

Thunder Bay Port Authority
Financial Statements
For the year ended December 31, 2016

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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, 2016, 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, 2016, 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 8, 2017

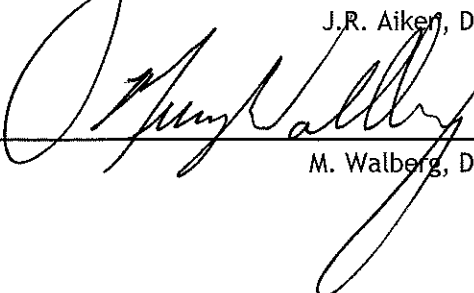
Thunder Bay Port Authority Statement of Financial Position

As at December 31 (expressed in CAD \$)	2016	2015
Assets		
Current		
Cash	\$ 124,775	\$ 513,335
Accounts receivable (Note 3)	651,197	637,356
Prepaid expenses	46,594	48,343
	822,566	1,199,034
Non-current		
Long term investments (Note 4)	19,527,842	19,081,738
Property, plant and equipment (Note 5)	22,721,990	22,352,411
	\$ 43,072,398	\$ 42,633,183
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities	\$ 784,247	\$ 860,592
Provisions	32,639	31,492
Deferred rental income	94,209	92,489
	911,095	984,573
Equity		
Contributed surplus	27,711,964	27,711,964
Retained earnings	14,026,314	13,222,874
Accumulated other comprehensive income	423,025	713,772
	42,161,303	41,648,610
	\$ 43,072,398	\$ 42,633,183

On behalf of the Board:



 J.R. Aiker, Director



 M. Walberg, Director

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

Thunder Bay Port Authority Statement of Comprehensive Income

For the year ended December 31 (expressed in CAD \$)	2016	2015
Operating revenues		
Terminal	\$ 2,161,139	\$ 2,014,394
Harbour and Harbour Park	854,089	902,743
Intercity	120,182	64,016
	<u>3,135,410</u>	<u>2,981,153</u>
Expenses (Schedule)		
Terminal	779,500	674,563
Harbour and Harbour Park	126,988	110,735
Intercity	42,100	38,523
Administrative	1,153,607	1,164,584
	<u>2,102,195</u>	<u>1,988,405</u>
Earnings from operations before the following	1,033,215	992,748
Gain on sale of equipment	-	15,833
Payments in lieu of municipal taxes (Note 6)	(265,286)	(257,750)
Gross revenue charge (Note 7)	(74,985)	(72,473)
Depreciation	(503,355)	(499,682)
	<u>189,589</u>	<u>178,676</u>
Earnings from operations	189,589	178,676
Investment income	613,851	630,084
	<u>803,440</u>	<u>808,760</u>
Earnings for the year	803,440	808,760
Other comprehensive income		
Item that may be reclassified subsequently to comprehensive income:		
- Unrealized losses on available-for-sale financial assets arising during the year	(290,747)	(29,077)
	<u>512,693</u>	<u>779,683</u>
Comprehensive income for the year	<u>\$ 512,693</u>	<u>\$ 779,683</u>

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, 2016 (expressed in CAD \$)

	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Equity, January 1, 2015	\$ 27,711,964	\$ 12,414,114	\$ 742,849	\$ 40,868,927
Earnings for the year	-	808,760	-	808,760
Other comprehensive loss	-	-	(29,077)	(29,077)
	-	808,760	(29,077)	779,683
Equity, December 31, 2015	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

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 \$)	2016	2015
Cash flows from operating activities		
Earnings for the year	\$ 803,440	\$ 808,760
Items not involving cash		
Depreciation	503,355	499,682
Gain on sale of equipment	-	(15,833)
	<u>1,306,795</u>	<u>1,292,609</u>
Change in non-cash working capital balances		
Accounts receivable	(13,841)	(47,465)
Prepaid expenses	1,749	63
Accounts payable and accrued liabilities	(76,345)	75,924
Provisions	1,147	738
Deferred rental income	1,720	(2,060)
	<u>1,221,225</u>	<u>1,319,809</u>
Cash flows from investing activities		
Net increase in long term investments	(736,851)	(930,084)
Proceeds on sale of equipment	-	70,000
Purchase of property, plant and equipment	(872,934)	(358,633)
	<u>(1,609,785)</u>	<u>(1,218,717)</u>
Increase (decrease) in cash during the year	(388,560)	101,092
Cash, beginning of year	513,335	412,243
Cash, end of year	\$ 124,775	\$ 513,335

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

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2016 (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 8, 2017.

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, 2016 (expressed in CAD \$)

3. Accounts Receivable

	2016	2015
Trade receivables	\$ 654,627	\$ 640,786
Allowance for doubtful accounts	(3,430)	(3,430)
	\$ 651,197	\$ 637,356

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 and investments in bonds. 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:

	2016		2015	
Project cargo	\$ 261	0.04%	\$ 4,699	0.74%
Shipping and transportation	288,609	44.32%	206,029	32.32%
Warehousing and storage	301,868	46.36%	335,039	52.57%
Other	60,459	9.28%	91,589	14.37%
	\$651,197	100.0%	\$637,356	100.0%

The following table provides information regarding the aging of trade receivables that are past due as at December 31, 2016:

	2016		2015	
Current	\$ 371,172	\$	347,689	
31 to 60 days	218,534		224,285	
61 to 90 days	20,610		13,065	
Over 90 days	40,881		52,317	
	\$ 651,197	\$	637,356	

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2016 (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:

	2016	2015
Cash balances in investment accounts	\$ 1,259,753	\$ 826,892
Accrued interest	217,401	242,052
Bonds and debentures		
- maturing within one year	5,900,400	4,242,296
- maturing between 1 and 5 years	4,994,801	6,218,298
- maturing in more than 5 years	7,155,487	7,552,200
	\$ 19,527,842	\$ 19,081,738

The cost of investments held at December 31, 2016 is \$18,810,680 (December 31, 2015 - \$18,049,178).

The bonds and debentures, which are held in provincial and federal crown and corporate issues, have effective yields ranging from approximately 1.85% 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, 2016 (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:

	2016	2015
Provincial bonds	24.70%	22.73%
Municipal bonds	9.21%	8.44%
Banks and financial institutions	66.09%	67.67%
Other	0.00%	1.16%
	100.0%	100.0%

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 \$290,300 and \$580,600 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 \$180,600.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2016 (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, 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
December 31, 2015				
Cash equivalents	\$ 826,892	\$ -	\$ -	\$ 826,892
Bonds and debentures	-	18,254,846	-	18,254,846
	\$ 826,892	\$ 18,254,846	\$ -	\$ 19,081,738

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

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2016 (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, 2016 (expressed in CAD \$)

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

Year Ended	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
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, 2016 (expressed in CAD \$)

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

Year Ended	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
December 31, 2015									
Cost, beginning balance	\$21,034,975	\$ 1,476,484	\$ 213,055	\$ 282,441	\$ 3,542,881	\$ 561,330	\$11,259,545	\$ 716,119	\$39,086,830
Additions, net of grants	215,753	30,196	-	-	1,929	110,755	-	-	358,633
Disposals	-	-	-	-	(65,000)	-	-	-	(65,000)
Cost, ending balance	21,250,728	1,506,680	213,055	282,441	3,479,810	672,085	11,259,545	716,119	39,380,463
Accumulated depreciation, beginning balance	13,608,564	1,004,589	213,055	261,730	978,393	472,872	-	-	16,539,203
Depreciation	308,257	25,856	-	8,284	146,888	10,397	-	-	499,682
Disposals	-	-	-	-	(10,833)	-	-	-	(10,833)
Accumulated depreciation, ending balance	13,916,821	1,030,445	213,055	270,014	1,114,448	483,269	-	-	17,028,052
Net Book Value	\$ 7,333,907	\$ 476,235	\$ -	\$ 12,427	\$ 2,365,362	\$ 188,816	\$11,259,545	\$ 716,119	\$22,352,411

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2016 (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 \$55,652 for the year (\$53,566 for the year ending December 31, 2015) 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, 2016 (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, 2016, 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, 2016:

	<u>2016</u>	<u>2015</u>
Expiring in less than one year	\$ 205,349	\$ 185,732
Expiring between one and five years	1,464,373	2,231,947
Expiring greater than five years	1,603,560	1,425,135
	<u>\$ 3,273,282</u>	<u>\$ 3,842,814</u>

The following table provides the amount of lease rentals that were included in operating revenues for the year ended December 31, 2016:

	<u>2016</u>	<u>2015</u>
Terminal	\$ 758,025	\$ 756,488
Harbour and Harbour Park	183,439	202,961
Intercity	42,182	41,216
	<u>\$ 983,646</u>	<u>\$ 1,000,665</u>

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2016 (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:

	2016	2015
Gregory S. Arason, Chair	\$ 27,343	\$ 28,820
John Aiken, Chair of Audit Committee	8,270	nil
Tracy Buckler, Director	16,237	9,583
Pritam S. Lamba, Director	16,455	16,820
David D. O'Brien, Director	8,097	22,100
Emilio F. Rigato, Chair of Governance Committee	17,627	19,800
Bonnie Skene, Director	17,341	16,060
Murray J. Walberg, Director	16,728	21,230
Tim Heney, Chief Executive Officer - salary	188,565	185,235
- benefits	24,099	24,562
Guy Jarvis, Harbour Master - salary	134,013	130,414
- benefits	14,704	14,496

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, 2016 (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.

Thunder Bay Port Authority Schedule of Expenses

For the year ended December 31 (expressed in CAD \$)	2016	2015
Terminal		
Bad debts	\$ -	\$ 3,430
Insurance	65,912	64,383
Miscellaneous	1,465	1,526
Mobile equipment repairs and maintenance	118,371	70,816
Professional fees	18,208	11,951
Property repairs and maintenance	213,259	183,460
Security	120,936	105,930
Utilities	161,824	148,053
Salaries, wages and benefits	79,525	85,014
	\$ 779,500	\$ 674,563
Harbour and Harbour Park		
Harbour services	\$ 13,290	\$ -
Insurance	28,423	27,120
Miscellaneous	3,095	1,803
Professional fees	454	7,967
Vessel	33,316	26,807
Salaries, wages and benefits	48,410	47,038
	\$ 126,988	\$ 110,735
Intercity		
Insurance	\$ 2,328	\$ 2,442
Maintenance and repairs	3,160	4,677
Professional fees	15,257	1,569
Security	12,881	12,368
Utilities	8,474	17,467
	\$ 42,100	\$ 38,523
Administrative		
Automotive	\$ 13,243	\$ 12,336
Board travel, meetings and other	29,375	36,343
Honoraria	132,308	137,458
Insurance	19,487	19,289
Maintenance	14,504	272
Management travel, meetings and other	31,584	40,348
Office	161,799	154,976
Promotion	92,572	83,491
Professional fees	36,874	41,259
Salaries, wages and benefits	612,044	628,423
Seminars and training	9,817	10,389
	\$ 1,153,607	\$ 1,164,584

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