GOOD THINGS ON THE HORIZON

YQR
REGINA INTERNATIONAL™

2017 Annual Report

VISION

To be Saskatchewan's leading travel gateway and business hub.

MISSION

To seamlessly connect people and business to a world of experiences and opportunities.

STRATEGIC GOALS

1. Exceptional Customer Service Experience
2. Grow our Business
3. Operational Excellence
4. Sustained Financial Strength
5. Exceptional People doing an Exceptional Job Every Day

MESSAGE FROM THE CHAIR & ACTING CEO

Once again, RAA faced financial challenges in 2017 as Saskatchewan's economy battled its way forward on the way to recovery. Always closely tied to the provincial GDP, passenger numbers fell across the first three quarters of the year, but finally caught a tail wind in the fourth quarter with two consecutive months of year-over-year growth.

Of course, increased passenger demand and a strong Canadian dollar would directly lead to more frequent and diverse air services to and from YQR. Thus, we are now quite enthused and optimistic that our resource-based economy appears to have finally turned upward from the lower ebb of a deep commodity cycle and is now beginning to move onward and upward.

In 2017, the Taxiway C relocation project was completed, enabling works for future expansion of the terminal building. This project also opened up exciting new opportunities for commercial development, to diversify our revenue streams and keep airline fees down in what has become a very competitive industry. It will also contribute to our host city's efforts to broaden and increase its tax base. A growing inventory of airside and groundside lots is now available at YQR for businesses with aviation and other commercial needs. Some negotiations have been completed and others are underway. Expect several major construction announcements in 2018.

The year 2017 was also marked by intense work on a twenty-year Master Plan for YQR, which is periodically required by Transport Canada. Two public consultation sessions were held at the airport and a third will be held in 2018 before final submission.

Although RAA remains ever vigilant in terms of safety and security for its customers and employees, and knowing there is always more work to be done, it was nonetheless comforting to receive positive audits from both Transport Canada and the American TSA in 2017. Similarly, the annual Lease Monitoring Report from Transport Canada resulted in a clean review of our YQR facilities and processes for 2017.

The major highlight of 2017 was the recruitment and hiring of a new President & CEO for the RAA — James Bogusz, former Vice-President Operations & Development at Victoria Airport Authority. I know James will provide the vision and leadership required to take YQR to new heights for many years to come.

Once again, I would like to thank and congratulate all RAA employees on another successful year. Also, I would like to express my sincere thanks to each of them for the professionalism, courtesy and friendship that was so graciously offered during my nine-month tenure in the CEO role.

Finally, as I leave the Board in April, terming out after nine years, I would also like to thank the RAA Board of Directors for the dedication and effort that each has shown over the past year, and especially for their friendship and support over the years we served together.

I depart offering my kindest regards and best wishes to all, confident of a bright future for our airport under the guidance of the RAA. That, of course, is due to many, "exceptional people doing an exceptional job every day".

Ken Waschuk
Board Chair & CEO

NEW CEO JOINS YQR CREW

The Regina Airport Authority Management Team is pleased to announce James Bogusz as our new President and CEO. James spent the last 10 years with the Victoria Airport Authority (YYJ), serving most recently as the Vice-President, Operations & Development.

James is a true community builder who puts large focus on working collaboratively with stakeholders. During his time with YYJ he championed award-winning environmental initiatives, modernized the airport's operational systems, and was committed to enhancing the overall customer experience.

James brings over 16 years of experience working with airports, and is a member of the Canadian Airports Council (CAC) Operations, Safety and Technical Affairs Committee and the CAC Environmental Committee. He has served on a variety of committees related to tourism development, technology and transportation. He also previously served on the board for the Northwest Chapter of the American Association of Airport Executives (AAAE).

"I am honoured to be joining the YQR team and look forward to working closely with this exceptional community in order to grow our airport. I am committed to working hard for our region in an effort to build on the airport's success. My wife Melanie and I look forward to growing deep roots in the community, and contributing to Regina's long-term prosperity."

James Bogusz
President & CEO

1,219,311
PASSENGERS
SERVED BY YQR IN 2017

12,086 FLIGHT DEPARTURES

12,794 FLIGHT ARRIVALS

OUR ROUTES

2017

Domestic year round non-stop service to:

Vancouver	Calgary	Edmonton
Saskatoon	Winnipeg	Toronto

*Summer seasonal direct service to:

Ottawa

**Winter seasonal transborder non-stop service to:

Las Vegas	Phoenix	Orlando

†Winter seasonal international direct service to:

Los Cabos	Puerto Vallarta	Mazanillo	Ixtapa	Huatulco
Cancun	Varadero	Santa Clara	Cayo Coco	Holguin
Montego Bay	Puerto Plata	Punta Cana		

2037 MASTER PLAN

The Master Plan is a requirement of the Regina Airport Authority's Ground Lease with Transport Canada, and must be updated every 10 years. The Master Plan functions as a high-level vision and provides a road map for development at the Airport over the next 20 years. The document helps airport management plan future development options, guide future capital projects, and estimate capital funding requirements for future airport infrastructure. This document serves as a key planning tool, but prior to initiating any projects contemplated within the document, the management team re-assesses requirements and validates if a project should proceed.

Developing the 2037 Airport Master Plan required extensive stakeholder consultation, including a series of public open houses. The overview of each open house is outlined below.

Open House #1 (July 2017)

The first open house focused on introducing the Master Plan to the public and groups of external stakeholders and provided a forum to contribute general ideas.

At Open House #1 we:

- Explained what a Master Plan is and the purpose of the document
- Outlined the Master Plan process itself with key dates for consultation
- Shared drawings of the existing floors of the air terminal building
- Provided an overview of the entire site; and
- Gave attendees an opportunity to identify issues and opportunities within the existing airport

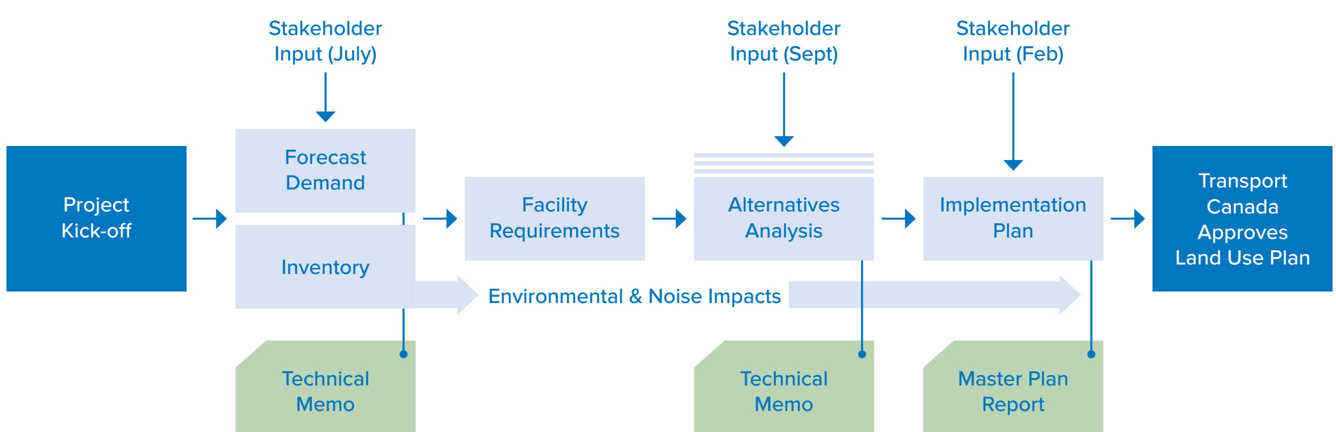
Open House #2 (September 2017)

The second open house built on information captured from the first session held in July, and provided stakeholders with more detailed information.

At Open House #2 we:

- Shared what we heard from Engagement #1
- Presented an Aviation Demand Forecast
- Detailed Airfield Requirements
- Shared two short-term options for the terminal
- Shared five long-term alternatives for the terminal
- Presented four ground transportation options
- Shared preliminary information regarding utility requirements and an overview of existing infrastructure; and
- Provided high-level environmental information

Work on the 2037 Master Plan is ongoing and will be finalized in 2018, with a 3rd and final open house.



SAFE & SECURE

From identifying potential safety hazards, planning for a weather event, or being prepared for a major catastrophe, YQR has stringent safety procedures in place for any scenario. For Airport Safety Manager Dave Shepherd, nothing is more important than the safety of airport guests. “Unfortunately, due to all of the global incidents that have occurred, we have to take extra precautions to ensure all employees, tenants, and guests remain safe at all times,” says Shepherd. Keeping up with an ever-changing Safety Management System (SMS) and Canadian Aviation Regulations can be a challenge, but for Shepherd and his team, constant communication has been the key to an impressive safety record.

“We haven’t had a lost time incident within the RAA for almost 1000 days,” Shepherd states. He credits the staff for much of this success. “We have very proactive and safety-conscious staff that are vigilant at all times.” But it’s more than just staff responsible for the safety record at YQR. Being a smaller airport means that tenants and staff tend to know each other and share information much more easily than at larger airports. “It’s much more personal here. We all keep an eye out for each other, which in turn makes YQR a safer place for everyone,” Shepherd says.

IN 2017, OUR HBS BAGGAGE SYSTEM AT YQR PROCESSED APPROXIMATELY **314,100** PIECES OF LUGGAGE

HAIL TO THE CHIEF

A lot can change in 40 years. But for Regina Airport Authority Fire Chief Kevin Hembroff, nothing has changed quite as dramatically as security rules and regulations. With major incidents like 9/11, security procedures across the globe received massive overhauls. Over time, YQR has adopted new processes and procedures, which every employee follows. In addition, staff maintains the vision of Mission: Zero (an initiative dedicated to preventing workplace injuries, fatalities, and suffering). As a result, YQR boasts an impressive safety record. “Over the past few decades, our safety records have evolved by leaps and bounds. Safety is definitely at the forefront of everything we do here,” says Hembroff.

The Fire Chief, who is stationed at the airport fire hall with a team of nine other firefighters, says his crew is expertly trained to handle emergencies of all types and sizes. “Our crew is trained to handle any aircraft emergency. We’re also fully trained EMR’s, meaning we can respond to any medical emergencies that may occur at the airport.” In addition to having some of the most advanced technological airport fire trucks currently available, Hembroff says that his crew has honed their skills to become some of the best in the country. Though many things have changed at YQR over the last four decades, Hembroff says at least one thing remains the same, “Protecting our guests, our employees, and our tenants has always been and always will be our number one priority.”

POWERFUL PARTNERSHIPS

For RAA Operations Officer John Maczko, nothing is more important than the security of all passengers, tenants, and visitors to the airport. But ensuring the security of all stakeholders at an international airport is no easy task. Luckily, the Regina Airport Authority has the dedicated support of some excellent security partners. “Without our team of partners, we wouldn’t be able to have the successful security operations that we do,” says Maczko. One such partner is the Canadian Air Transport Security Authority (CATSA), a crown corporation responsible for the screening of all passengers and goods that pass through the airport. CATSA works to provide a professional, effective, and consistent level of security service across the country, at or above the standards set by Transport Canada.

In addition to their partnership with CATSA, YQR also works closely with the Canada Border Services Agency (CBSA). The federal agency is responsible for upholding the Canadian Customs Act and manages the access of people and goods to and from Canada. The Regina Airport Authority also contracts the services of the Commissionaires to assist with maintaining security at various points throughout the airport. Strong working relationships with the R.C.M.P., Regina Police Service, and Public Safety Canada all contribute to the overall success of security operations at YQR.

Perhaps one of the most valuable security partnerships RAA has is that with the Critical Infrastructure Advisory Network (CIAN). Made up of partners at federal, provincial, and local levels, CIAN provides an invaluable information exchange. “Through this network, we are able to share and discuss critical information such as trends in crime or current threats to national security,” says Maczko. This information allows the Regina Airport Authority security team to assess risk at a local level and take appropriate measures when needed.

The goal at YQR is to meet and exceed national and international security requirements at all times, something made possible through the valuable network of security partnerships in place. “The only way that we can achieve our goals of maintaining a safe and secure environment for our passengers and stakeholders is to work together as a team with all of our security partners,” says Maczko. “I believe the success we’ve achieved is a direct result of this exceptional teamwork.”

COMMISSIONAIRES HAVE BEEN A PARTNER OF RAA SINCE ITS INCEPTION ON **MAY 1ST, 1999**

GREYHOUND BUS SERVICE

As of October 2017, Greyhound Canada relocated all passenger service to YQR. Riders can now catch the bus from the curb adjacent to our main terminal. “Having Greyhound join the YQR family is very exciting. It’s just one more way we can better serve the people of Regina and area,” says Board Chair, Ken Waschuk.

RETAIL

The Regina Airport Authority offers an impressive variety of food and beverage options before or after your security check-in. You will always find an assortment of bagels, wholesome artisan sandwiches, plus a variety of sides, soups, salads, and sweets made daily with fresh ingredients.

Food and Beverage Services

Skyway Restaurant

Subway

Brioche Dorée

Tim Hortons (3 locations)

Skyway Lounge

Retail Services

Relay

Offering duty-free convenience items and travel necessities

Rumour Handcraft

Offering an eclectic collection of local arts, handcrafts, and wares

343,000 CUPS

OF TIM HORTONS COFFEE WERE SERVED AT YQR LAST YEAR

GIVING BACK

YQR is committed to giving back to our community. In 2017 we supported various local causes and raised funds through a variety of exciting events. One such event was the YQR Charity Golf Tournament, which takes place at Tor Hill each August. Thanks to the tireless efforts of our volunteer staff committee, and the generous support of numerous local sponsors, the tournament allowed us to raise just shy of $20,000 for the South Saskatchewan Community Foundation.

In addition to the golf tournament, the staff at RAA also provided funding, services, and held community partnerships with:

+ 34 Roland J. Groome Air Cadet Squadron
+ Saskatchewan Science Centre
+ RCMP Heritage Centre
+ Habitat for Humanity Regina
+ Regina Flying Club Pilot Sponsorship
+ Saskatchewan Aviation Council

As we maintain our support of Regina and southern Saskatchewan's community and charitable events, we are committed to the continued participation and support of our airport community's social efforts.

PROJECTS THAT TOOK OFF IN 2017

TAXIWAY CHARLIE

In an effort to pave the way for future growth and expansion, a new Taxiway Charlie was completed in July of 2017. The new taxiway is located north of the previous Charlie location, and permits the long-term growth of Apron 1 and the Air Terminal Building. This new taxiway greatly improves overall airport functionality by connecting the existing General Aviation tenants and Apron 4 General Aviation parking to the runway system.

Construction of a new section of Apron 1 created space for four additional aircraft parking stands. These stands are utilized for overnight aircraft parking, additional parking during peak periods, and daily cargo operations. In addition, re-construction of Apron 3 saw several important upgrades made, including repaving and improved lighting.

Apron 5 was also completed, creating new airside lease lots for future hangar buildings. Apron 5 presents the first new real estate available for airside uses in many decades at YQR.

DEDICATED EFFORTS FOR AIR SERVICE DEVELOPMENT

YQR made significant efforts in marketing the airport and south Saskatchewan region to a variety of airlines. The 2017 focus was on trans-border air service to a US hub. The airport's role in developing air service is a unique one, as the airport itself does not operate any aircraft. The job of airport management is to effectively position opportunities to airlines for them to consider adding new service to key markets from Regina. This is accomplished by providing the airline with updated market data and working collaboratively with local business partners to support a value proposition to the airline.

Airlines have far more opportunities than actual aircraft, so when they contemplate adding air service to a community, they need to ensure that the deployment is the highest and best use of their asset, with a focus on their ability to make a profit on the route itself. The airport takes a lead role in positioning its community properly by bringing together local stakeholders who would support these efforts and provide updated market data to prospective airlines. If successful, and the airline decides to offer new service, the airport must often make a financial investment around marketing the new route and/or provide a temporary fee reduction to the airline when new service is offered. There is no single method that can assure new service, but YQR continues to work collaboratively with local partners and engages airlines regularly to consider better serving our community.

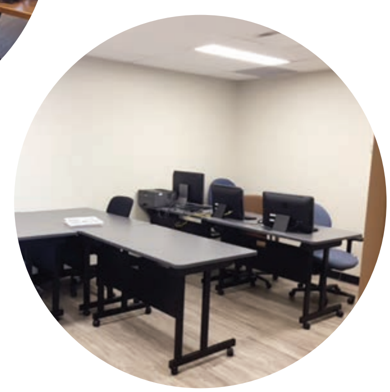
GROUNDSIDE PAVEMENT REPAIRS

Following an engineer's review of the paved surfaces at YQR, RAA embarked on a project of repair and replacement of the pavement areas most in need of attention. Three main areas were identified: Tutor Drive between the east and westbound legs of Regina Avenue; the drive aisles in the long-term parking lot immediately in front of the terminal building; and the westernmost row of parking stalls in the long-term lot.

In September of 2017, a thorough re-fill and re-pave project was completed. The result of the project is a renewed parking lot that will provide extended service life for many years to come.

MTF-AIRSIDE MEZZANINE CREW LOUNGE & OFFICE PROJECT

In June of 2017, a vacant Multi-Tenant Facility (MTF) Airside building was developed into rentable space for Ground Service contractors. The project created office space, staff training rooms and break rooms, washrooms and locker areas. The renovations provide Ground Service Equipment (GSE) contractors the benefit of improved space, without the need to invest large sums of capital. The RAA chose to invest in this asset in order to provide proper workspace for GSE staff and to create a long-term leasing opportunity.



PASSENGER PICK-UP OPTION

In our continued endeavors to provide an improved customer experience, a new Cell Phone Parking Lot was created in 2015. This lot is located on our entrance road (Regina Avenue). The Cell Phone Parking Lot is designated as a holding area for vehicles attending the site to pick up arriving passengers. Once the party has arrived and claimed their baggage, they call the greeter on their cell phone indicating that they are ready for pick up. The driver can then pull up to the terminal curb area for quick pick up. This practice reduces congestion and eliminates cars from circulating within the terminal curb area.

In addition to our new Cell Phone Parking Lot, we also offer 110 stalls for Short Term Parking (less than 2 hours), 1100 stalls with complimentary electricity for Long Term Parking (longer than 2 hours), and now 400 stalls for Economy Parking (longer than 2 hours). Our Economy Parking Lot is an affordable option for guests, with a daily maximum rate of $11 for 24 hours.

CORPORATE GOVERNANCE

In accordance with Public Accountability Principles for Canadian Airport Authorities, the Board provides oversight to Regina Airport Authority to ensure its purpose and objectives are realized, and that the airport operates in a safe, efficient and reliable manner for the general benefit of the region.

The Regina Airport Authority Inc. is governed by a Board of Directors consisting of eleven to thirteen prominent men and women from southern Saskatchewan. The Board currently has twelve (12) Directors with (1) vacant position who are expected to act with honesty, integrity and impartiality, adhering to the policy and procedures set out through the RAA's Governance Manual.

The Authority has six nominating entities, including itself who strive to ensure a balanced composition of skills and knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour relations, risk, strategy, and the interests of consumers. A Director may serve no more than three (3-year-terms) for a total of nine (9) consecutive years on the Board.

Nominating Entity	Number of Board Positions
Government of Canada	2
Province of Saskatchewan	1
City of Regina	6
City of Moose Jaw	1
RM of Sherwood	1
Regina Airport Authority	2

COMPENSATION FRAMEWORK

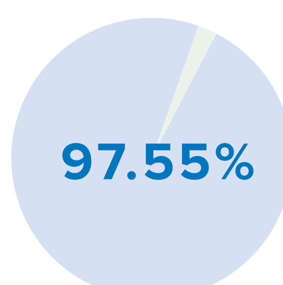
Board Remuneration

The annual remuneration of the Board of Directors, consisting of honorariums and per diems for the year ending December 31, 2017 was $ 210,379 (2016 was $206,300).

Type	Remuneration
Board Chair Annual Retainer	$20,000.00
Board Vice-Chair and Committee Chair Annual Retainer	$12,250.00
Individual Director Annual Retainer	$10,000.00

DIRECTOR ATTENDANCE

In 2017, there were 23 Board, Committee and public meetings. Overall participation by the Board members was 96.92% for Committee meetings and 98.18% for Board meetings. The overall attendance rate was 97.55% (2016 was 98.87%).



BOARD OF DIRECTORS

Ken Waschuk
Board Chair

Government of Canada

Paul Bourassa*
Director

City of Regina

Glenda Boynton
Director

Regina Airport Authority

Donna Dowler
Chair, Human Resources Committee

Province of Saskatchewan

Trent Fraser
Chair, Governance and Nominations Committee

City of Regina

Kellie Garrett
Director

City of Regina

Darlene Hincks*
Director

Government of Canada

Renu Kapoor†
Director

City of Regina

Jim Kilkenny
Director

City of Regina

Trish Martynook
Vice-Chair;
Chair, Community Consultative Committee

City of Moose Jaw

Sean McEachern
Chair, Audit and Finance Committee

City of Regina

Alex Taylor*
Director

City of Regina

Robert Vanderhooft
Chair, Planning and Development Committee

RM of Sherwood

Tyler Willox†
Director

City of Regina

† *Term started during 2017* * *Term ended during 2017*

CODE OF CONDUCT & CONFLICT OF INTEREST

Regina Airport Authority has adopted a Code of Conduct and Conflict of Interest policies and guidelines to govern the actions of all officers and directors, with an annual disclosure requirement to avoid potential conflicts of interest.

The Conflict of Interest Policy was implemented to highlight the legal obligations of Directors and Officers. Directors, Officers, and Proposed Directors and Officers are obligated to disclose any existing conflicts of interest or potential conflicts of interest that may arise in the business of the Authority and its Board.

All Directors and Officers complete disclosure statements on an annual basis.

2017 Compliance

Director	Position	Code of Conduct	Conflict of Interest
Ken Waschuk	Board Chair	✓	✓
Paul Bourassa*		✓	✓
Glenda Boynton		✓	✓
Donna Dowler	Chair, Human Resources Committee	✓	✓
Trent Fraser	Chair, Governance and Nominations Committee	✓	✓
Darlene Hincks*		✓	✓
Kellie Garrett		✓	✓
Renu Kapoor†		✓	✓
Jim Kilkenny		✓	✓
Trish Martynook	Vice-Chair Chair, Community Consultative Committee	✓	✓
Sean McEachern	Chair, Audit and Finance Committee	✓	✓
Alex Taylor*		✓	✓
Robert Vanderhooft	Chair, Planning and Development Committee	✓	✓
Tyler Willox†		✓	✓

Officer		Code of Conduct	Conflict of Interest
Ken Waschuk		✓	✓
Derrick Thue		✓	✓
Earl Spencer		✓	✓
Richmond Graham*		✓	✓
Steve Burchi*		✓	✓

† Term started during 2017   * Term ended during 2017

RISK MANAGEMENT OVERSIGHT

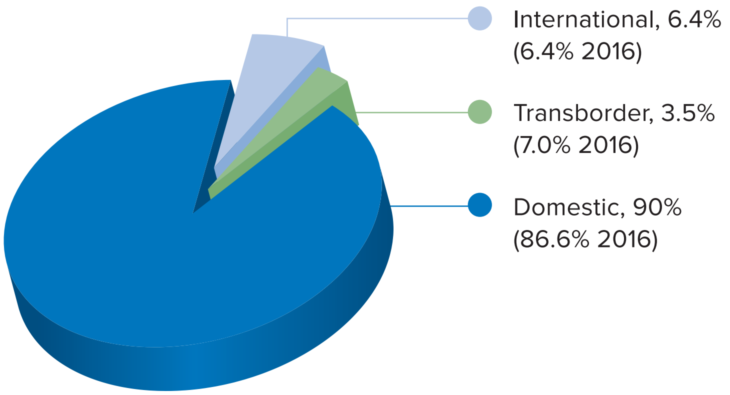
The Audit and Finance Committee takes the lead role working closely with the Board for risk management oversight. Organizational risks, business impact analysis and business continuity reviews were considered and incorporated into annual business planning processes during 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) provides details to assist in the interpretation of the operations and financial condition of Regina Airport Authority Inc. (Authority) for the fiscal period ending December 31, 2017. The MD&A should be read in conjunction with the Authority's audited financial statements and note disclosures, which have been prepared in accordance with accounting standards for not-for-profit organizations in Part III of the CPA Handbook – Accounting.

The Authority is a not-for-profit, locally based entity without share capital that manages and operates the Regina International Airport (YQR). All excess revenues over expenditures are applied to managing and operating the Regina International Airport consistent with its mission statement. The Authority, as of December 31, 2017, is into its nineteenth year of operation in its lease arrangement with the Crown. The lease will expire on April 30, 2079.

PASSENGER STATISTICS



The Authority's passenger count was 1,219,311, reflective of the continued tough economic climate and the impacts of reduced direct transborder airline services. Overall passenger counts decreased 3.50% in 2017, compared with a increase of 0.6% in 2016; 43,588 fewer passengers than last year's total of 1,262,899.

The domestic sector grew by 0.4% while direct transborder sector impacts were off by 51.7%; and the international sector decreased by 2.5% in comparison to 2016 results. The breakdown by passenger segments year-over-year are illustrated on the chart (left).

The Authority had budgeted a 2017 passenger growth rate of 1.8% based on the expected local GDP growth indicator. However, economic instability, coupled with an 8% reduction in airline seats serving the local market resulted in a decrease in passenger count in 2017.

The Authority has established a 2.2% passenger growth target for 2018; when applied to 2017 actual posted results, we anticipate a 2018 passenger count total of 1,246,136.

RATES AND FEES

A new and improved automated hold baggage screening system came on line in late 2016. Effective January 1, 2017 baggage fees were increased in support of its operation and long term system sustainability generating $650,000 in new revenues.

In 2018, RAA will complete its rates and fees review initiated in 2017 including stakeholder consultation in the development of recommendations for implementation during June 2018 that ensure continued financial and operational sustainability. Anticipated rate increases will be in the 3-5% range; without a property taxation solution with the City an additional 3-5% may be required and remains under review.

AIRPORT IMPROVEMENT FEES (AIF)

Airport Improvement Fee (AIF) rates are established "as required" to meet the airport capital planning programs to secure and achieve operational excellence for airlines and an exceptional customer service experience for all airport users and travellers. The current rates remain unchanged at $20/enplaned passenger and $5/enplaned passenger for intra-provincial enplanements. As at December 31, 2017, AIF eligible expenditures and interest expense on debt exceed AIF revenues generated by $42,681,000 (2016 - $47,959,000) since its inception in May of 1999. These funding shortfalls are backstopped by long-term debt. Over the longer term planning period, loan and interest incurred are repaid from future AIF funds collected. Airports are very capital intensive in nature and revenue streams primarily derived from AIF collections provide the revenue stream required for debt servicing obligations. The current year decrease to the deficit is attributed to the winding down of our early works programs that were required in support of future terminal redevelopment and expansion. Existing surfaces renewals and improved operating facilities help to address several infrastructure deficits and positions the airport to tackle future growth and community expectations.

CAPITAL ACTIVITY HIGHLIGHTS

2017 Authority capital programming included the following major project highlights on a capital spend of $4,689,000 (2016 - $29,543,000):

Eligible AIF Funded Activities: - $4,357,000

$1,784,000	Taxi C Relocation/Apron 3 Redevelopment/Apron 1 Expansion
$417,000	Public Address Systems
$179,000	Long term parking lot upgrades / groundside roads
$172,000	Airport Master Plan update
$112,000	Common Use Platform and Check-in Renewal Solutions
$333,000	Mezzanine for Multi-Tenant Airside Ground Handler Facility
$203,000	Smart Plugs for long term lot and support facilities
$55,000	Data base storage expansion
$76,000	Freight elevator cab replacement
$120,000	Sweeper / Plow attachment (operational enhancements)
$90,000	Airfield site surfaces upgrades
$816,000	Other Leasehold Program Capital Maintenance programs

AIF eligible interest expense of $1,356,000 was incurred during 2017 ($578,000– 2016).

Non-eligible AIF Funded Activities: - $332,000

$210,000	Taxi C Relocation / Apron 3 Redevelopment/Commercial Lots
$98,000	Real Estate Development Strategy / Lot Survey for Development
$24,000	Groundside Road Repairs

Non-AIF eligible interest expense of $443,000 was incurred during 2017 ($383,000 – 2016).

For 2018, the Authority has a modest $3,900,000 capital program. Activities will be focused on completing updates to the Airport Master Plan; initiation of planning for air terminal, roadways and curbside redevelopment and expansion and finally for the completion of planned programming in maintaining existing airport infrastructure, equipment and fleet.

LIQUIDITY AND CAPITAL RESOURCES

The Regina Airport Authority is an Authority without share capital and is self-financing. The Authority is funded through operating revenues, AIF revenues and its bank credit facilities. The Authority completed 2017 operations with a cash balance of $5,264,000, compared to $4,560,000 in 2016.

The Authority's revenues remain relatively stable (earnings before interest, depreciation and amortization - EBIDA), enabling the Authority to meet its debt servicing obligations. RAA must maintain, at all times, a current service ratio (CSR) of 1.25 to 1 or better. The CSR is EBIDA divided by annual interest payments and current portions of long term debt. The 2017 CSR ratio is 2.15 - 1 (2016 – 2.67 – 1); The Authority remains positioned to meet its debt and interest obligations. The Authority's revolving $15,000,000 capital credit facility remains undrawn as at December 31, 2017; sufficient liquidity remains in support of its ongoing capital commitments and activities. In addition, the Authority carries an operating line of credit facility of $500,000 (undrawn) for day to day operating requirements.

BALANCE SHEET

Assets of the corporation decreased by $5,991,000 (4%) to $144,027,000 (2016 - $150,018,000). Investment in capital assets decreased $4,286,000 reflecting significant reduced capital investment activity in 2017. Receivables returned to normal levels as government funding reimbursements from the Hold Baggage Screening Upgrades have been received in full.

Accounts payable and accrued liabilities decreased $2,768,000 from 2017 reflecting the completion of the early works program. Meanwhile the current portion on the bank term loans increased slightly reflecting the completion of major capital projects as these assets are available for use and repayments on debt are commenced.

Total long term debt of $53,830,000 decreased $3,630,000. Long term debt repayments in the current year were $3,630,000; there were no advances for the major projects during 2017. The pension plan assets exceed liabilities by $2,858,000 (2016 - $1,324,000); the asset has not been recognized as the Authority has no intention of utilizing the net asset position for operations.

The Authority has fully received funding for capital reimbursement for the Hold Baggage Screening Recapitalization and Non-Passenger Screening projects in the amount of $6,903,000. The funding is recognized as a deferred contribution on the Balance Sheet; and is amortized into revenue over the estimated useful life of the assets.

Overall net assets increased $744,000 ($4,264,000 during 2016) reflective of excess revenues over expenses.

STATEMENT OF OPERATIONS

Revenues:

2017 revenues decreased $930,000 over 2016. Public parking decreased $266,000 reflective of the weakened economy, reduced traffic counts and increased parking options that include increased utilization of the cell phone lot and other modes of ground transportation. Impacts of the reduced direct transborder services were approximately $328,000 and when combined with an average of 8% fewer seats in the market during 2017 revenues fell; the reduced revenues were mostly offset by the increased baggage handling fee that generated $650,000 in new revenues. Concessions revenues grew by $158,000 despite the 3.50% reduction in passenger counts which help offset reduced interest revenues earned during 2017. AIF revenues decreased year over year as traffic growth fell 3.50% (target growth was planned at 1.8% for 2017). Rental revenues increased $37,000 as the multi-tenant facilities came fully on line.

Expenses:

2017 expenditures increased $2,590,000 over 2016. Personnel and other costs increased $166,000 over 2016 for costs related to general wage increases, staff succession and organizational changes. Amortization has increased $1,471,000 as a result of major capital developments put into service as construction was completed. Interest costs increased by $839,000 associated with interest rate swap agreements fixing interest rate exposure on finalized capital improvements and commencement of repayments. Property taxation costs increase our fixed operating costs by $370,000 over 2016 resulting from the previously agreed upon departure of the per passenger methodology approach to taxation with the municipality.

CONTRACTS NOT TENDERED

All projects with a value in excess of $125,000 require a public tender or request for proposal process. All projects complied with this requirement for 2017 with the following exceptions:

- Common Use Check-In upgrades and platform updates: $250,000 (proprietary) – Introduction of products from other vendors would have operational impacts and incur additional maintenance costs. To minimize risks associated with introducing new vendors, RAA sole sourced this project.
- Mezzanine Improvement to Multi- Tenant Facility - $333,000 (change order upgrade) – Two contractors were asked to price out based on their familiarity of the MTF – AS Facility as they participated in the major facility build which would minimize risks associated with introducing a new contractor

RISKS AND UNCERTAINTIES

BACKGROUND

Annual world airports traffic forecasts 2017 – 2040 suggest a global average growth rate for passengers of 4.5%; air cargo 2.5% and 1.9% in aircraft movements compounded year over year. Looking to the future a fast growing and resilient passenger market combined with improving GDP growth will present challenges and opportunities. Although economic activity (GDP) is a great indicator of growth, other factors drive air travel growth and include ease of travel and local market factors. GDP factors are easily quantifiable such as national and regional trends, per capita income, population trends and labour force composition while ease of travel is not as easy to quantify.

Major Current and Emerging Industry Risks Include:

- increasing protectionism by US as witnessed with the ongoing NAFTA talks which is in contrast to Canada's pro-trade stance; major changes to trade agreements and increased protectionism potentially pose significant hardship for economic growth within the industry;
- ever increasing advancements and risks within automation / digitization and labour markets where employers skill requirements evolve quickly and workers transition between jobs and industries more often;
- new technologies are contributing to disruptive operations as customer demand for these types of services thrive;
- airline agreements on carbon offsets adding to operating costs;
- in Canada uncertainty of the airport business model and regulation for the future could add significant costs and less local control;
- increasing occurrence of security events; security threats and severity from cyber and data privacy breaches and increasing potential of failures of critical technology systems (business continuity risk);
- need to grow revenue without increasing aeronautical fees (more reliance on retail, real estate and other non-core revenues to support airport operations) due to airline activism;
- pressures to streamline supply chain and improve productivity (lean technologies);
- debt servicing is becoming one of largest line items on the financial statements;
- all levels of government are looking for new revenues;
- Improving economy may lead to higher fuel and personnel costs;
- domestic carriers strategy to feed hubs does not align with passenger expectations

INDUSTRY RISKS AS AN OPPORTUNITY:

Observed risks signal the need for change and the need to embrace it. Strategic choices and mitigation strategies present opportunities for the competitive advantage.

For a volatile and fast changing environment; robust analytics, modelling, and simulation tools are needed focused on the high priority key metrics as driven by Senior Executive and the Board. Emerging challenges supports rapid decision making and strategic choices is warranted.

YQR must identify, recognize and interpret indicators and warnings to respond and shape emerging risks, drivers and opportunities.

For YQR to continue to grow in a fast paced and volatile environment, new risks need to be seen as opportunities. Management efforts need to be less focused on past compliance and more strategic where better value and impact can be achieved.

DISCLOSURE OF LEASE OBLIGATIONS

Report on the Business Plan and Objectives for 2017 - shown in (000s)

	Plan	Actual	POS (NEG) Variance
Operating Revenue	17,625	16,496	(1,129)
Operating Expense	16,561	16,131	430
Net Airport Improvement Fees	11,534	10,991	(543)
Capital Expenditures*	10,735	4,689	(6,046)

* Includes carry over on multi-year projects

Report on the Business Forecast for 2018-2022 - shown in (000s)

	2018	2019	2020	2021	2022
Operating Revenue	17,513	17,968	18,435	18,915	19,406
Operating Expense	17,453	17,802	18,521	18,891	19,270
Capital Expenditures*	8,246	6,600	*31,020*	*36,320*	*72,267*

* Includes carry over on multi-year projects

➜ *Capital Expenses & forecast (under review)* include both eligible and non-eligible AIF items

FINANCIAL STATEMENTS

MANAGEMENT RESPONSIBILITY

The accompanying Financial Statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. The most significant of these are set out in Note 3 of the Financial Statements.

Regina Airport Authority Inc. (Authority's) accounting procedures and related system of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These financial statement include some amounts based upon management's best estimate and judgements. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of four (4) independent Directors. The Committee meets periodically during the year to review with management and the auditors any significant accounting, internal controls, and auditing matters. They also review and finalize the annual financial statements.

The financial information throughout the text of this annual report is consistent with the information presented in these financial statements.

On behalf of the Regina Airport authority Inc.:

"James Bogusz"	"Derrick Thue"
President & CEO	VP Administration & CFO

Financial Statements of

REGINA AIRPORT AUTHORITY INC.

Year ended December 31, 2017

KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of Regina Airport Authority Inc., which comprise the statement of financial position as at December 31, 2017, the statements of operations and net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Regina Airport Authority Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

February 27, 2018
Regina, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

REGINA AIRPORT AUTHORITY INC.

Statement of Financial Position
As at December 31, 2017, with comparative information for 2016

	2017	2016
ASSETS		
Current Assets:		
Cash (note 4)	$ 5,264,210	$ 4,559,604
Accounts receivable and accrued revenue (note 5 and 9)	2,904,052	5,328,460
Prepaid materials and supplies	684,384	687,903
	8,852,646	10,575,967
Investments (note 6)	2,026,463	2,008,428
Capital assets (note 7)	133,148,101	137,433,625
	$ 144,027,210	**$ 150,018,020**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 1,715,538	$ 4,483,923
Deferred revenue	40,182	58,608
Current portion of long-term debt (note 10)	3,553,452	3,784,512
	5,309,172	8,327,043
Long-term debt (note 10)	50,275,954	53,675,366
Tenant security deposits	98,820	71,352
Pension plan liability (note 11)	-	-
Deferred contributions (note 13)	6,555,762	6,901,155
	62,239,708	68,974,916
Net assets	81,787,502	81,043,104
	$ 144,027,210	**$ 150,018,020**

Commitments (note 14)

See accompanying notes to financial statements

Approved on behalf of the Board:

"Ken Waschuk"

Ken Waschuk, Chair of Board

"Sean McEachern"

Sean McEachern, Chair of Audit and Finance Committee

REGINA AIRPORT AUTHORITY INC.

Statement of Operations and Net Assets

Year ended December 31, 2017, with comparative information for 2016

		2017		2016
Revenue:				
Airport improvement fees (note 15)	$	10,990,862	$	11,312,160
Public parking		4,177,146		4,443,824
Landing fees		2,753,557		2,905,275
General terminal fees		2,496,347		2,739,235
Concessions		2,600,628		2,443,322
Other airline fees		2,190,631		1,540,885
Rentals		1,329,788		1,291,795
Customer facility charge (note 16)		959,503		941,416
Other		206,495		356,371
Amortization of deferred contributions (note 13)		275,438		72,234
		27,980,395		28,046,517
Expenses:				
Amortization		8,974,194		7,502,649
Salaries and benefits		6,389,996		6,223,601
Services, supplies and administration		6,183,024		5,925,742
Property taxes		1,520,816		1,151,872
Utilities		1,038,178		1,009,711
Ground lease		998,961		1,008,422
Interest (note 18)		1,799,505		960,662
Other		331,323		-
		27,235,997		23,782,659
Excess of revenue over expenses		744,398		4,263,858
Net assets, beginning of year		81,043,104		76,779,246
Net assets, end of year	**$**	**81,787,502**	**$**	**81,043,104**

See accompanying notes to financial statements

REGINA AIRPORT AUTHORITY INC.

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 744,398	$ 4,263,858
Add (deduct) non-cash items:		
Amortization of capital assets	8,974,194	7,502,649
Amortization of deferred contributions	(275,438)	(72,234)
Unrealized gain on investments	(5,184)	(6,375)
Realized gain on investments	-	(116,717)
	9,437,970	11,571,181
Changes in non-cash working capital:		
Accounts receivable and accrued revenue	2,424,408	229,191
Prepaid materials and supplies	3,519	(93,213)
Accounts payable and accrued liabilities	(2,768,385)	(3,813,398)
Deferred revenue	(18,426)	27,124
Tenant security deposits	27,468	7,000
Deferred contributions	(69,955)	4,819,182
Cash flow from operations	9,036,599	12,747,067
Investing:		
Purchase of capital assets	(4,688,670)	(29,542,510)
Purchase of investments	(404,709)	(1,547,259)
Proceeds on sale and maturity of investments	391,858	1,505,499
Total investing activities	(4,701,521)	(29,584,270)
Financing:		
Advances of long-term debt	-	18,978,000
Repayments of long term debt	(3,630,472)	(2,053,460)
Total financing activities	(3,630,472)	16,924,540
Increase in cash	704,606	87,337
Cash, beginning of year	4,559,604	4,472,267
Cash, end of year	$ 5,264,210	$ 4,559,604

See accompanying notes to financial statements

1. Purpose and description of business:

Regina Airport Authority Inc. (the "Authority") was incorporated June 18, 1997 as a corporation without share capital under Part II of the *Canada Corporations Act* (the "Act"). The Authority is exempt from federal and provincial income tax. The Authority has operated Regina International Airport since May 1, 1999, under a lease from the Government of Canada (the "Ground Lease"). The Ground Lease had an initial term of 60 years with an option to extend for 20 years. The option to extend the Ground Lease was exercised in 2014 and, accordingly the Ground Lease will now expire on April 30, 2079. The parties agreed that the extension is on the same conditions as the initial Ground Lease, except that there is no longer any option to renew the Ground Lease or further extend the term. At the end of the renewal term, the Authority is obligated to return control of the Airport to the Landlord. The Airport must be returned in a state of good order, condition and repair. The Airport must also be free and clear of any Occupancy Agreement, Transfer, Leasehold Mortgage, (as defined in the Ground Lease) or other encumbrances of any nature or kind except those which the Landlord has granted rights of non-disturbance.

Pursuant to the Act, the Authority shall operate as a not-for-profit corporation and as such, the Authority reinvests all excess of revenue over expenses in the capital renovation and expansion requirements of the airport for which it is responsible. In addition to the investment of the excess of revenue over expenses, the Authority is authorized to borrow to invest in the airport infrastructure, and current borrowings are detailed in Note 10. Capital requirements are generally determined on an annual basis in conjunction with the Authority's business planning cycle, although longer term projects may involve financial commitments that extend beyond one year. The Authority annually re-evaluates its economic condition and facility demands in setting its objectives.

The mandate of the Authority is to manage and operate the airport in a safe, secure, efficient and commercially viable and environmentally responsible manner in its objective to advance economic and community development by means that include promoting and encouraging improved airline transportation for the general benefit of the public in its region.

2. Basis of preparation:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook-Accounting.

3. Significant accounting policies:

The following accounting policies are considered significant:

a) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Acquisition costs include the purchase price, installation, design and engineering fees, legal fees, survey costs, site preparation, transportation, direct labour, insurance and duties required to bring the asset to a working condition for its intended use.

Interest on debt directly attributable to finance the construction of capital assets is capitalized and included in the cost of capital assets. Capitalization of interest ceases when the asset is substantially complete and available for use.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Years
Leased land	48-65
Office furniture and equipment	3-10
Computer equipment	3- 5
Vehicles and equipment	3-15
Leasehold improvements	1-40
Work in progress	not amortized, as not available for use

The various components of the air terminal building, other building structures, roadways and airfield surfaces, included in leasehold improvements, are amortized on a straight-line basis over their estimated economic life of the component asset, limited to the term of the Ground Lease. These assets revert back to the Government of Canada upon expiry of the Ground Lease.

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

Capital projects uncompleted at year end are capitalized to work in progress at cost. Costs are transferred to the appropriate capital asset class and amortization commences when the project is completed and the assets become operational.

3. Significant accounting policies (continued):

b) *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 the long lived asset may have been impaired, a recoverability analysis is performed on the estimated undiscounted 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. If circumstances change impairment loss may be adjusted reflecting a partial or full reversal.

c) *Employee future benefits*

(i) Pension plan

The Authority has a retirement pension plan (the "Plan") for all permanent and term employees. The plan provided employees with an option to elect to continue as defined benefit members or elect to become defined contribution members at the time of transfer (May 1, 1999) to the Authority from the Government of Canada. The defined benefit membership is limited to those that continued on as defined benefit members with all new employees since transfer classified as defined contribution members. The Authority does not provide any non-pension post-retirement benefits.

The Authority accrues its obligation under the pension plan as the employees render their services necessary to earn the pension benefits. For the defined benefit plan, the fair value of pension assets are used for the purpose of calculating the expected return on plan assets. Pension obligation is determined by an independent actuary using the projected benefit method prorated on service and management’s best estimate assumptions. The cost of the defined contribution component of the plan is recognized based on the contributions required to be made during each period. Actuarial gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Actuarial gains and losses are immediately recognized in net assets.

3. Significant accounting policies (continued):

d) *Financial instruments*

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Authority has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Authority determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Authority expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

The Authority accounts for a qualifying hedge of an interest-bearing liability as follows:

(i) Interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and any transaction costs.

(ii) Net amounts receivable or payable on the interest rate swap are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

e) *Revenue recognition*

Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government re-imbursements of specific operating costs are offset against the costs incurred. Government contribution towards capital assets are deferred and amortized on the same basis as the related capital assets.

3. Significant accounting policies (continued):

e) *Revenue recognition (continued):*

Specifically, revenue is recognized as follows:

- Landing, general terminal and other airline fees are recognized when airport facilities are utilized.
- Public parking and concession revenues are recognized when facilities are utilized. Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum guaranteed amounts over the terms of the respective leases.
- Rental revenues are recognized over the terms of the respective leases at the commencement of each month when rent is due.
- Other income is recognized when earned or received.
- Airport Improvement Fee ("AIF") revenue is recognized when the originating departing passengers board their aircraft as reported by the airlines.
- Customer Facility Charge ("CFC") revenue is recognized based on the transaction day information contained in the rental car agreements as reported by the operators.

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

f) *Use of estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets, and the determination of the pension plan liability. Actual results could differ from those estimates.

4. Cash:

Cash earns interest at an effective rate of 1.45% (2016 – 0.95%).

5. Accounts receivable and accrued revenue:

Accounts receivable and accrued revenue are reported net of any allowance for bad debts that are estimated to occur. The allowance for 2017 is $15,062 (2016 – $12,299). Bad debts expense for 2017 is $2,872 (2016 - $12,536).

6. Investments:

The carrying value of the Authority's investments are as follows:

	2017	2016
Guaranteed Investment Certificates (GIC's), growth notes and savings account	$ 1,979,415	$ 1,954,370
Common shares	47,048	54,058
	$ 2,026,463	$ 2,008,428

The fair value of the GIC's, growth notes and savings account approximates cost due to their short-term nature. The fair value of common shares is based on quoted market values.

7. Capital assets:

Capital assets	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Leased land	$ 2,921,090	$ 354,988	$ 2,566,102	$ 2,626,765
Leasehold improvements	177,532,702	51,891,953	125,640,749	104,250,063
Vehicles and equipment	10,644,728	6,924,515	3,720,213	4,066,482
Computer equipment	1,601,816	1,128,291	473,525	404,324
Office furniture and equipment	254,698	208,566	46,132	57,085
Work in progress	701,380	-	701,380	26,028,906
	$193,656,414	$ 60,508,313	$133,148,101	$ 137,433,625

8. Operating line of credit:

The Authority has a $500,000 operating line of credit (the "Operating Facility") bearing interest at prime lending rate less 0.50%. The Operating Facility is unsecured and repayment terms are on demand. As at December 31, 2017 and December 31, 2016 no amounts were drawn against this line of credit.

9. Accounts receivable and accrued revenue and accounts payable and accrued liabilities:

Included in accounts receivable and accrued revenue are government remittances receivable for goods and services taxes of $nil (2016 - $94,641); and government remittances payable for provincial sales taxes and goods and services taxes which are included in accounts payable and accrued liabilities of $48,670 (2016 - $1,943).

10. Long-term debt:

Details of the long-term debt outstanding are described in the following table:

	2017	2016
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly installments of $65,828 plus interest and stamping fee, due September 2031	$ 10,861,580	$ 11, 651,516
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $108,034 plus interest and stamping fee, due January 2025	9,182,868	10,479,276
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $25,000 plus interest and stamping fee, due October 2041	7,150,000	7,450,000
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $25,794 plus interest and stamping fee, due June 2037	6,035,598	6,345,126
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of $16,670 plus interest and stamping fee, due December 2040	4,599,920	4,799,960
Term loan (2016 - Revolving) bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% (2016 - 0.50%) per annum, repayable in monthly instalments of $54,795 (2016 - $74,050) plus interest and stamping fee, due May 2042 (2016 – December 2041)	15,999,440	16,734,000
	53,829,406	57,459,878
Less: current portion	3,553,452	3,784,512
	$ 50,275,954	$ 53,675,366

10. Long-term debt (continued):

The Authority has a credit facility that provides for an ongoing $15,000,000 (2016 - $55,000,000) commitment to finance construction and acquisition of capital assets. As at December 31, 2017, the Authority has drawn $nil (2016 - $41,083,000) of which $nil (2016 - $16,734,000) remains revolving and $nil (2016 - $24,349,000) has been converted to a non-revolving term loan.

Future principal payments required on all long-term debt, without considering any renegotiation of the due dates, for the next five years are as follows:

2018	$ 3,553,452
2019	3,553,452
2020	3,553,452
2021	3,553,452
2022	3,553,452

The Authority is required to maintain at all times a ratio of earnings before interest and depreciation to interest expenses plus current portion of long term debt of 1.25:1 or better.

11. Pension plan liability:

The Authority sponsors and funds a registered pension plan (the "Plan") on behalf of its employees, which has both defined benefit and defined contribution components. Pensions payable from the defined benefit component are generally based on the member's average annual earnings near retirement and indexed annually at 100% of the consumer price index. The Authority accrues its obligation and related costs under the Plan, net from plan assets.

The last actuarial valuation for funding was prepared as at January 1, 2017 using a December 31 measurement date. The results of the valuation have been extrapolated to December 31, 2017. The next scheduled valuation for funding purposes will be completed as at January 1, 2018, final valuation results will not be available for this reporting period.

11. Pension plan liability (continued):

Significant actuarial assumptions used in measuring the Authority's accrued benefits are:

Discount rate for 2017 was 4.80% (2016 – 4.80%), rate of compensation increases for 2017 was 3.00% (2016 – 3.50%) and pre and post-retirement indexing for 2017 at 2.00% (2016 – 2.00%) Information about the defined benefit component of the Authority's pension plan is as follows:

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	$ 10,263,000	$ 9,411,000
Current service cost	243,000	243,000
Interest cost	493,000	452,000
Employee contributions	48,000	47,000
Benefits paid	(217,000)	(196,000)
Actuarial (gain) loss due to changes in assumption	(293,000)	306,000
Balance, end of year	$ 10,537,000	$ 10,263,000

	2017	2016
Fair value of plan assets:		
Balance, beginning of year	$ 11,587,000	$ 10,738,000
Interest income	556,000	515,000
Actual return on plan assets (excluding interest income)	574,000	(287,000)
Employer contributions	847,000	770,000
Employee contributions	48,000	47,000
Benefits paid	(217,000)	(196,000)
Balance, end of year	$ 13,395,000	$ 11,587,000

Funding status of plan:	2017	2016
Accrued benefit obligation	$ 10,537,000	$ 10,263,000
Fair value of plan assets	13,395,000	11,587,000
Valuation allowance	(2,858,000)	(1,324,000)
Funding status	$ -	$ -

The Authority is required to make annual special payments over the next five years to cover pension solvency and ongoing funding liabilities. Special payments paid during 2017 total $562,104 (2016 - $526,875).

11. Pension plan liability (continued):

The Authority's policy is to invest fund assets in a balanced and diversified manner in accordance with the Pension Benefits Standards Act. The asset allocation benchmark and actual balanced fund asset allocations are:

	Benchmark	2017	2016
Equities	60.0%	63.4%	63.7%
Fixed income	37.0%	33.5%	33.7%
Cash/cash equivalents	3.0%	3.1%	2.7%

The total defined benefit pension expense recorded in salaries and benefits for the year ended December 31, 2017 was $845,787 (2016 - $801,139) and the total defined contribution expense recorded in salaries and benefits for the year ended December 31, 2017 was $185,784 (2016 - $181,428).

12. Government assistance:

The Authority has a Maintenance Contribution and Support Agreement (the "Support Agreement") with the Canadian Air Transport security Authority ("CATSA"), under which CATSA agreed to pay to the Authority a contribution in respect to baggage handling systems maintenance support and handler support services. The contribution is equal to the lesser of the maximum amount defined in the Support Agreement or the amount of allocated costs incurred. The Support Agreement can be extended annually by mutual agreement. Contributions were received during 2017 in the amount of $96,250 (2016 - $96,250) and are recorded in services, supplies and administration in the statement of operations.

13. Deferred contributions:

The Authority received funding from CATSA for capital reimbursement in the amount of $6,903,434 for Hold Baggage Screening Recapitalization and Non-Passenger Screening Vehicle Checkpoint projects. The funding is recognized as a deferred contribution on the Balance Sheet and is amortized into revenue over the estimated useful life of the assets.

	2017	2016
CATSA grants	$ 6,903,434	$ 6,973,389
Accumulated amortization	(347,672)	(72,234)
	$ 6,555,762	$ 6,901,155

14. Commitments:

a) Ground lease commitments:

The Authority pays an annual ground lease rental payment based on a sliding scale percentage of gross revenue to Transport Canada pursuant to the Ground Lease. The estimated operating lease payments over the next five years are:

2018	$ 1,113,000
2019	1,173,000
2020	1,234,000
2021	1,298,000
2022	1,363,000

b) Contracted and other operating leases:

The Authority is committed under contractual and operating lease agreements with the following estimated annual payments over the next five years:

2018	$ 1,401,000
2019	370,000
2020	338,000
2021	308,000
2022	245,000

During the year the Authority also entered into contractual agreements for certain capital projects. As at December 31, 2017 $216,000 (2016-$3,296,000) in work remains to be completed on these projects.

15. Airport improvement fee:

The Authority derives revenue from the AIF which is collected by the carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada ("ATAC") and air carriers serving airports that are signatories to the agreement (the "AIF Agreement"). Pursuant to the AIF agreement, signatories receive a 7% collection fee. AIF revenue is used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities, at the Regina International Airport. The AIF as at December 31, 2017 was $20 (2016 - $20) for each originating passenger departing Regina International Airport. Intra-provincial flights are charged an AIF of $5 (2016 - $5) per enplaned passenger.

AIF funding activities on the year are outlined below:

	2017	2016
Earned revenue	$ 11,830,146	$ 12,175,743
Airline/ATAC handling and administration fees	(839,284)	(863,583)
Net AIF revenue earned	10,990,862	11,312,160
Eligible capital asset purchases	(4,356,814)	(27,099,522)
Eligible interest expense	(1,356,376)	(577,536)
Surplus (deficiency) of AIF revenue over AIF expenditures	$ 5,277,672	$ (16,364,898)

AIF funding activities on a cumulative basis since inception of the AIF are outlined below:

	2017	2016
Earned revenue	$ 135,838,794	$ 124,008,648
Airline/ATAC handling and administration fees	(9,659,859)	(8,820,575)
Net AIF revenue earned	126,178,935	115,188,072
Eligible capital asset purchases	(165,543,511)	(161,186,697)
Eligible interest expense	(3,316,313)	(1,959,937)
Deficiency of AIF revenue over AIF expenditures	$ (42,680,889)	$ (47,958,562)

16. Customer facility charge:

The Authority derives revenue from the CFC which is collected by the rental vehicle concession operators pursuant to the Rental Vehicle Concessionaires Agreements (the "RVCA"). Pursuant to the RVCA agreements, revenue is used to fund the capital investment, financing, operation and maintenance of the common use support facility at Regina International Airport. The CFC as at December 31, 2017 was $5.50 (2016 - $5.50) applied for each transaction day under the rental agreement.

17. Financial risk management:

a) *Risk management*

The Authority's Board is responsible for understanding 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. There has been no change to the risk exposures from 2016.

b) *Credit risk*

The Authority is subject to credit risk through its accounts receivable and accrued revenue, cash and GIC's, growth notes and savings account. The maximum credit risk to which it is exposed as at December 31, 2017 is limited to the fair value of the financial assets summarized as follows:

	2017	2016
Accounts receivable and accrued revenue	$ 2,904,052	$ 3,012,281
Capital project reimbursement receivable from the Federal Government	-	2,316,179
Cash	5,264,210	4,559,604
GIC's, growth notes and savings account	1,979,415	1,954,370
	$ 10,147,677	$ 11,842,434

Accounts receivable and accrued revenue consist primarily of airline fees and AIF owing from the carriers and concession and CFC fees owing from concession operators. The majority of concessions and CFC owing are settled within 15 days after the end of the month. The majority of airline fees are billed monthly and settled within 30 days thereafter. The majority of AIF owing is settled on a monthly basis on the first day of the subsequent month. Accounts receivable credit risk is reduced further by the Authority's requirement for letters of credit, customer credit evaluations and maintenance of an allowance for potential credit losses. Provisions under the Airport Transfer (Miscellaneous Matters) Act provide the Authority with the right to seize and detain aircraft until unpaid airline fees are paid further mitigating risk.

Credit risk in cash, GIC's, growth notes and savings account is managed through an investment policy that limits debt instruments to those of high credit quality.

There has been no change to the risk exposures from 2016.

17. Financial risk management (continued):

c) *Liquidity risk*

The Authority manages its liquidity risk by maintaining adequate cash, investments and credit facilities by updating and reviewing multi-year cash flow projects 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 lines of credit through a credit facility. The Authority has an investment policy in place providing for the ability to liquidate investments on short notice. The policy restricts investments to high grade securities. There has been no change to the risk exposures from 2016.

d) *Interest rate risk*

Interest rate risk arises because of fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash and investments which are maintained to provide liquidity while achieving a satisfactory return. The Authority is also exposed to interest rate risk associated with its long term debt which is managed by entering into interest rate swaps. There has been no change to the risk exposures from 2016.

e) *Market risk*

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates and equity prices. Market risk primarily impacts the value of common share investments.

Common shares represent 2.3% (2016 – 2.7%) of the fair value of the Authority's total investments.

18. Financial Instruments:

(a) *Interest rate swap contracts*

The Authority has entered into interest rate swap contracts, to reduce the interest rate risk of any potential increases in interest rate related to the Authority's long-term debt. The Authority applies hedge accounting to these contracts. The following contracts hedge 100% of the outstanding debt at a fixed interest rate and are projected to match the Authority's loan repayment terms:

i. Declining balance interest rate swap contract with interest rate fixed at 2.58%. The initial contract balance had a notional amount of $12,964,058 which declines on a monthly basis by $108,034 until the end of the contract on January 2, 2025. As at December 31, 2017 the notional amount of the contract is $9,182,868 (2016 - $10,479,276).

ii. Declining balance interest rate swap contract with interest rate fixed at 2.58%. The initial contract balance had a notional amount of $6,938,388 which declines on a monthly basis by $25,794 until the end of the contract on January 2, 2025. As at December 31, 2017 the notional amount of the contract is $6,035,598 (2016 - $6,345,126).

iii. Declining balance interest rate swap contract with interest rate fixed at 2.14%. The initial contract balance was a notional amount of $5,000,000 which declines on a monthly basis by $16,670 until the end of the contract on December 15, 2025. As at December 31, 2017 the notional amount of the contract is $4,599,920 (2016 - $4,799,960).

iv. Declining balance interest rate swap contract with interest rate fixed at 1.62%. The initial contract balance was a notional amount of $11,717,344 which declines on a monthly basis by $65,828 until the end of the contract on November 7, 2025. As at December 31, 2017 the notional amount of the contract is $10,861,580 (2016 - $11,651,516).

v. Declining balance interest rate swap contract with interest rate fixed at 1.62%. The initial contract balance was a notional amount of $7,475,000 which declines on a monthly basis by $25,000 until the end of the contract on November 7, 2025. As at December 31, 2017 the notional amount of the contract is $7,150,000 (2016 - $7,450,000).

vi. Declining balance interest rate swap contract effective April 20, 2017 with interest rate fixed at 2.03%. The initial contract balance was a notional amount of $16,437,800 which declines on a monthly basis by $54,795 until the end of the contract on April 20, 2027. As at December 31, 2017 the notional amount of the contract is $15,999,440 (2016 - $0).

18. Financial Instruments (continued):

(b) *Interest Income and interest expense*

Interest and investment income received during 2017 was $105,056 (2016 -$103,877).

Interest capitalized and expensed during the year was as follows:

	2017	2016
Interest on long-term variable interest-bearing loans (note 10)	$ 671,200	$ 726,270
Stamping fee on long-term loans (note 10)	641,865	322,171
Payments made on settlement of interest rate swaps	496,525	383,601
Gross interest expense for the year	1,809,590	1,432,042
Less: borrowing costs capitalized	10,085	471,380
Interest expense for the year reflected in statement of operations	$ 1,799,505	$ 960,662

The capitalization rate used to determine the amount of interest eligible for capitalization is 2.2%.

19. Officer's remuneration:

Officers of the Authority comprised of the President and Chief Executive Officer, Vice President Administration and Chief Financial Officer, and Vice President Operations received compensation for the financial year ended December 31, 2017 in the amount of $763,708 (2016 – $671,634).

20. Comparative information:

Certain comparative information has been reclassified to conform to the current year's presentation.

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