

Thunder Bay Port Authority
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Board Members of Thunder Bay Port Authority

Opinion

We have audited the financial statements of Thunder Bay Port Authority (the Port Authority), which comprise the statement of financial position as at December 31, 2019 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Port Authority as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Port Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Port Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Port Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Port Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (cont'd)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Port Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Port Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Port Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
March 11, 2020

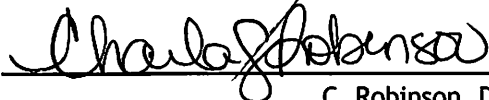
Thunder Bay Port Authority Statement of Financial Position

As at December 31 (expressed in CAD \$)	2019	2018
Assets		
Current		
Cash	\$ 665,926	\$ 485,633
Accounts receivable (Note 4)	2,143,599	656,581
Prepaid expenses	52,026	44,602
	2,861,551	1,186,816
Non-current		
Long term investments (Note 5)	16,393,492	18,338,406
Property, plant and equipment (Note 6)	25,983,022	24,310,607
	\$ 45,238,065	\$ 43,835,829
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities	\$ 1,586,999	\$ 767,693
Deferred rental income	15,912	9,861
	1,602,911	777,554
Equity		
Contributed surplus	27,711,964	27,711,964
Retained earnings	15,923,190	15,346,311
	43,635,154	43,058,275
	\$ 45,238,065	\$ 43,835,829

On behalf of the Board:



P. Bushby, Director



C. Robinson, Director

Thunder Bay Port Authority Statement of Comprehensive Income

For the year ended December 31 (expressed in CAD \$)	2019	2018
Operating revenues		
Terminal	\$ 2,184,201	\$ 2,353,548
Harbour and Harbour Park	890,683	838,706
Intercity	72,475	74,604
	<u>3,147,359</u>	<u>3,266,858</u>
Expenses (Schedule)		
Terminal	745,496	828,904
Harbour and Harbour Park	96,983	105,238
Intercity	41,913	32,343
Administrative	1,257,458	1,380,986
	<u>2,141,850</u>	<u>2,347,471</u>
Earnings from operations before the following	1,005,509	919,387
Gain on sale of equipment	31,870	-
Payments in lieu of municipal taxes (Note 7)	(275,064)	(282,156)
Gross revenue charge (Note 8)	(73,640)	(75,706)
Depreciation	(620,295)	(580,238)
	<u>68,380</u>	<u>(18,713)</u>
Earnings (loss) from operations	68,380	(18,713)
Investment income	508,499	518,450
	<u>576,879</u>	<u>499,737</u>
Net income and comprehensive income for the year	\$ 576,879	\$ 499,737

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, 2019 (expressed in CAD \$)

	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total
Equity, January 1, 2018	\$ 27,711,964	\$ 14,846,574	\$ 117,303	\$ 42,675,841
Effect of adoption of IFRS 9 on January 1, 2018	-	-	(117,303)	(117,303)
Net income and comprehensive income for the year	-	499,737	-	499,737
	-	499,737	(117,303)	382,434
Equity, December 31, 2018	27,711,964	15,346,311	-	43,058,275
Net income and comprehensive income for the year	-	576,879	-	576,879
Equity, December 31, 2019	\$ 27,711,964	\$ 15,923,190	\$ -	\$ 43,635,154

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 \$)	2019	2018
Cash flows from operating activities		
Net income and comprehensive income for the year	\$ 576,879	\$ 499,737
Items not involving cash		
Depreciation	620,295	580,238
Gain on sale of equipment	(31,870)	-
	<u>1,165,304</u>	<u>1,079,975</u>
Change in non-cash working capital balances		
Accounts receivable	(1,487,018)	(205,515)
Prepaid expenses	(7,424)	6,734
Accounts payable and accrued liabilities	819,306	56,861
Deferred rental income	6,051	5,810
	<u>496,219</u>	<u>943,865</u>
Cash flows from investing activities		
Net decrease in long term investments	1,944,914	643,006
Proceeds on sale of equipment	32,190	-
Purchase of property, plant and equipment	(6,688,272)	(2,260,838)
Receipt of government grants for property, plant and equipment	4,395,242	526,711
	<u>(315,926)</u>	<u>(1,091,121)</u>
Increase (decrease) in cash during the year	180,293	(147,256)
Cash, beginning of year	485,633	632,889
Cash, end of year	\$ 665,926	\$ 485,633

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

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

1. Nature and Purpose of Organization

The Thunder Bay Port Authority is a corporation 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 11, 2020.

Basis of measurement

These financial statements were prepared on a historical cost basis. 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 6), the determination of the expected credit loss ("ECL") (Note 4), and the calculation of payments in lieu of municipal taxes (Note 7). 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, 2019 (expressed in CAD \$)

3. Adoption of New Accounting Standards

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2019 did not materially affect the Port Authority's financial statements other than those described below.

IFRS 16 Leases:

On January 1, 2019, the Port Authority adopted IFRS 16 Leases (IFRS 16). IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - Leases ("IAS 17"), with the distinction between operating leases and finance leases being retained.

The Port Authority adopted IFRS 16 using the modified retrospective approach without restatement of comparative figures. The Port Authority elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

(i) Recognition and measurement

The adoption of this standard had no impact on the financial statements of the Port Authority as at January 1, 2019.

(ii) Disclosure

Amendments were also made to IFRS 16 introducing expanded qualitative and quantitative disclosures, which the Port Authority has adopted for the annual period beginning January 1, 2019.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

4. Accounts Receivable

	2019	2018
Trade receivables	\$ 520,513	\$ 551,237
Government remittances receivable	393,422	105,344
Government grants receivable	1,229,664	-
	\$ 2,143,599	\$ 656,581

(a) Recognition and initial measurement

The Port Authority initially recognizes accounts receivable on the date on which they are originated. Accounts receivable are initially measured at fair value.

(b) Classification and subsequent measurement

Accounts receivable are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss.

(c) Fair value measurement

Due to its short term nature, the carrying amount of the trade receivables approximate fair value.

(d) Credit risk

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

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

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

4. Accounts receivable (cont'd)

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

	2019		2018	
Shipping and transportation	\$ 186,307	8.69%	\$218,960	33.35%
Warehousing and storage	300,069	14.00%	273,271	41.62%
Government remittances	393,422	18.35%	105,344	16.04%
Government grants	1,229,664	57.37%	Nil	0.00%
Other	34,137	1.59%	59,006	8.99%
	\$2,143,599	100.0%	\$656,581	100.0%

The following table provides information about the exposure to credit risk and ECLs for accounts receivable by level of delinquency.

	2019			2018		
	Gross	Loss Allowance	Net	Gross	Loss Allowance	Net
Current	\$1,921,979	NIL	\$1,921,979	\$ 402,518	NIL	\$ 402,518
31-60 days	198,410	NIL	198,410	189,850	NIL	189,850
61- 90 days	6,780	NIL	6,780	16,791	NIL	16,791
Over 90 days	16,430	NIL	16,430	47,422	NIL	47,422
	\$2,143,599	NIL	\$2,143,599	\$ 656,581	NIL	\$ 656,581

The Port Authority measures the loss allowance at an amount equal to the lifetime ECL for accounts receivables. The lifetime ECL is estimated based on the expected losses over the expected life of the accounts receivable arising from default events occurring in the lifetime of the instrument.

The Port Authority reviews balances on a customer by customer basis to measure the lifetime ECL of accounts receivable. The Port Authority develops loss rates based on historical default and loss experiences for the individual customer in question, adjusted for current economic conditions and other relevant economic variables impacting the Port Authority's customers. This basis is used as the Port Authority's customers have remained consistent year over year. The same factor is considered when determining whether to write off accounts receivable. This generally occurs when there is no realistic prospect of recovery. However accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

5. Long Term Investments

(a) Recognition and initial measurement

The Port Authority recognizes debt instruments on the date on which they are originated. The instruments are initially measured at fair value.

(b) Classification and subsequent measurement

The Port Authority classifies its bonds at amortized cost as the documented investment strategy requires the instruments to be held to collect contractual cash flows to maturity.

(c) Derecognition

The Port Authority derecognizes investments when the contractual rights to the cash flows from the investment expires. On derecognition, if not held to maturity, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

(d) Amortised cost measurement

The following is a breakdown of the investments:

	Cost	2019 Fair Value	Cost	2018 Fair Value
Cash balances in investments	\$ 906,787	\$ 906,787	\$ 2,427,769	\$ 2,427,769
Accrued interest	117,479	117,479	114,447	114,447
Bonds and debentures				
-maturing within one year	5,496,152	5,442,858	4,514,010	4,391,098
-maturing between 1 and 5 years	7,763,901	7,951,445	8,831,978	8,925,968
-maturing in more than 5 years	2,109,173	2,164,445	2,450,202	2,410,289
	\$ 16,393,492	\$ 16,583,014	\$ 18,338,406	\$ 18,269,571

The bonds and debentures, which are held in provincial and federal crown and corporate issues, have effective yields ranging from approximately 2.15% to 5.12% (2018 - 2.10% to 5.12%).

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

5. Long Term Investments (cont'd)

(e) Risks

The Port Authority is exposed to credit risk relating to its bond 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 and as a result it does not involve itself in active trading of bonds or any other investments.

The maximum exposure to investment credit risk is the carrying value of investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

The following summarizes the industry concentration of investment credit risk:

	<u>2019</u>	<u>2018</u>
Provincial bonds	26.08%	26.82%
Municipal bonds	12.68%	13.23%
Banks and financial institutions	<u>61.24%</u>	<u>59.95%</u>
	<u>100%</u>	<u>100%</u>

Interest rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in market interest rates. The Port Authority is exposed to interest rate risk arising from the possibility that changes in interest rates will effect the value of fixed income denominated investments when they are renewed.

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 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.

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

5. Long Term Investments (cont'd)

(f) 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, 2019				
Cash equivalents	\$ 906,787	\$ -	\$ -	\$ 906,787
Bonds and debentures	-	15,676,227	-	15,676,227
	\$ 906,787	\$ 15,676,227	\$ -	\$ 16,583,014
December 31, 2018				
Cash equivalents	\$ 2,427,769	\$ -	\$ -	\$ 2,427,769
Bonds and debentures	-	15,841,802	-	15,841,802
	\$ 2,427,769	\$ 15,841,802	\$ -	\$ 18,269,571

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

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

6. 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, breakwalls, 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, 2019 (expressed in CAD \$)

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

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park infrastructure	Breakwaters, dredging and land reclamation	Land	Total
Year Ended December 31, 2019									
Cost, beginning balance	\$24,499,797	\$ 1,709,644	\$ 218,641	\$ 351,779	\$ 3,530,420	\$ 672,085	\$11,259,545	\$ 716,119	\$42,958,030
Additions	5,522,782	1,147,068	6,500	-	6,547	1,805	-	3,570	6,688,272
Government grants	(3,817,442)	(577,010)	-	-	-	(790)	-	-	(4,395,242)
Disposals	-	-	-	(8,900)	(549)	-	-	-	(9,449)
Cost, ending balance	26,205,137	2,279,702	225,141	342,879	3,536,418	673,100	11,259,545	719,689	45,241,611
Accumulated depreciation, beginning balance	14,938,411	1,120,360	213,822	304,331	1,542,028	528,471	-	-	18,647,423
Depreciation	394,293	39,407	523	20,802	153,503	11,767	-	-	620,295
Disposals	-	-	-	(8,900)	(229)	-	-	-	(9,129)
Accumulated depreciation, ending balance	15,332,704	1,159,767	214,345	316,233	1,695,302	540,238	-	-	19,258,589
Net Book Value	\$10,872,433	\$ 1,119,935	\$ 10,796	\$ 26,646	\$ 1,841,116	\$ 132,862	\$11,259,545	\$ 719,689	\$25,983,022

In the previous year, the Port Authority started construction of a new heated storage building with an expected completion date in 2020. The net book value of the construction in progress is \$2,628,850 (2018 - \$790,949) which is not being amortized. The Port is committed to future construction costs of \$1,872,910.

The net book value of property, plant and equipment being leased out by the Port Authority at year end is \$5,559,214 (2018 - \$5,856,052).

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

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

	Wharf, terminal and other buildings	Rail trackage	Marine equipment and storage	Automotive equipment	Other equipment	Harbour park infrastructure	Breakwaters, dredging and land reclamation	Land	Total
Year Ended December 31, 2018									
Cost, beginning balance	\$22,815,828	\$ 1,702,214	\$ 218,641	\$ 310,758	\$ 3,528,713	\$ 672,085	\$11,259,545	\$ 716,119	\$41,223,903
Additions	2,210,680	7,430	-	41,021	1,707	-	-	-	2,260,838
Government grants	(526,711)	-	-	-	-	-	-	-	(526,711)
Cost, ending balance	24,499,797	1,709,644	218,641	351,779	3,530,420	672,085	11,259,545	716,119	42,958,030
Accumulated depreciation, beginning balance	14,571,796	1,089,818	213,543	290,433	1,387,946	513,649	-	-	18,067,185
Depreciation	366,615	30,542	279	13,898	154,082	14,822	-	-	580,238
Accumulated depreciation, ending balance	14,938,411	1,120,360	213,822	304,331	1,542,028	528,471	-	-	18,647,423
Net Book Value	\$ 9,561,386	\$ 589,284	\$ 4,819	\$ 47,448	\$ 1,988,392	\$ 143,614	\$11,259,545	\$ 716,119	\$24,310,607

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

7. 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.

8. 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.

9. 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 \$52,555 for the year (\$56,851 for the year ending December 31, 2018) is included in wages and benefits.

10. Revenue Recognition

	2019	2018
Throughput, berthage and storage revenue	\$ 1,355,985	\$ 1,576,031
Shipping revenue	718,323	662,214
Lease revenue (Note 11)	1,073,051	1,028,613
	\$ 3,147,359	\$ 3,266,858

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, 2019 (expressed in CAD \$)

11. 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, 2019, 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, 2019:

	<u>2019</u>	<u>2018</u>
Expired in 2019	\$ -	\$ 556,877
Expiring in 2020	665,048	209,054
Expiring in 2021	430,478	131,951
Expiring in 2022	375,855	100,988
Expiring in 2023	374,462	100,988
Expiring in 2024	305,735	97,788
Expiring after 2024	1,365,613	1,365,613
	<u>\$ 3,517,191</u>	<u>\$ 2,563,259</u>

The following table provides the amount of lease rentals that were included in operating revenues for the year ended December 31, 2019:

	<u>2019</u>	<u>2018</u>
Terminal	\$ 857,566	\$ 809,618
Harbour and Harbour Park	172,360	176,491
Intercity	43,125	42,504
	<u>\$ 1,073,051</u>	<u>\$ 1,028,613</u>

Thunder Bay Port Authority Notes to Financial Statements

December 31, 2019 (expressed in CAD \$)

12. 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:

	2019	2018
Gregory S. Arason, Chair	\$ 27,569	\$ 31,556
John Aiken, Chair of Audit Committee	9,848	20,695
Tracy Buckler, Director	16,781	16,922
Pritam S. Lamba, Director	-	12,767
Patrick Bushby, Director	17,247	4,612
Wade Robertson, Director	10,721	-
Bonnie Skene, Chair and Chair of Governance Committee	24,345	23,440
Dianne Miller, Chair of Audit Committee	20,306	19,895
Charla Robinson, Director	17,044	16,922
Tim Heney, Chief Executive Officer - salary	204,842	201,280
- benefits	19,857	19,975
Guy Jarvis, Harbour Master - salary	146,988	142,930
- benefits	16,796	15,404

13. 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.

14. Standards, Amendments and Interpretations Not Yet Effective

There are no other standards, interpretations or amendments issued, but not yet effective that the Port Authority anticipates may have a material effect on the financial statements once adopted.

Thunder Bay Port Authority Schedule of Expenses

For the year ended December 31 (expressed in CAD \$)	2019	2018
Terminal		
Equipment operator	\$ 14,440	\$ 39,902
Insurance	69,638	66,476
Miscellaneous	2,708	1,653
Mobile equipment repairs and maintenance	64,760	77,190
Professional fees	7,189	9,982
Property repairs and maintenance	253,255	252,088
Security	106,729	114,168
Utilities	189,132	193,435
Salaries, wages and benefits	37,645	74,010
	<u>\$ 745,496</u>	<u>\$ 828,904</u>
Harbour and Harbour Park		
Harbour services	\$ 2,313	\$ 9,904
Insurance	28,374	28,180
Miscellaneous	4,707	5,776
Professional fees	8,200	5,745
Vessel	2,852	5,700
Salaries, wages and benefits	48,598	49,933
Seminars and training	1,939	-
	<u>\$ 96,983</u>	<u>\$ 105,238</u>
Intercity		
Insurance	\$ 2,967	\$ 2,843
Maintenance and repairs	4,913	4,785
Professional fees (recovery)	-	(5,968)
Security	14,746	15,750
Utilities	19,287	14,933
	<u>\$ 41,913</u>	<u>\$ 32,343</u>
Administrative		
Automotive	\$ 12,119	\$ 13,503
Board travel, meetings and other	49,796	57,198
Honoraria	149,946	153,030
Insurance	11,141	14,103
Maintenance	11,538	7,745
Management travel, meetings and other	31,492	32,916
Office	138,559	144,592
Promotion	95,908	120,692
Professional fees	41,636	55,177
Salaries, wages and benefits	699,179	772,962
Seminars and training	16,144	9,068
	<u>\$ 1,257,458</u>	<u>\$ 1,380,986</u>

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