

Thunder Bay Port Authority
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Board Members of Thunder Bay Port Authority

We have audited the accompanying financial statements of Thunder Bay Port Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and 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 International Financial Reporting Standards, 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 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 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 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 Thunder Bay Port Authority as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
March 14, 2018

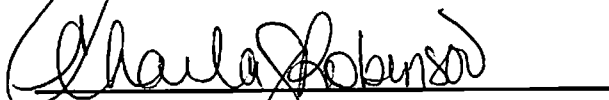
Thunder Bay Port Authority Statement of Financial Position

As at December 31 (expressed in CAD \$)	2017	2016
Assets		
Current		
Cash	\$ 632,889	\$ 124,775
Accounts receivable (Note 3)	451,066	566,800
Prepaid expenses	51,336	46,594
	1,135,291	738,169
Non-current		
Long term investments (Note 4)	19,098,715	19,527,842
Property, plant and equipment (Note 5)	23,156,718	22,721,990
	\$ 43,390,724	\$ 42,988,001
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities	\$ 677,382	\$ 774,538
Provisions and other liabilities	33,450	32,639
Deferred rental income	4,051	19,521
	714,883	826,698
Equity		
Contributed surplus	27,711,964	27,711,964
Retained earnings	14,923,310	14,026,314
Accumulated other comprehensive income	40,567	423,025
	42,675,841	42,161,303
	\$ 43,390,724	\$ 42,988,001

On behalf of the Board:



 J.R. Aiken, Director



 C. Robinson, Director

Thunder Bay Port Authority Statement of Comprehensive Income

For the year ended December 31 (expressed in CAD \$)	2017	2016
Operating revenues		
Terminal	\$ 2,326,831	\$ 2,161,139
Harbour and Harbour Park	875,578	854,089
Intercity	118,966	120,182
	<u>3,321,375</u>	<u>3,135,410</u>
Expenses (Schedule)		
Terminal	735,811	809,480
Harbour and Harbour Park	118,284	97,008
Intercity	28,665	42,100
Administrative	1,248,713	1,153,607
	<u>2,131,473</u>	<u>2,102,195</u>
Earnings from operations before the following	1,189,902	1,033,215
Gain on sale of equipment	487	-
Payments in lieu of municipal taxes (Note 6)	(226,818)	(265,286)
Gross revenue charge (Note 7)	(77,608)	(74,985)
Depreciation	(547,511)	(503,355)
	<u>338,452</u>	<u>189,589</u>
Earnings from operations	338,452	189,589
Investment income	558,544	613,851
	<u>896,996</u>	<u>803,440</u>
Earnings for the year	896,996	803,440
Other comprehensive income		
Item that may be reclassified subsequently to comprehensive income:		
- Unrealized losses on available-for-sale financial assets arising during the year	(382,458)	(290,747)
	<u>\$ 514,538</u>	<u>\$ 512,693</u>
Comprehensive income for the year	\$ 514,538	\$ 512,693

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority Statement of Changes in Equity

For the year ended December 31, 2017 (expressed in CAD \$)

	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Equity, January 1, 2016	\$ 27,711,964	\$ 13,222,874	\$ 713,772	\$ 41,648,610
Earnings for the year	-	803,440	-	803,440
Other comprehensive loss	-	-	(290,747)	(290,747)
	-	803,440	(290,747)	512,693
Equity, December 31, 2016	27,711,964	14,026,314	423,025	42,161,303
Earnings for the year	-	896,996	-	896,996
Other comprehensive loss	-	-	(382,458)	(382,458)
	-	896,996	(382,458)	514,538
Equity, December 31, 2017	\$ 27,711,964	\$ 14,923,310	\$ 40,567	\$ 42,675,841

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority Statement of Cash Flows

For the year ended December 31 (expressed in CAD \$)	2017	2016
Cash flows from operating activities		
Earnings for the year	\$ 896,996	\$ 803,440
Items not involving cash		
Depreciation	547,511	503,355
Gain on sale of equipment	(487)	-
	<u>1,444,020</u>	<u>1,306,795</u>
Change in non-cash working capital balances		
Accounts receivable	115,734	70,556
Prepaid expenses	(4,742)	1,749
Accounts payable and accrued liabilities	(97,156)	(86,054)
Provisions	811	1,147
Deferred rental income	(15,470)	(72,968)
	<u>1,443,197</u>	<u>1,221,225</u>
Cash flows from investing activities		
Net increase (decrease) in long term investments	46,669	(736,851)
Proceeds on sale of equipment	487	-
Purchase of property, plant and equipment	(982,239)	(872,934)
	<u>(935,083)</u>	<u>(1,609,785)</u>
Increase (decrease) in cash during the year	508,114	(388,560)
Cash, beginning of year	<u>124,775</u>	<u>513,335</u>
Cash, end of year	\$ 632,889	\$ 124,775

The accompanying notes are an integral part of these financial statements.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

1. Nature and Purpose of Organization

The Thunder Bay Port Authority is a body corporate without share capital created under the Canada Marine Act effective July 1, 1999. The Port Authority is charged with the management and administration of the Port of Thunder Bay and is also responsible for initiating and supporting effective efforts on behalf of the Port and in the interests of national and regional trade and local economic and social objectives. The Port Authority's head office is located at 100 Main Street, Thunder Bay, Ontario, Canada.

2. Basis of Preparation

Statement of Compliance

The Thunder Bay Port Authority is classified as a Government Business Enterprise ("GBE"). As a GBE, the financial statements of the Port Authority have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on March 14, 2018.

Basis of measurement

These financial statements were prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets. The functional and presentation currency is the Canadian dollar, rounded to the nearest dollar.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities include the determination of the estimated useful life and potential impairment of property, plant and equipment and their components (Note 5), the determination of the allowance for doubtful accounts (Note 3), and the calculation of payments in lieu of taxes (Note 6). Actual results could differ from management's best estimates as additional information becomes available in the future.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

3. Accounts Receivable

	2017	2016
Trade receivables	\$ 451,066	\$ 570,230
Allowance for doubtful accounts	-	(3,430)
	\$ 451,066	\$ 566,800

Accounts receivable are measured at amortized cost using the effective interest method, less any impairment. Due to its short term nature, the carrying amount of the trade receivables approximate fair value. The Port Authority establishes an allowance for accounts where collection is doubtful. Allowances for doubtful receivables are recorded as a reduction to earnings in the period the allowance is identified. Accounts that have been previously allowed for and ultimate collection is considered not likely are written off.

Credit Risk

Credit risk is the risk of financial loss to the Port Authority if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Port Authority's accounts receivable. The Port Authority's exposure to credit loss equates to the carrying amount of these financial instruments.

The Port Authority mitigates its potential credit risk from accounts receivable through credit evaluation, approval and monitoring processes. Furthermore, it evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces receivables to the amount management reasonably believes will be collected.

The following summarizes the industry concentration of accounts receivable credit risk:

	2017		2016	
Shipping and transportation	\$214,800	47.62%	\$285,230	50.32%
Warehousing and storage	185,998	41.24%	245,505	43.31%
Other	50,268	11.14%	36,065	6.37%
	\$451,066	100.0%	\$566,800	100.0%

The following table provides information regarding the aging of trade receivables that are past due as at December 31, 2017:

	2017	2016
Current	\$ 291,273	\$ 286,775
31 to 60 days	95,804	218,534
61 to 90 days	56,422	20,610
Over 90 days	7,567	40,881
	\$ 451,066	\$ 566,800

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

4. Long Term Investments

The Port Authority classifies its investments as available-for-sale. These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value.

Changes in fair value are recognized as a separate component of other comprehensive income until the time of sale when the balance is recognized in net income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Interest on debt securities classified as available-for-sale is calculated using the effective interest method and is included in net income.

The following is a breakdown of the investments:

	2017	2016
Cash balances in investment accounts	\$ 3,171,817	\$ 1,259,753
Accrued interest	133,552	217,401
Bonds and debentures		
- maturing within one year	4,594,560	5,900,400
- maturing between 1 and 5 years	5,725,560	4,994,801
- maturing in more than 5 years	5,473,226	7,155,487
	\$ 19,098,715	\$ 19,527,842

The cost of investments held at December 31, 2017 is \$18,847,860 (December 31, 2016 - \$18,810,680).

The bonds and debentures, which are held in provincial and federal crown and corporate issues, have effective yields ranging from approximately 2.00% to 6.90%.

Credit Risk:

The Port Authority is exposed to credit risk relating to its debt holdings in its investment portfolio. The Port Authority mitigates its credit risk in respect of investments in bonds by adhering to investment policies that comply with the requirements of the Canada Marine Act and the Port Authorities Management Regulations. These requirements restrict bond investments to those that have a AA rating or better according to either Moody's Investors Service or Standard & Poor's. The Port Authority's investment brokers monitor the bond ratings to ensure the bonds held meet the minimum rating requirement on the date of purchase. It is the intention of the Port Authority to hold all bond investments until maturity, or until a date just prior to maturity, and as a result it does not involve itself in active trading of bonds or any other investments.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

4. Long Term Investments (cont'd)

The maximum exposure to investment credit risk is the carrying value of investments. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

The following summarizes the industry concentration of investment credit risk:

	<u>2017</u>	<u>2016</u>
Provincial bonds	27.04%	24.70%
Municipal bonds	12.81%	9.21%
Banks and financial institutions	<u>60.15%</u>	<u>66.09%</u>
	<u>100%</u>	<u>100%</u>

Market risk:

Market risk arises from the Port Authority's use of interest bearing, tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Port Authority's investments include government and corporate bonds and notes and as a result it is exposed to interest rate price risk on monetary financial assets that have a fixed interest rate. Sensitivity to a plus or minus 0.5% and 1.0% change in yields in the total bond portfolio would have increased or decreased comprehensive income for the year by approximately \$261,042 and \$522,084 respectively.

The Port Authority does not have direct exposure to equity investments in its portfolio; however, since the Port Authority invests in publicly traded corporate bonds, it exposes itself to the fluctuations in price that are inherent in such a market. Sensitivity to a plus or minus 1.0% change in the market value of the long term investments held at the year end would have resulted in an increase or decrease in comprehensive income of \$157,933.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

4. Long Term Investments (cont'd)

Fair value hierarchy:

The Port Authority applies a three-tier hierarchy framework for disclosing fair value of financial instruments, based on whether the inputs into the various valuation techniques are observable or unobservable. Observable techniques reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions. Changes in valuation techniques of financial instruments may result in transfers of assigned levels. The hierarchy of input is as follows:

Level I - Quoted prices in active markets for identical assets or liabilities;

Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly; and

Level III - Inputs that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Cash equivalents	\$ 3,171,817	\$ -	\$ -	\$ 3,171,817
Bonds and debentures	-	15,926,898	-	15,926,898
	\$ 3,171,817	\$ 15,926,898	\$ -	\$ 19,098,715
December 31, 2016				
Cash equivalents	\$ 1,259,753	\$ -	\$ -	\$ 1,259,753
Bonds and debentures	-	18,268,089	-	18,268,089
	\$ 1,259,753	\$ 18,268,089	\$ -	\$ 19,527,842

There has been no change in hierarchy levels during the year.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

5. Property, Plant and Equipment

On initial recognition, property, plant and equipment is valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Port Authority.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, breakwaters, dredging and land reclamation contributed by the Government of Canada, which is not depreciated.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The carrying amount of replaced property, plant and equipment is derecognized as replaced. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation is recognized in comprehensive income and is provided on a straight-line basis, commencing when the asset is available for use, using rates based on the estimated useful life of the asset. Depreciation rates are as follows:

Wharf, terminal, and other buildings	-	2 to 5%
Rail trackage	-	4%
Marine equipment and storage	-	5 to 15%
Automotive equipment	-	30%
Other equipment	-	5 to 20%
Harbour park - infrastructure	-	5%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Government Grants

Government grants are recognized at fair value when it is reasonably assured that the grant will be received and the Port Authority will comply with all attached conditions. Government grants relating to property and equipment are deducted from the cost therein and depreciation is recorded on a net basis.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

5. Property, Plant and Equipment (cont'd)

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park infrastructure	Breakwaters, dredging and land reclamation	Land	Total
Year Ended									
December 31, 2017									
Cost, beginning balance	\$21,996,657	\$ 1,593,090	\$ 218,641	\$ 302,461	\$ 3,494,799	\$ 672,085	\$11,259,545	\$ 716,119	\$40,253,397
Additions, net of grants	819,171	109,124	-	8,297	45,647	-	-	-	982,239
Disposals	-	-	-	-	(11,733)	-	-	-	(11,733)
Cost, ending balance	22,815,828	1,702,214	218,641	310,758	3,528,713	672,085	11,259,545	716,119	41,223,903
Accumulated depreciation, beginning balance	14,231,942	1,059,223	213,264	279,299	1,249,220	498,459	-	-	17,531,407
Depreciation	339,854	30,595	279	11,134	150,459	15,190	-	-	547,511
Disposals	-	-	-	-	(11,733)	-	-	-	(11,733)
Accumulated depreciation, ending balance	14,571,796	1,089,818	213,543	290,433	1,387,946	513,649	-	-	18,067,185
Net Book Value	\$ 8,244,032	\$ 612,396	\$ 5,098	\$ 20,325	\$ 2,140,767	\$ 158,436	\$11,259,545	\$ 716,119	\$23,156,718

**Thunder Bay Port Authority
Notes to Financial Statements**

December 31, 2017 (expressed in CAD \$)

5. Property, Plant and Equipment (cont'd)

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park infrastructure	Breakwaters, dredging and land reclamation	Land	Total
Year Ended									
December 31, 2016									
Cost, beginning balance	\$21,250,728	\$ 1,506,680	\$ 213,055	\$ 282,441	\$ 3,479,810	\$ 672,085	\$11,259,545	\$ 716,119	\$39,380,463
Additions, net of grants	745,929	86,410	5,586	20,020	14,989	-	-	-	872,934
Cost, ending balance	21,996,657	1,593,090	218,641	302,461	3,494,799	672,085	11,259,545	716,119	40,253,397
Accumulated depreciation, beginning balance	13,916,821	1,030,445	213,055	270,014	1,114,448	483,269	-	-	17,028,052
Depreciation	315,121	28,778	209	9,285	134,772	15,190	-	-	503,355
Accumulated depreciation, ending balance	14,231,942	1,059,223	213,264	279,299	1,249,220	498,459	-	-	17,531,407
Net Book Value	\$ 7,764,715	\$ 533,867	\$ 5,377	\$ 23,162	\$ 2,245,579	\$ 173,626	\$11,259,545	\$ 716,119	\$22,721,990

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

6. Payments in Lieu of Municipal Taxes

Under the Constitution Act, 1867, the federal government is exempt from local taxation. Thunder Bay Port Authority is an agent of the federal government for the purposes of Section 28 (2)(a) of the Canada Marine Act. To recognize the services it receives from the Municipality, the Port Authority pays its fair share of the cost of local government. Payments are estimated in accordance with the provisions of the Payments in Lieu of Taxes Act. Accruals are re-evaluated each year and charges, if any, are made in the current period's financial statements based upon the best available information relating to valuation of property.

7. Gross Revenue Charge

Under its letters patent, the Port Authority is required to pay a gross revenue charge to the Minister of Transport equal to 2% of the calculated gross revenue, including investment income, for the fiscal year.

8. Pension Plan Expense

The Port Authority maintains a defined contribution pension plan for its full-time employees with more than six months of continuous service and part-time employees with more than two years of continuous service. Pension benefits are vested after two years of continuous membership in the plan. Pension expense is equal to the Port Authority's contribution for the year.

Pension expense of \$56,699 for the year (\$55,652 for the year ending December 31, 2016) is included in wages and benefits.

9. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognized when the amount of revenue can be reliably measured, collection is probable and when it is likely that the economic benefits associated with the transaction will flow to the Port Authority.

Terminal revenues include throughput, storage and leasing revenue. Harbour park revenues include leasing revenue, while intercity revenues include berthage and leasing revenue. Throughput and storage revenues are recognized monthly based on goods handled and stored at Port facilities. Revenue from leases and licenses are recognized monthly on a straight line basis according to the applicable agreements. Any lease revenues that have been prepaid by tenants have been recorded as deferred rental income. Berthage revenue is based on the period of time a vessel is docked. Harbour revenue from vessels entering the Port is based upon cargo volumes and is recorded at the time the vessels leave the port.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

10. Operating Leases

The Port Authority leases out a number of warehouse and storage facilities under operating leases. A lease is an agreement whereby the Port Authority, the lessor, conveys to the tenant, the lessee, in return for a payment, or a series of payments, the right to use an asset, generally land and buildings, for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are retained by the Port Authority are classified as operating leases. Operating lease rentals are recognized on a straight-line basis over the period of the lease. Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. As at December 31, 2017, the Port Authority did not have any finance lease agreements.

Future minimum lease payments

The following table provides the future minimum lease payments under non-cancellable operating leases in effect as at December 31, 2017:

	<u>2017</u>	<u>2016</u>
Expiring in less than one year	\$ 189,758	\$ 205,349
Expiring between one and five years	1,134,064	1,464,373
Expiring greater than five years	1,564,388	1,603,560
	<u>\$ 2,888,210</u>	<u>\$ 3,273,282</u>

The following table provides the amount of lease rentals that were included in operating revenues for the year ended December 31, 2017:

	<u>2017</u>	<u>2016</u>
Terminal	\$ 770,367	\$ 758,025
Harbour and Harbour Park	183,847	183,439
Intercity	42,504	42,182
	<u>\$ 996,718</u>	<u>\$ 983,646</u>

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

11. Directors and Key Management Remuneration

In accordance with disclosure required by Section 37(3) of the Canada Marine Act, the following amounts were paid to directors and key management during the year:

	2017	2016
Gregory S. Arason, Chair	\$ 30,734	\$ 27,343
John Aiken, Chair of Audit Committee	20,452	8,270
Tracy Buckler, Director	17,175	16,237
Pritam S. Lamba, Director	17,175	16,455
David D. O'Brien, Director	-	8,097
Emilio F. Rigato, Director	-	17,627
Bonnie Skene, Chair of Governance Committee	21,356	17,341
Murray J. Walberg, Director	6,591	16,728
Dianne Miller, Director	11,036	-
Charla Robinson, Director	17,175	-
Tim Heney, Chief Executive Officer - salary	196,057	188,565
- benefits	23,835	24,099
Guy Jarvis, Harbour Master - salary	139,394	134,013
- benefits	14,511	14,704

12. Capital and Liquidity Risk Management

The Port Authority's objective when managing capital is to maintain adequate levels of funding to support its operations and to maintain corporate and administrative functions. The Port Authority manages its capital structure and makes adjustments to it in light of economic conditions. As the Port Authority is a government business enterprise, its original source of capital is from the contribution of capital assets from the Canadian Government. The Port Authority is not exposed to any externally imposed capital requirements.

Liquidity risk is the risk that the Port Authority will not be able to meet financial obligations as they become due. The Port Authority's policy is to ensure that it will always have sufficient cash to meet its liabilities when they become due. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Port Authority strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due. The Port Authority monitors cash balances regularly and has access to long-term investments, which can be readily converted into cash should it be required. The Port Authority's accounts payable and accrued liabilities are contractually due within the next twelve months.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2017 (expressed in CAD \$)

13. Standards, Amendments and Interpretations Not Yet Effective

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Port Authority, are as follows:

IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new standard also introduces a new impairment model. IFRS 9 outlines a general approach to impairment that is applicable to financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income. It also applies to loan commitments and financial guarantee contracts. The standard also allows for a simplified impairment approach for trade receivables, lease receivables and purchased credit impaired financial assets. The standard is effective for annual periods beginning on or after January 1, 2018. The Port Authority is in the process of evaluating the impact of the new standard on the accounting for available-for-sale investments.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15, Revenue from Contracts with Customers, is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The principle of revenue recognition has moved from a transfer of risks and rewards to the transfer of control of the goods or services to the customer. IFRS 15 focuses on the transfer of control. Risks and rewards may be an indicator of when control transfers, however it will no longer be the primary basis for revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Port Authority is in the process of evaluating the impact of the new standard.

IFRS 16 Leases:

IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value, will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. For many entities the effect of bringing all leases on the statement of financial position will be very significant and will require careful planning. Entities are required to apply IFRS 16 for annual periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been adopted. The Port Authority is in the process of evaluating the impact of the new standard.

14. Comparative Amounts

For comparison purposes, certain items of the previous year have been restated to reflect the financial statement presentation adopted in the current year.

Thunder Bay Port Authority Schedule of Expenses

For the year ended December 31 (expressed in CAD \$)	2017	2016
Terminal		
Equipment operator	\$ 16,870	\$ 29,980
Insurance	65,938	65,912
Miscellaneous	1,658	1,465
Mobile equipment repairs and maintenance	52,084	118,371
Professional fees	5,361	18,208
Property repairs and maintenance	210,771	213,259
Security	117,191	120,936
Utilities	190,202	161,824
Salaries, wages and benefits	75,736	79,525
	<u>\$ 735,811</u>	<u>\$ 809,480</u>
Harbour and Harbour Park		
Harbour services	\$ 7,920	\$ 13,290
Insurance	27,776	28,423
Miscellaneous	7,045	3,095
Professional fees	21,084	454
Vessel	5,645	3,336
Salaries, wages and benefits	48,814	48,410
	<u>\$ 118,284</u>	<u>\$ 97,008</u>
Intercity		
Insurance	\$ 3,073	\$ 2,328
Maintenance and repairs	3,667	3,160
Professional fees	-	15,257
Security	11,218	12,881
Utilities	10,707	8,474
	<u>\$ 28,665</u>	<u>\$ 42,100</u>
Administrative		
Automotive	\$ 12,356	\$ 13,243
Board travel, meetings and other	49,409	29,375
Honoraria	147,362	132,308
Insurance	14,016	19,487
Maintenance	11,081	14,504
Management travel, meetings and other	32,068	31,584
Office	171,700	161,799
Promotion	94,116	92,572
Professional fees	43,463	36,874
Salaries, wages and benefits	664,397	612,044
Seminars and training	8,745	9,817
	<u>\$ 1,248,713</u>	<u>\$ 1,153,607</u>

The accompanying notes are an integral part of these financial statements.