

Financial statements of the

Oshawa Port Authority

December 31, 2016

Oshawa Port Authority

December 31, 2016

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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, 2016, 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, 2016, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the financial statements which indicates that the Port Authority incurred a net loss of \$4,431,458 during the year ended December 31, 2016 and, as of that date, the Port Authority's current liabilities exceeded its current assets by \$5,910,599. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Port Authority's ability to continue as a going concern.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
August 11, 2017

Oshawa Port Authority

Statement of operations and comprehensive loss year ended December 31, 2016

	2016	2015
	\$	\$
Revenue		
Top wharfage	444,235	383,920
Harbour dues and side wharfage	101,964	105,012
Property management	1,098,290	1,129,580
ISPS security	26,230	29,400
Interest and other income	41,222	8,091
	1,711,941	1,656,003
Expenditures		
Administrative - Schedule 1	734,858	735,188
Amortization of maintenance dredging	392,364	647,839
Amortization of property, plant, equipment and other assets	326,545	263,957
Harbour security	12,158	16,008
Maintenance general	89,953	47,017
Professional fees	343,785	147,342
Gross revenue charge	33,403	33,120
Demurrage and contractor expenses	18,560	-
Bad debts recovery	-	(18)
Loss on sale of property, plant, equipment and other assets	1,808	-
Arbitration award (Note 3)	4,189,965	-
	6,143,399	1,890,453
Net loss and comprehensive loss	(4,431,458)	(234,450)

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, 2016

	2016	2015
	\$	\$
Balance, beginning of year	8,473,984	8,708,434
Net loss and comprehensive loss	(4,431,458)	(234,450)
Balance, end of year	4,042,526	8,473,984

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, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	-	174,461
Restricted cash (Note 9(b))	-	105,985
Accounts receivable (Note 7)	239,117	395,134
Land held for sale	-	97,706
Prepaid expenses	17,109	27,466
	256,226	800,752
Property, plant, equipment and other assets - Schedule 2	8,975,513	8,951,692
Maintenance dredging (Note 4)	1,079,167	1,359,877
	10,310,906	11,112,321
Liabilities		
Current liabilities		
Bank indebtedness (Note 5)	266,946	-
Accounts payable and accrued liabilities	5,152,910	1,696,340
Deferred revenue	333,462	238,375
Deposits	510,000	597,637
Deferred contributions (Note 9(b))	-	105,985
Current portion of obligation under capital lease (Note 6)	1,213	-
	6,264,531	2,638,337
Obligation under capital lease (Note 6)	3,849	-
	6,268,380	2,638,337
Equity	4,042,526	8,473,984
	10,310,906	11,112,321

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, 2016

	2016	2015
	\$	\$
Operating activities		
Net loss and comprehensive loss	(4,431,458)	(234,450)
Items not affecting cash		
Amortization of maintenance dredging	392,364	647,839
Amortization of property, plant, equipment and other assets	326,545	263,957
Loss on sale of property, plant, equipment and other assets	1,808	-
	(3,710,741)	677,346
Changes in non-cash operating items		
Accounts receivable	156,017	187,421
Prepaid expenses	10,357	(8,757)
Accounts payable and accrued liabilities	3,211,406	(147,386)
Deposits	(87,637)	57,637
Deferred revenue	95,087	112
	(325,511)	766,373
Investing activities		
Purchase of property, plant, equipment and other assets	(3,437)	(109,553)
Maintenance dredging	(111,654)	(833,069)
Mortgage receivable proceeds	-	356,668
	(115,091)	(585,954)
Financing activities		
Bank indebtedness	266,946	(5,958)
Payments made on obligation under capital lease	(805)	-
	266,141	(5,958)
(Decrease) increase in cash position	(174,461)	174,461
Cash, beginning of year	174,461	-
Cash, end of year	-	174,461
Supplemental cash flow disclosure		
(Decrease) increase in restricted cash and deferred contributions	(105,985)	(1,376,337)
Additions to property, plant and equipment that were not paid at year end	256,778	11,614
Additions to property, plant and equipment acquired under capital lease	5,867	-
Prior year property, plant and equipment accruals paid in current year	11,614	88,343

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, 2016

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 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, 2016.

Amendments to IAS 1 Disclosure Initiatives

The Port Authority has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards to the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has had no impact on the disclosure or amounts recognized in the Port Authority's financial statements.

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

The Port Authority has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. As the Port Authority already uses the straight-line and declining balance methods for depreciation of property, plant and equipment, the application of these amendments has had no impact on the Port Authority's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Port Authority has applied these amendments for the first time this year. The Annual Improvements to IFRSs 2012 - 2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-sale distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

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

Amendments to IFRSs that are mandatorily effective for the current year (continued)

Annual Improvements to IFRSs 2012-2014 Cycle (continued)

The amendments to IFRS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on 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
IFRS 16	Leases
Amendments to IAS 7	Disclosure Initiative

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.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

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)

- 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.
- The 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.

The directors 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. This amendment is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

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.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors 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. This amendment is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

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

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

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed from lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and lease of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 1, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosure are required by IFRS 16.

The directors of the Port Authority anticipate that the application of IFRS 16 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 16 until the Port Authority performs a detailed review. This amendment is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities.

The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with earlier application permitted. The directors of the Port Authority do not anticipate that the application of these amendments will have a material impact on the Port Authority's financial statements.

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").

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

3. Significant accounting policies (continued)

Basis of preparation

The financial statements were prepared on the basis that the Port Authority is a going concern which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The Port Authority has incurred a significant loss this year of \$4,431,458 which creates material uncertainties and casts significant doubt upon the Port Authority's ability to continue as a going concern. This is mainly a result of a \$4,189,965 arbitration award that was made against the Port Authority during 2016.

While management believes that the use of the going concern assumption is appropriate, the ability of the Port Authority to continue as a going concern, is dependent upon its ability to negotiate payment terms relating to the arbitration award that match its cash flows from operations, or such other sources of financing or steps the Port Authority deems necessary and prudent.

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.

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.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

3. Significant accounting policies (continued)

Financial instruments (continued)

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	Loans and receivables	Amortized cost
Bank indebtedness	Other liabilities	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.

Capital leases

Office equipment, taken on lease on terms, which transfer substantially all benefits and risks of ownership to the Port Authority, is accounted for as a capital lease, as though the asset had been purchased and a liability incurred.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

3. Significant accounting policies (continued)

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.

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.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

4. Maintenance dredging

	2016	2015
	\$	\$
Cost	3,395,845	2,562,776
Additions	111,654	833,069
Accumulated amortization	(2,428,332)	(2,035,968)
Closing net book value	1,079,167	1,359,877

5. Line of credit

The Port Authority has a revolving demand credit facility for \$500,000 of which \$285,637 (2015 - \$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.

6. Obligation under capital lease

The following is a schedule of future minimum lease payments for office equipment under capital lease together with the balance of the obligation:

	\$
2017	1,572
2018	1,572
2019	1,572
2020	393
	5,109
Less amounts representing interest at 8.5%	47
Obligation under capital lease	5,062
Less current portion	1,213
	3,849

7. Risk management

In the normal course of business, the Port Authority is exposed to a variety of financial risks: interest rate risk, liquidity 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, 2016, 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.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

7. Risk management (continued)

Credit risk

The Port Authority's principal financial assets are cash and cash equivalents and accounts 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. 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 on cash and cash equivalents is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

The aging of accounts receivable is:

	2016	2015
	\$	\$
Trade		
Current	172,235	385,631
Aged between 31-90 days	55,772	9,503
Aged greater than 90 days	11,110	-
	239,117	395,134
Allowance for doubtful accounts	-	-
	239,117	395,134

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.

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Cash	-	-	174,461	174,461
Restricted cash	-	-	105,985	105,985
Accounts receivable	239,117	239,117	395,134	395,134
Financial liabilities				
Bank indebtedness	266,946	266,946	-	-
Accounts payable and accrued liabilities	5,152,910	5,152,910	1,696,340	1,696,340
Deferred contributions	-	-	105,985	105,985

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, 2016, the most significant financial liability was accounts payable and accrued liabilities.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

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.

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, 2016, approximately \$nil (2015 - \$99,513) of this commitment remains to be spent.

b) *Restricted cash*

Pursuant to the above 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*

In the prior year, 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, 2016, approximately \$Nil (2015 - \$150,000) of this commitment remains to be spent.

Oshawa Port Authority

Notes to the financial statements

December 31, 2016

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:

	2016	2015
	\$	\$
Director's fees		
Mr. Gary Valcour (Chair)	26,959	23,200
Mr. Bruce McArthur	8,980	7,600
Mr. Chris Kluczewski	8,152	8,000
Mr. Joe Allison	5,669	8,000
Mr. Norm Mackie	7,324	7,600
Mr. Peter Singh	7,752	8,000
Mr. Aleksandr Bolotenko	8,980	6,400
	73,816	68,800
President & CEO		
Ms. Donna Taylor		
Salaries and RRSP contribution in lieu of pension	138,112	142,821
Other benefits	11,259	10,789
	149,371	153,610
Financial information pursuant to section 35 of the Port Authorities Management Regulations is as follows:		
s. 35(1)(a) Wages, salaries and employee benefits	264,186	245,020
s. 35(1)(b) Professional fees and fees for consulting	343,785	147,342
s. 35(1)(c) Repairs and maintenance	89,953	47,017
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 July 28, 2017.

Oshawa Port Authority

Schedule of administrative expenses - Schedule 1 year ended December 31, 2016

	2016	2015
	\$	\$
Wages and benefits	281,283	245,020
Insurance	144,511	121,447
Advertising and promotion	82,361	102,085
Travel and meetings	40,483	59,642
Sponsorship	6,600	20,350
Association fees	26,248	23,443
Utilities	24,796	23,628
Honoraria	73,816	68,800
Office and miscellaneous	33,592	47,213
Telephone and communications	14,139	15,192
Interest and bank charges	7,029	8,368
	734,858	735,188

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 2 year ended December 31, 2016

	Useful life (years)	Cost or stated value			Accumulated amortization			Net book value	
		Balance 2015	Additions (net of disposals)	Balance 2016	Balance 2015	Provision and write offs (net of disposals)	Balance 2016	2016	2015
		\$	\$	\$	\$	\$	\$	\$	
Capital dredging	Indefinite	1,498,766	-	1,498,766	-	-	-	1,498,766	1,498,766
Piles and lake bottom structures	Indefinite	1,134,734	-	1,134,734	-	-	-	1,134,734	1,134,734
Miscellaneous harbour structures	10 to 40	379,798	6,193	385,991	(280,247)	(6,288)	(286,535)	99,456	99,551
Wharves	25 to 40	509,254	-	509,254	(467,810)	(11,967)	(479,777)	29,477	41,444
Piers	25 to 40	149,807	-	149,807	(103,115)	(2,736)	(105,851)	43,956	46,692
Pier dredging	Indefinite	51,933	-	51,933	-	-	-	51,933	51,933
Roads, fences, sewers, and culverts	20	522,582	-	522,582	(339,380)	(14,589)	(353,969)	168,613	183,202
Permanent sheds and terminals	20 to 40	967,057	18,581	985,638	(350,988)	(25,814)	(376,802)	608,836	616,069
Office equipment	10	149,005	(161)	148,844	(131,491)	1,054	(130,437)	18,407	17,514
Offices	10 to 40	522,143	12,150	534,293	(196,648)	(14,733)	(211,381)	322,912	325,495
Land rights	Indefinite	-	97,706	97,706	-	-	-	97,706	-
Rail spur	Indefinite	3,666,527	(1,370)	3,665,157	(73,331)	(148,358)	(221,689)	3,443,468	3,593,196
Bulk storage and access areas	20 to 25	1,215,052	6,129	1,221,181	(837,793)	(31,634)	(869,427)	351,754	377,259
Storage domes	25 to 40	1,793,899	-	1,793,899	(1,178,700)	(36,497)	(1,215,197)	578,702	615,199
Transit shed	10 to 40	245,168	3,519	248,687	(231,166)	(2,117)	(233,283)	15,404	14,002
Tanker berth and cargo handling facility	40	761,563	-	761,563	(535,888)	(19,122)	(555,010)	206,553	225,675
Building	25 to 40	317,021	203,399	520,420	(231,240)	(6,167)	(237,407)	283,013	85,781
Vehicle	10	33,574	-	33,574	(8,394)	(3,357)	(11,751)	21,823	25,180
		13,917,883	346,146	14,264,029	(4,966,191)	(322,325)	(5,288,516)	8,975,513	8,951,692

Included in office equipment is office equipment under capital lease, expiring in April 2020 with a cost of \$5,867 and accumulated depreciation of \$73
Land rights were reclassified from held for sale during the year

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