provides information concerning the components of the pension cost (recovery)

	2017	**2016**
Service cost	$ 1,456	$ 2,125
Notional account benefit cost	81	130
Defined contribution benefit cost	728	649
	2,265	2,904
Finance cost	(583)	(623)
Difference between expected and actual return on assets	(4,314)	372
Actuarial loss	2,199	5,317
Total Net Benefit Cost	$ (433)	$ 7,970

(thousands of Canadian dollars, except percentages)

Based on an actuarial valuation dated January 1, 2017, and extrapolated to December 31, 2017, the status of the Authority's Plan is as outlined below.

	2017			2016		
	Registered Plan	Non-Registered Plans	Total	Registered Plan	Non-Registered Plans	Total
Defined Benefit Liability (asset)	$ (23,067)	$ 16,382	$ (6,685)	$ (24,649)	$ 14,278	$ (10,371)
Net Benefit Cost						
Defined Benefit	(3,159)	1,917	(1,242)	4,565	2,626	7,191
Notional Accounts	-	81	81	-	130	130
Company defined benefit contributions	(1,942)	(810)	(2,752)	(2,983)	(652)	(3,635)
Defined Benefit liability (asset)	$ (28,168)	$ 17,570	$ (10,598)	$ (23,067)	$ 16,382	$ (6,685)

	2017	2016
Market value of Plan assets	$ 111,414	$ 101,111
Pension benefit obligations	100,816	94,426
Pension asset	$ 10,598	$ 6,685

Accrued pension benefit obligations as of December 31, 2017 includes $17,570 (2016 – $16,382), which will be funded from the Authority's general revenues rather than Plan assets. This pension obligation is pursuant to the Letter of Undertaking signed June 1992, which guaranteed that benefits earned after the Plan's effective date will not be less than the pension and indexing provisions under the Public Service Superannuation Act and the Supplementary Retirement Benefits Act (Minimum Guarantee) in respect of eligible Plan members at that date.

For certain individuals, this pension obligation also includes benefits in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency.

The Authority's policy is to invest fund assets primarily in a balanced or diversified manner in accordance with the Pension Benefits Standards Act, with set maximums and minimums in Fixed income securities, Canadian equities, Foreign equities and Short-term investments. The asset allocation of the defined benefit balanced fund at December 31 was:

	2017	2016
Fixed income securities	50%	46%
Canadian equities	15%	17%
Foreign equities	35%	37%

(thousands of Canadian dollars, except percentages)

The significant actuarial assumptions adopted in measuring the Authority's pension benefit obligation are:

	2017		2016	
	Registered Plan	Non-Registered Plan	Registered Plan	Non-Registered Plan
Discount rate				
a) Year-end pension benefit obligation	5.20%	3.40%	5.20%	3.75%
b) Net benefit cost	5.20%	3.75%	5.20%	4.00%
Rate of salary increases	2.75%	2.75%	2.75%	2.75%
Pre/Post retirement indexing	2.00%	2.00%	2.00%	2.00%

Other information about the Authority's Plan is:

	2017	2016
Employer contributions (defined benefit and minimum guarantee)	$ 2,185	$ 2,338
Employer special contribution (defined benefit)	549	1,289
Employer contributions (defined contribution)	728	649
Employee contributions (defined contribution)	1,071	1,035
Benefits paid	3,888	2,770

The employer special contribution of $2,077 (2016 - $1,289) was the required annual payment in 2017 to fund the solvency deficiency as determined by the January 1, 2017 actuarial valuation, of which $1,528 (2016 - $NIL) was funded through a letter of credit.

During the year for the Authority incurred termination benefits of $3,060 (2016 - $417) for employees that left the employment of the Authority.

12 FINANCIAL ASSETS AND LIABILITIES

Risk Management

The Authority's Board is responsible for the oversight of the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Authority. The Board has established the Audit and Finance Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Authority's ability to achieve its strategic and operational targets. The Board is also responsible for ensuring that Management has effective policies and procedures to identify, assess and manage and mitigate such risks.

Credit Risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss to another party by not realizing its obligation. The Authority is subject to credit risk through its accounts receivable, which consist primarily of aeronautical fees and Airport Improvement Fees owing from air carriers and concession fees owing from concession operators. The majority of concession fees owing are settled on a monthly basis, 15 days after the end of each month. The majority of aeronautical fees owing are billed every 7 days and settled 15 days thereafter. The majority of Airport Improvement Fees owing are settled on a monthly basis on the first day of each subsequent month. Accounts receivable credit risk is reduced by the Authority's requirement for letters of credit, customer credit evaluations and maintaining an allowance for potential credit losses. The Authority's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. At December 31, 2017, the aging analysis of accounts receivable identified no significant impairments.

Liquidity Risk

Liquidity Risk is the risk that the Authority will encounter difficulties in meeting obligations of financial liabilities. The Authority maintains a strong liquidity position and sufficient financial resources to meet its financial obligations as they become due. The Authority manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as committed lines of credit through a credit facility. The Authority has a policy to invest its cash balances in short-term pooled money market funds whose underlying investment policy restricts these investments to federal and provincial government securities and in securities of larger, high investment-grade rated Canadian institutions.

Market Risk

Market risk is the risk that changes in market price, such as foreign currency exchange and interest rates, will affect the Authority's income or the value of the financial instruments held. The Authority has no market risk other than the Foreign Currency Risk and Interest Rate Risk noted below.

Foreign Currency Risk

Foreign Currency Risk is the risk that fluctuations in foreign exchange rate impact the financial obligations of the Authority. The Authority's functional currency is the Canadian dollar, and major purchases and revenue receipts are transacted in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

Interest Rate Risk

Interest rate risk arises because of fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash in interest-bearing accounts, short-term investments and its operating line of credit which are maintained to provide liquidity while achieving a satisfactory return. All of the Authority's long-term debt has a fixed interest rate.

Industry Risk

Industry risk are related to the event(s) that could occur within or to the air transportation industry that could negatively affect passenger demand at YYC Calgary International Airport and therefore the Authority's revenues. These risks, among others, include: population growth; unemployment rates; economic conditions; regulatory actions and legislative changes; air carrier stability; the ability and willingness of airlines to provide air service; the increase in the cost of air fares; labour disputes; the availability and cost of aviation fuel; insurance costs; environmental regulation; the operation of the air traffic control system; the use of telecommunications and alternate ground transportation options; health epidemics and related travel advisories, war; and terrorist attacks, the perceived threat of terrorist attacks and additional security measures put in place to guard against such attacks.

(thousands of Canadian dollars, except percentages)

13 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

(all figures in this note expressed in whole dollars ($))

In compliance with the Authority's governance practices and as required by the Regional Airports Authorities Act (Alberta) and the Canada Lease, the Authority outlines individually the Directors' and Officers' remuneration and in the aggregate their respective remuneration and expenses.

a) Authority Directors' Remuneration and Expenses

The remuneration schedule for the Board of Directors during 2017 was as follows:

Non-executive Authority Chair	$	80,000	per annum
Committee Chairs		6,500	per annum
Directors (excluding Authority Chair)		12,000	per annum
Board meeting fees		1,250	per meeting
Board Committee meeting fees		1,250	per meeting
Ad hoc meeting fees		625	per meeting
Telephone attendance meeting fees		625	per meeting

Total remuneration during 2017 for each Director:

Belich, Mel F. (Past Chair) **	$	74,012	Hotchkiss, Richard J.	$	39,125
Casey, Michael F (Current Chair)		74,496	Ingram, Donald **		23,690
Allen, Terry L.		39,125	Kennedy, Heather		30,750
Benke, L.M. (Larry)		37,806	King, Ken M.		28,875
Blom, David		33,875	MacEachern, Grant B.		38,944
Cormack, Don		37,000	Midwinter, James		32,625
Delkus, Kristine L.		28,875	Robertson, Andrea *		14,742
Fraser, Wendelin A.		37,181	Safran, Laura M.		30,750
Heffernan, Matthew		38,319	Sigler, Murray		40,375

Total remuneration for the Board of Directors during 2017 was $680,565 (2016 – $801,549). Expenses incurred by Authority Directors during 2017 totalled $4,314 (2016– $13,103). Changes to the Authority's Board of Directors during 2017 were as follows:

* Appointed:	August, 2017
** Term Completed:	August, 2017

b) Authority Officers' Remuneration and Expenses

Officer Position	Incumbent as of December 31, 2017		Annual Base salary as of December 31, 2017
President & CEO	Robert (Bob) Sartor	$	410,000
VP Operations	Bernie R. Humphries		265,593
VP Infrastructure	Marco A. Mejia		256,905
VP Finance & CFO	Robert J. Palmer		256,250
VP & Chief Information Officer	Mike Maxwell		246,000
VP Human Resources	Cynthia M. Tremblay		243,471
VP Marketing & Guest Experience	Michael Hayward		240,000

The VP Marketing & Guest Experience commenced employment on November 8, 2017. Total remuneration to Officers during 2017 was $2,157,855 (2016 – $4,548,291). Expenses incurred by Authority Officers during 2017 totalled $378,134 (2016 – $528,718).

(thousands of Canadian dollars, except percentages)

14 RELATED PARTY TRANSACTIONS

During the year, the following related party transactions occurred with individuals who are Board members of the Authority. These transactions were recorded at the exchange amount.

Mr. Richard Hotchkiss, Director of the Authority, is the President and CEO of Sunwest Aviation Ltd. ("Sunwest"). Sunwest leases land at YYC Calgary International Airport providing both hangar and aviation charter services. Sunwest made payments to the Authority in respect to the land lease and aeronautical fees in 2017 of $1,279 (2016 - $1,152), which are included in revenue under Land rental, Aircraft landing fees and Other Aeronautical. Included in accounts receivable is an amount due from Sunwest of $7 (2016 - $35).

Mr. James Midwinter, Director of the Authority, is the Executive Vice President Development of GWL Realty Advisors ("GWLRA"). GWLRA and it's related entities have land leases at the Calgary International Airport and in 2017 have paid $920 (2016 – $911) in lease payments. Included in accounts receivable is an amount due from GWLRA of $NIL (2016 – $NIL)

Mr. David Blom is a Director of the Authority and is the Vice President, Finance of Carey Management Inc. Carey Management leases land for a building at the Calgary International Airport. In 2017 Carey Management paid $1,574 (2016 - $1,574) in lease payments. Included in accounts receivable is an amount due from Carey Management of $NIL (2016 – $NIL).

15 SUPPLEMENTARY INFORMATION

		2017		2016
a) Cash Interest Paid and Received				
Interest paid	$	103,071	$	96,208
Interest income received		98		439
b) Interest Expense				
Interest on long-term debt	$	97,419	$	47,064
Other interest expense		176		102
	$	97,595	$	47,166

16 CONTINGENCIES

The Authority is party to legal proceedings in the ordinary course of business. Management does not expect the outcome of any proceeding to have a material adverse effect on the financial position or results of operations of the Authority.

In June 2011, the Authority entered into a Tunnel Sublease and Licence (the "Tunnel Agreement") with the City of Calgary (the "City"). The Tunnel Agreement, which expires June 29, 2072, requires the City to extend Airport Trail east, across airport lands and, among other things, to construct, operate and maintain an associated tunnel under Runway 17L-35R. Under the terms of the Tunnel Agreement the Authority will provide all required airport lands at no cost to the City. The Tunnel Agreement also provides for a cost-sharing arrangement regarding future interchanges along Airport Trail at 19th Street and Barlow Trail. The first phase of these interchanges, which will enhance access to and egress from airport facilities. The second phase of the interchanges, or components thereof, will be constructed when traffic volume service levels at the first phase of interchanges reach a proscribed level and, at that time, the Authority has agreed to contribute 50% towards the acquisition cost of the necessary third party land and the associated construction project. Discussions with the City are currently underway for the design and timeframe for the subsequent construction of interchanges. Upon completion of these discussions, The Authority will have an obligation to contribute $20,000 toward the associated costs of the first phase of the interchanges.

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

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