

Financial statements of the

Oshawa Port Authority

December 31, 2014

Oshawa Port Authority

December 31, 2014

Table of contents

Independent Auditor's Report 1-2

Statement of operations and comprehensive loss 3

Statement of changes in equity 4

Statement of financial position 5

Statement of cash flows 6

Notes to the financial statements 7-16

Schedule of administrative expenses - Schedule 1 17

Schedule of marina expenses - Schedule 2 18

Schedule of property, plant, equipment - Schedule 3 19

Independent Auditor's Report

To the Board of Directors of the
Oshawa Port Authority

We have audited the accompanying financial statements of the Oshawa Port Authority, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and comprehensive loss, changes in equity, and statement of 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 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 the Oshawa Port Authority as at December 31, 2014, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 20, 2015
Toronto, Ontario

Oshawa Port Authority

Statement of operations and comprehensive loss year ended December 31, 2014

	2014	2013
	\$	\$
Revenue		
Top wharfage	350,729	265,068
Harbour dues and side wharfage	75,608	60,356
Property management	1,034,707	1,368,009
ISPS security	21,550	9,190
Interest and other income	13,737	16,081
	1,496,331	1,718,704
Expenditures		
Administrative - Schedule 1	719,328	668,556
Amortization of maintenance dredging	405,957	270,285
Amortization of property, plant, equipment and other assets	202,169	199,715
Harbour security	13,271	18,169
Maintenance general	57,519	53,326
Professional fees	83,567	75,307
Gross revenue charge	29,927	34,374
Bad debts	40	318
	1,511,778	1,320,050
(Loss) earnings before the following	(15,447)	398,654
Marina expenses - Schedule 2	802	11,313
Net (loss) income and comprehensive (loss) income	(16,249)	387,341

The accompanying notes to the financial statements are an integral part of this financial statement.

Oshawa Port Authority

Statement of changes in equity year ended December 31, 2014

	2014	2013
	\$	\$
Balance, beginning of year	8,724,683	8,337,342
Net (loss) income and comprehensive (loss) income	(16,249)	387,341
Balance, end of year	8,708,434	8,724,683


The accompanying notes to the financial statements are an integral part of this financial statement.

Oshawa Port Authority


Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	-	73,026
Restricted cash (Note 9(b))	1,482,322	160,917
Accounts receivable	582,555	330,477
Mortgage receivable (Note 5)	356,668	356,668
Land held for sale	97,706	97,706
Prepaid expenses	18,709	6,860
	2,537,960	1,025,654
Property, plant, equipment and other assets - Schedule 3	9,182,825	7,960,601
Maintenance dredging (Note 4)	1,174,647	1,398,104
	12,895,432	10,384,359
Liabilities		
Current liabilities		
Bank indebtedness (Note 6)	5,958	-
Accounts payable and accrued liabilities	1,920,455	785,497
Deferred revenue	238,263	173,262
Deposits	540,000	540,000
Deferred contributions (Note 9(b))	1,482,322	160,917
	4,186,998	1,659,676
Equity	8,708,434	8,724,683
	12,895,432	10,384,359

Approved by the Board



Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Oshawa Port Authority

Statement of cash flows year ended December 31, 2014

	2014	2013
	\$	\$
Operating activities		
Net (loss) income and comprehensive (loss) income	(16,249)	387,341
Items not affecting cash		
Amortization of maintenance dredging	405,957	270,285
Amortization of property, plant, equipment and other assets	202,169	199,715
	591,877	857,341
Changes in non-cash operating items		
Accounts receivable	(252,078)	170,417
Prepaid expenses	(11,849)	50,298
Accounts payable and accrued liabilities	(143,445)	(8,539)
Deposits	-	540,000
Deferred revenue	65,001	173,262
	249,506	1,782,779
Investing activities		
Purchase of property, plant, equipment and other assets	(145,990)	(1,063,719)
Maintenance dredging	(182,500)	(1,153,450)
Decrease in term deposits	-	423,812
	(328,490)	(1,793,357)
Financing activity		
Bank indebtedness	5,958	-
Decrease in cash position	(73,026)	(10,578)
Cash, beginning of year	73,026	83,604
Cash, end of year	-	73,026
Supplemental cash flow disclosure		
Increase (decrease) in restricted cash and deferred contributions	1,321,405	(50,560)
Additions to property, plant and equipment that were not paid at year end	1,278,403	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

1. General information and Canada Marine Act status

The Oshawa Port Authority (the "Port Authority") is a single entity operating pursuant to Letters Patent issued by the Federal Minister of Transport. The Port Authority is a corporation without any share capital. The Port Authority is domiciled in Canada and the address of its registered office is:

1621 Simcoe Street South
Oshawa, Ontario
L1H 8J7

The port of Oshawa, located on the north shore of Lake Ontario, plays an important role in the economic development of the region by providing cost-effective access to the highly industrialized centres of south central Ontario and the northeastern United States.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs and new Interpretations that are mandatorily effective for the current year

In the current year, the Port Authority has applied a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to International Accounting Standards (IAS) 32 *Offsetting Financial Assets and Financial Liabilities*

The Port Authority has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments have been applied retrospectively. As the Port Authority does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Port Authority's financial statements.

International Financial Reporting Interpretation Committee (IFRIC) 21 *Levies*

The Port Authority has applied IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statement preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognized in the Port Authority's financial statements

New and revised IFRSs in issue but not yet effective

The Port Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss (FVTPL), IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- New general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 (continued)

Management of the Port Authority anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Port Authority's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Port Authority undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management of the Port Authority anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Port Authority's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Port Authority performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based amortization method for items of property and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Port Authority uses either the declining balance or the straight-line method for amortization for its property and equipment. Management of the Port Authority believe that these methods are the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, Management of the Port Authority do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Port Authority's financial statements.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRSs in issue but not yet effective (continued)

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated amortization when an item of property and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Management of the Port Authority do not anticipate that the application of these amendments will have a significant impact on the Port Authority's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRSs in issue but not yet effective (continued)

Annual Improvements to IFRSs 2011-2013 Cycle (continued)

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) The property meets the definition of investment property in terms of IAS 40; and
- (b) The transaction meets the definition of a business combination under IFRS 3.

3. Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation

The financial statements were prepared on a going concern basis, under the historical cost convention. All financial information is presented in Canadian dollars, the Port Authority's functional currency.

The significant accounting policies set out below were consistently applied to all of the periods presented.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form 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.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The Port Authority has applied judgment in its classification of items such as financial instruments and identifying the indicators of impairment for property, plant, equipment and other assets.

Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment and maintenance dredging for amortization purposes, amounts recorded as accrued liabilities, provisions and contingent liabilities including matters in litigation.

Cash and cash equivalents

Cash and cash equivalents include cash with financial institutions, demand deposits and short-term investments with original maturities of less than three months.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Port Authority's financial assets and financial liabilities are classified and measured as follows:

<u>Asset/liabilities</u>	<u>Category</u>	<u>Measurement</u>
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable and mortgage receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Deferred contributions	Other liabilities	Amortized cost

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated amortization and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset to bring the asset to a working condition for its intended use, and capitalized borrowing costs. The commencement date for capitalization of costs occurs when the Port Authority first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use. Amortization commences when the assets are available for use and is recognized on a straight-line basis to amortize the cost of these assets to their estimated residual value over their estimated useful lives. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of the asset and amortized over their estimated useful life on a straight-line basis.

Amortization methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in net income in the period the item is derecognized.

Government contributions representing funding and assistance received related to capitalized property, plant and equipment are amortized to income on the same basis as the related costs are amortized.

Land and capital dredging included in the accounts are not amortized.

Impairment of long-lived assets

At the end of each reporting period, the Port Authority reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Port Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

3. Significant accounting policies (continued)

Maintenance dredging

Maintenance dredging costs are deferred and amortized on a straight-line basis over three or fifteen years, depending on the nature of the related maintenance dredging.

Deferred revenue

Property management revenues are allocated to the respective periods in which they are earned.

Provisions

Provisions are recognized when a present obligation (legal or constructive) is, as a result of a past event, probable that the Port Authority will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Comprehensive income

The Port Authority is required to report total comprehensive income and its components in the financial statements, however the Port Authority has no other comprehensive income and accordingly, the Port Authority's net income equals the total comprehensive income.

Revenue recognition

The Port Authority recognizes revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Gross revenue charge

In order to maintain its Letters Patent in good standing, the Port Authority is required to pay annually to Transport Canada a charge on gross revenue, which is calculated as follows:

Gross revenue	Charge
	%
Up to \$10,000,000	2
On the next \$10,000,000	4
On the next \$40,000,000	6
On the next \$10,000,000	4
Over \$70,000,000	2

Income taxes

The Port Authority is incorporated under the Canada Marine Act and is therefore not subject to income taxes.

4. Maintenance dredging

	2014	2013
	\$	\$
Cost	2,380,276	1,226,826
Additions	182,500	1,153,450
Accumulated amortization	(1,388,129)	(982,172)
Closing net book value	1,174,647	1,398,104

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

5. Mortgage receivable

	2014	2013
	\$	\$
Prime plus 0.5% mortgage receivable; no specific principal repayment terms, with monthly interest only payments which are adjusted monthly to reflect changes in the prime interest rate	356,668	356,668

6. Line of credit

The Port Authority has a revolving demand credit facility for \$500,000 of which \$Nil (2013 - \$Nil) was drawn down at the balance sheet date. This credit facility bears interest at the bank's prime rate plus 1% per annum, and is secured by a general security agreement.

7. Risk management

In the normal course of business, the Port Authority is exposed to a variety of financial risks: interest rate risk and credit risk. The Port Authority's primary risk management objective is to preserve capital. Risk management strategies, as discussed below, are designed and implemented to ensure the Port Authority's risk and related exposures are consistent with its objective and risk tolerances.

Currency risk

At year-end there were no financial instruments denominated in foreign currencies.

Interest rate risk

Interest rate risk describes the Port Authority's exposure to changes in general levels of interest rates. Interest rate risk arises when the Port Authority's term deposits come due and need to be renewed. At December 31, 2014, the Port Authority did not have any term deposits outstanding.

The Port Authority does not have any financial instruments that are subject to significant market risk as they only invest in term deposits with Canadian chartered banks.

Credit risk

The Port Authority's principal financial assets are cash and cash equivalents, accounts receivable and mortgage receivable, which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represent the Port Authority's maximum credit exposure at the balance sheet date.

The Port Authority's credit risk is primarily attributable to its accounts receivable and mortgage receivable. The amounts disclosed in the balance sheet for accounts receivable are net of allowance for doubtful accounts, estimated by the Port Authority management based on previous experiences and its assessment of the current economic environment.

The credit risk related to the mortgage receivable is considered low. The credit risk on cash and cash equivalents is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

The collateral, in the form of land, is held by the Port Authority; management monitors the credit worthiness of the mortgagee on a regular basis and believes there is no issue as to the recoverability of this amount.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

7. Risk management (continued)

Credit risk (continued)

The aging of accounts receivable is:

	2014	2013
	\$	\$
Trade		
Current	500,686	261,149
Aged between 31-90 days	43,191	69,646
Aged greater than 90 days	38,996	-
	582,873	330,795
Allowance for doubtful accounts	(318)	(318)
	582,555	330,477

Fair value

The fair values of all financial assets and liabilities approximate their carrying values either as a result of their short-term nature or their variable rate nature.

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash	-	-	73,026	73,026
Restricted cash	1,482,322	1,482,322	160,917	160,917
Accounts receivable	582,555	582,555	330,477	330,477
Mortgage receivables	356,668	356,668	356,668	356,668
Financial liabilities				
Bank indebtedness	5,958	5,958	-	-
Accounts payable and accrued liabilities	1,920,455	1,920,455	785,497	785,497
Deferred contributions	1,482,322	1,482,322	160,917	160,917

Liquidity risk

The Port Authority's objective is to have sufficient liquidity to meet its liabilities when due. The Port Authority monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2014, the most significant financial liability was accounts payable and accrued liabilities.

8. Capital disclosures

The Port Authority's objective when managing capital is to ensure sufficient liquidity to support its financial obligations and execute the operational and strategic plans to continue to provide benefits for its stakeholders and to remain financially self-sufficient. The Port Authority continually assesses its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets. According to its Letters Patent, the Port Authority's aggregate borrowing cannot exceed \$500,000, nor can the Port Authority borrow funds as agent of Her Majesty. Currently, the Port Authority largely relies on cash flows from operations to fund its capital investment program. The Port Authority's capital is comprised of its equity.

Oshawa Port Authority

Notes to the financial statements

December 31, 2014

9. Commitments and port consolidation

a) Port consolidation project

An agreement between the Crown and the former Oshawa Harbour Commission was executed on September 28, 2010. The contribution agreement set forth the Crown's commitment to contribute \$10,000,000 towards the cost of implementing a port consolidation project, specifically, construction related to the movement of heavier industrial uses and activities from the West Wharf Crown Lands to the East Wharf. As at December 31, 2014, approximately \$2,342,913 (2013 - \$8,712,956) of this commitment remains to be spent.

b) Restricted cash

Pursuant to the contribution agreement, the Port Authority receives advance quarterly payments to be used for payment of eligible costs. Pursuant to the terms of the contribution agreement, these funds are to be held in a separate account and have been presented as restricted cash, and deferred contributions, accordingly.

c) Rail spur expansion

The Port Authority issued a \$4,796,000 purchase order to Canadian National Railway in order to proceed with the Oshawa Farewell Spur Expansion Project. As at December 31, 2014, approximately \$312,900 of this commitment remains to be spent.

10. Canada marine act and port authorities management regulations

Pursuant to subsection 37 (3) of the Canada Marine Act, total remuneration was paid to the following:

	2014	2013
	\$	\$
Director's fees		
Mr. Gary Valcour (Chair)	24,800	19,800
Mr. Bruce McArthur	9,600	4,000
Mr. Chris Kluczewski	9,600	4,200
Mr. Joe Allison	9,600	3,800
Mr. Norm Mackie	9,200	3,600
Mr. Peter Singh	9,200	3,400
Mr. Aleksandr Bolotenko	9,600	2,600
	81,600	41,400
President & CEO		
Ms. Donna Taylor		
Salaries and RRSP contribution in lieu of pension	146,189	117,615
Other benefits	10,374	13,604
	156,563	131,219
Financial information pursuant to section 35 of the Port Authorities Management Regulations is as follows:		
s. 35(1)(a) Wages, salaries and employee benefits	237,385	207,560
s. 35(1)(b) Professional fees and fees for consulting	82,735	75,307
s. 35(1)(c) Repairs and maintenance	57,519	53,326
s. 35(1)(d) Realty taxes	-	-

11. Approval of the financial statements

The financial statements were approved and authorized for issuance by the Board of Directors on April 20, 2015.

Oshawa Port Authority

Schedule of administrative expenses - Schedule 1 year ended December 31, 2014

	2014	2013
	\$	\$
Wages and benefits	237,385	207,560
Insurance	117,303	108,429
Advertising and promotion	88,440	101,257
Travel and meetings	62,348	80,805
Sponsorship	24,750	21,285
Association fees	22,476	22,614
Utilities	26,400	27,792
Honoraria	81,600	41,400
Office and miscellaneous	34,789	41,505
Telephone and communications	14,080	12,744
Interest and bank charges	9,757	3,165
	719,328	668,556

The accompanying notes to the financial statements are an integral part of this financial statement.

Oshawa Port Authority

Schedule of marina expenses - Schedule 2
year ended December 31, 2014

	2014	2013
	\$	\$
Insurance	692	8,007
Maintenance and repairs	40	2,940
Utilities	70	268
Security	-	98
	802	11,313

The accompanying notes to the financial statements are an integral part of this financial statement.

Oshawa Port Authority

Schedule of property, plant, equipment and other assets and accumulated amortization - Schedule 3 year ended December 31, 2014

	Useful life (years)	Cost or stated value (Note 3)			Accumulated amortization			Net book value	
		Balance 2013	Additions (net of disposals)	Balance 2014	Balance 2013	Provision and write offs (net of disposals)	Balance 2014	2013	2014
		\$	\$	\$	\$	\$	\$	\$	
Capital dredging	Indefinite	1,498,766	-	1,498,766	-	-	-	1,498,766	1,498,766
Miscellaneous harbour structures	10 to 40	367,591	4,297	371,888	(264,056)	(8,008)	(272,064)	103,535	99,824
Wharves	25 to 40	509,254	-	509,254	(443,876)	(11,967)	(455,843)	65,378	53,411
Piles and lake bottom structures	Indefinite	1,134,734	-	1,134,734	-	-	-	1,134,734	1,134,734
Piers	25 to 40	149,807	-	149,807	(97,639)	(2,739)	(100,378)	52,168	49,429
Pier dredging	Indefinite	51,933	-	51,933	-	-	-	51,933	51,933
Roads, fences, sewers, and culverts	20	496,167	23,490	519,657	(311,011)	(13,855)	(324,866)	185,156	194,791
Permanent sheds and terminals	20 to 40	963,132	-	963,132	(299,656)	(25,618)	(325,274)	663,476	637,858
Office equipment	10	144,893	-	144,893	(124,869)	(3,326)	(128,195)	20,024	16,698
Offices	10 to 40	522,143	-	522,143	(167,184)	(14,733)	(181,917)	354,959	340,226
Rail spur	Indefinite	2,377,645	1,288,750	3,666,395	-	-	-	2,377,645	3,666,395
Bulk storage and access areas	20 to 25	1,096,094	105,138	1,201,232	(778,701)	(29,765)	(808,466)	317,393	392,766
Storage domes	25 to 40	1,793,899	-	1,793,899	(1,069,418)	(60,645)	(1,130,063)	724,481	663,836
Transit shed	10 to 40	245,168	-	245,168	(224,065)	(3,564)	(227,629)	21,103	17,539
Tanker berth and cargo handling facility	40	758,845	2,718	761,563	(497,677)	(19,088)	(516,765)	261,168	244,798
Building	25 to 40	317,021	-	317,021	(220,233)	(5,504)	(225,737)	96,788	91,284
Study - Harbour	5	207,823	-	207,823	(207,823)	-	(207,823)	-	-
Vehicle	10	33,574	-	33,574	(1,680)	(3,357)	(5,037)	31,894	28,537
		12,668,489	1,424,393	14,092,882	(4,707,888)	(202,169)	(4,910,057)	7,960,601	9,182,825

The accompanying notes to the financial statements are an integral part of this financial statement.