Hamilton-Oshawa Port Authority

Consolidated Financial Statements
December 31, 2019
(expressed in Canadian dollars)

Independent auditor's report

To the Board of Directors of Hamilton-Oshawa Port Authority

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hamilton-Oshawa Port Authority and its subsidiary (together, the 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).

What we have audited
The Authority's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 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 consolidated 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 Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 9, 2020

Hamilton-Oshawa Port Authority

Consolidated Statement of Financial Position

As at December 31, 2019

(expressed in Canadian dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash and cash equivalents	20,952,144	17,696,012
Trade and other receivables (note 5)	3,945,655	2,137,796
Inventory and other current assets (note 6)	368,693	437,726
	25,266,492	20,271,534
Property and equipment (note 7)	143,598,232	137,777,839
Straight-line rent receivable	5,208,918	5,105,953
	174,073,642	163,155,326
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	-	121,575
Trade and other payables (note 9)	16,061,699	12,537,279
Provisions and other liabilities	3,104	15,104
	16,064,803	12,673,958
Employee benefits (note 10)	6,520,694	5,436,616
Deferred revenue	90,000	97,500
	22,675,497	18,208,074
Equity		
Contributed surplus	26,839,962	26,839,962
Retained earnings	128,649,803	121,169,404
Accumulated other comprehensive loss	(4,091,620)	(3,062,114)
	151,398,145	144,947,252
	174,073,642	163,155,326

Contingencies and commitments (note 13)

Approved by the Board of Directors

_______________ Director _______________ Director

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

Hamilton-Oshawa Port Authority

Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2019

(expressed in Canadian dollars)

	2019 $	2018 $
Revenue from operations		
Port revenue (note 11)	31,595,746	30,249,309
Operating expenses		
Wages and other employee benefits (note 12)	7,634,165	7,732,756
Repairs and maintenance costs	1,699,990	1,268,645
Payments in lieu of taxes	797,945	717,574
Realty taxes	389,337	418,737
Professional and consulting fee	333,701	373,915
Depreciation (note 7)	8,316,596	8,721,952
Federal stipend	1,319,757	1,168,963
Other operating and administrative	3,926,767	3,834,940
	24,418,258	24,237,482
Income from operations before other (income) expenses	7,177,488	6,011,827
Other (income) expenses		
Investment income	(397,392)	(252,257)
Loss on disposal of property and equipment	94,481	52,478
	(302,911)	(199,779)
Net income for the year	7,480,399	6,211,606
Other comprehensive (loss) income	(1,029,506)	720,682
Net income and comprehensive income for the year	6,450,893	6,932,288

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

Hamilton-Oshawa Port Authority

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

(expressed in Canadian dollars)

	Contributed surplus $	Retained earnings $	Accumulated other comprehensive loss $	Total equity $
Balance – December 31, 2017	26,839,962	114,957,798	(3,782,796)	138,014,964
Net income for the year	-	6,211,606	-	6,211,606
Actuarial gain on post-employment benefit obligation	-	-	720,682	720,682
Balance – December 31, 2018	26,839,962	121,169,404	(3,062,114)	144,947,252
Net income for the year	-	7,480,399	-	7,480,399
Actuarial loss on post-employment benefit obligation	-	-	(1,029,506)	(1,029,506)
Balance – December 31, 2019	26,839,962	128,649,803	(4,091,620)	151,398,145

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

Hamilton-Oshawa Port Authority

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

(expressed in Canadian dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Net income for the year	7,480,399	6,211,606
Adjustments for		
Depreciation	8,316,596	8,721,952
Employee benefits expense (note 10)	1,005,505	1,112,365
Loss on disposal of property and equipment	94,481	52,478
Deferred revenue	(7,500)	(7,500)
Changes in non-cash working capital		
(Increase) decrease in trade and other receivables	(1,807,859)	438,421
Increase in straight-line rent receivable	(102,965)	(184,230)
Increase (decrease) in inventory and other current assets	69,033	(31,041)
Increase in trade and other payables	3,524,420	1,384,770
Decrease in provisions and other liabilities	(12,000)	(20,009)
Amounts funded related to employee future benefits (note 10)	(950,933)	(861,348)
	17,609,177	16,817,464
Investing activities		
Purchase of property and equipment (note 7)	(14,235,570)	(10,929,194)
Proceeds on disposal of property and equipment	4,100	-
	(14,231,470)	(10,929,194)
Financing activities		
Repayment of bank indebtedness	(121,575)	-
Increase in cash and cash equivalents during the year	3,256,132	5,888,270
Cash and cash equivalents – Beginning of year	17,696,012	11,807,742
Cash and cash equivalents – End of year	20,952,144	17,696,012
Cash and cash equivalents – End of year comprise the following		
Cash	686,032	668,183
Short-term investments	20,266,112	17,027,829
	20,952,144	17,696,012

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

(expressed in Canadian dollars)

1 Nature of operations

Hamilton-Oshawa Port Authority (the Authority) operates pursuant to the Canada Marine Act and, in accordance with the Letters Patent issued by the Federal Minister of Transport.

On June 18, 2019, pursuant to section 59.1 of the Port Authorities Management Regulations, a certificate of amalgamation was issued by the Minister of Transport for the Hamilton Port Authority and Oshawa Port Authority to amalgamate and continue as one port authority. The transaction enacting the amalgamation constituted a business combination under common control. The Authority has applied the predecessor accounting method in accounting for the transaction, resulting in retrospective presentation of consolidated comparative balances, as if both authorities had always been combined.

The Authority is a non-share capital corporation established under an act of federal parliament. The address of its registered office is 605 James Street North, Hamilton, Ontario, Canada.

The Authority, managed by a seven-member Board of Directors, operates on a commercial basis and is mandated to be financially self-sufficient. It is engaged to develop the Ports of Hamilton and Oshawa commercial operations including harbour operations, port security, land use planning and maintenance. The Authority also supports the recreational use of the Hamilton harbour through its marina operations and launch ramp facility.

2 Basis of presentation and statement of compliance

The Authority prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as defined in Part I of the Chartered Professional Accountants of Canada Handbook.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2020.

The currency of presentation for these consolidated financial statements is the Canadian dollar, which is also the functional currency of the Authority.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(expressed in Canadian dollars)

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the accounts of the Authority and its wholly owned subsidiary, Great Lakes Port Management Inc. (GLPM) as of its incorporation on July 1, 2017. GLPM is fully consolidated and all significant intercompany accounts and transactions have been eliminated on consolidation.

Sea 3 Inc. was a wholly owned subsidiary as of its incorporation on May 29, 2009. Sea 3 Inc. was dissolved on April 26, 2019.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and short-term investments that are immediately callable held by major financial institutions. Cash and cash equivalents are classified as current assets and are measured at fair value.

Trade receivables

Trade receivables are amounts due from customers in the ordinary course of business where collection is expected in one year or less. Accounts receivable are classified as current assets and are measured at amortized cost.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories include supplies used in the Authority's operations.

Property and equipment

Property and equipment include land, berthing structures, buildings, utilities, equipment, office furniture and equipment and roads and surfaces. Property and equipment are stated at acquisition cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of income and comprehensive income during the period in which they are incurred.

(expressed in Canadian dollars)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, commencing in the year the asset becomes operational, to allocate the cost over their useful lives. The major classes of property and equipment are depreciated as follows:

Berthing structures	2 – 10%
Buildings	4 – 10%
Utilities	5 – 10%
Roads and surfaces	5 – 10%
Equipment	5 – 20%
Office furniture and equipment	10 – 33.3%

The Authority allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of income and comprehensive income in the period of disposal.

Government contributions representing funding and assistance received related to capitalized property and equipment are netted against the related additions. The additions net of the government contributions are amortized to income.

Impairment of non-financial assets

Property and equipment are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Cash-generating units that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Authority evaluates impairment losses for potential reversals whenever events or circumstances warrant such consideration.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognized initially at fair value.

(expressed in Canadian dollars)

Provisions

Provisions are recognized when the Authority has a present obligation, legal or constructive, as a result of a past event, and it is probable the 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 consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation, and is discounted where the effect is material.

Revenue recognition

Operating lease revenue is recognized on a straight-line basis over the period of the lease. Rent revenue recognized in excess of rent invoices is classified as straight-line rent receivable on the consolidated statement of financial position.

The Authority separately discloses other revenue from tenants in note 11, piers and property revenue, which consists of non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants which are accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. Other revenue from tenants is recognized when the Authority has satisfied its performance obligation by delivering services as agreed upon in the lease agreements to tenants at an amount equal to the component of revenue allocated to such performance obligation.

Harbour revenue includes revenue from wharfage and harbour dues and is recognized as the performance obligation is satisfied at a point in time. International Ship and Port Facility Security (ISPS) revenue is recognized as the performance obligation is satisfied at a point in time. Marina revenue includes revenue from slip rentals and boat storage and is recognized as the performance obligation is satisfied over time.

Deferred revenue

Deferred revenue comprises payments received in advance from customers, which are recognized into revenue over the life of the relevant lease or service period.

Contributed surplus

The Authority was incorporated without share capital. Assets gifted to or expropriated from the Authority by the Government of Canada are treated as increases to and reductions of contributed surplus, respectively.

Employee benefits

The Authority has three pension plans. For employees hired before July 1, 2011, a defined benefit plan and a supplemental executive retirement plan exist, and for employees hired after July 1, 2011, a defined contribution plan is available.

(expressed in Canadian dollars)

The costs of pension and other retirement benefits earned by employees are actuarially determined using the projected benefits method, pro-rated on service and using management's best estimate assumptions reflecting salary escalation, retirement ages of members, expected health-care costs and other actuarial factors. The pension payable to an employee is based on length of service and average earnings. Under the defined contribution plan, employees may contribute certain amounts annually with the Authority subject to regulated limitations.

The liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets, together with the adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid and have terms to maturity approximating the terms of the related pension liability. The liability recognized in the consolidated statement of financial position for the registered pension plan also considers the minimum funding requirements as per the limit required per paragraph 64 of International Accounting Standard (IAS) 19, Employee Benefits.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income, without recycling to the consolidated statement of income and comprehensive income in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in accumulated other comprehensive income. Current service cost, the recognized element of any past-service cost and the interest expense arising on the pension liability are included in the same line items in the consolidated statement of income and comprehensive income as the related compensation cost. Past-service costs are recognized immediately into earnings to the extent the benefits are vested and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

The cost of the defined contribution pension plan is charged to wages and other employment benefit expenses as the contributions become payable.

Payments in lieu of municipal taxes

Payments in lieu of municipal taxes are based on municipal assessments adjusted in accordance with the Federal Payments in Lieu Act. This amount is included in operating expenses in the consolidated statement of income and comprehensive income.

In accordance with a settlement agreement between Transport Canada, the Oshawa Port Authority (continued as the Authority) and the City of Oshawa dated July 15, 2010, the City of Oshawa agreed to waive annual payments in lieu of taxes through to December 31, 2025.

(expressed in Canadian dollars)

Federal stipend

In order to maintain its letters patent in good standing, the Authority is required to annually pay 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%

This amount is included in operating expenses in the consolidated statement of income and comprehensive income.

Income taxes

The Authority is exempt from income taxes under Section 149(1)(d) of the Income Tax Act (Canada).

Financial instruments

Financial assets and liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

- Classification

  The Authority classifies its financial instruments in the following categories:

  - those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

  - those to be measured at amortized cost.

  The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

  The Authority does not currently have any assets measured subsequently at fair value. For financial instruments measured at amortized cost, the Authority's accounting policy is as follows:

- Initial recognition

  - Financial assets at amortized cost

(expressed in Canadian dollars)

Financial assets at amortized cost include cash and cash equivalents and trade and other receivables. At initial recognition, the Authority measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Authority assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For trade and other receivables, the Authority applies the simplified approach permitted by IFRS 9, Financial Instruments, which requires lifetime expected credit losses to be recognized at the time of initial recognition of the receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

- Financial liabilities at amortized cost

  Financial liabilities at amortized cost include trade and other payables. At initial recognition, the Authority measures the financial liability at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within 12 months. Otherwise, they are represented as non-current liabilities.

- Impairment

  Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulty of the obligor, delinquencies in payments and when it becomes probable the borrower will enter bankruptcy or other financial reorganization.

  The Authority recognizes a loss allowance on a forward looking basis at an amount equal to the lifetime expected credit losses on its financial assets measured at amortized cost. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Recently adopted accounting standards and amendments

IFRS 16, Leases (IFRS 16), was issued in January 2016 and replaces IAS 17, Leases (IAS 17). The standard was effective for fiscal years beginning on January 1, 2019, and requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset on the consolidated statement of financial position for almost all lease contracts, except with respect to lease contracts that meet limited exception criteria. The accounting for lessors has not significantly changed.

(expressed in Canadian dollars)

The Authority adopted IFRS 16 effective January 1, 2019 under the modified retrospective approach, with no material impact to the consolidated statement of financial position. The nature of contracts where the Authority is the lessee in the arrangement relate to photocopiers, which met the short-term or low value exception criteria. The total lease expense for all photocopier leases for the year ended December 31, 2019 was $19,472. The Authority has also applied the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease and rely on its prior assessment made applying IAS 17 and International Financial Reporting Interpretations Committee 4, Determining Whether an Arrangement Contains a Lease.

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. The actual outcome may differ from these judgments, estimates and assumptions. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Authority has made in the preparation of the consolidated financial statements.

Provisions and employee benefit obligations

Due to the nature of employee benefit obligations, a considerable part of their determination is based on estimates and/or judgments, including assumptions concerning the future. The actual outcome of these uncertain factors may be materially different from the estimates, causing differences with the estimated obligations. Hence, the differences between actual outcomes and the recorded obligations can impact results over the periods involved. The timing of outflow of resources to settle these obligations is subject to the same uncertain factors. For the sensitivity of employee benefit obligations, refer to note 10. Each sensitivity analysis included in note 10 is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the consolidated statement of financial position.

In the case of the funded plans, the Authority ensures the investment positions are managed within an asset liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plans. Within this framework, the Authority's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Authority actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Authority has not changed the processes used to manage its risks from previous periods. The Authority does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2018 consists of equities and bonds. The Authority believes equities offer the best returns over the long term with an acceptable level of risk. The plans are not exposed to significant foreign currency risk.

(expressed in Canadian dollars)

5 Trade and other receivables

	2019 $	2018 $
Trade and other receivables	4,020,427	2,238,981
Less: Allowance for doubtful accounts (note 14)	74,772	101,185
Trade and other receivables – net	3,945,655	2,137,796

6 Inventory and other current assets

	2019 $	2018 $
Inventory	140,838	275,533
Prepaid expenses	227,855	162,193
	368,693	437,726

7 Property and equipment

	Land $	Buildings $	Docks and services $	Equipment $	Capital development-in-progress $	Total $
January 1, 2018						
Cost	44,968,120	79,660,138	106,836,222	14,328,707	4,402,258	250,195,445
Accumulated depreciation	-	(50,082,457)	(55,690,231)	(8,799,681)	-	(114,572,369)
Net book value	44,968,120	29,577,681	51,145,991	5,529,026	4,402,258	135,623,076
Year ended December 31, 2018						
Additions	186,918	2,181,973	7,559,140	459,496	541,667	10,929,194
Disposals – cost	-	-	(73,585)	(82,521)	-	(156,106)
Disposals – accumulated depreciation	-	-	21,106	82,521	-	103,627
Depreciation	-	(3,565,156)	(4,152,967)	(1,003,829)	-	(8,721,952)
	186,918	(1,383,183)	3,353,694	(544,333)	541,667	2,154,763
Closing net book value	45,155,038	28,194,498	54,499,685	4,984,693	4,943,925	137,777,839
January 1, 2019						
Cost	45,155,038	81,842,111	114,321,777	14,705,682	4,943,925	260,968,533
Accumulated depreciation	-	(53,647,613)	(59,822,092)	(9,720,989)	-	(123,190,694)
Net book value	45,155,038	28,194,498	54,499,685	4,984,693	4,943,925	137,777,839

(expressed in Canadian dollars)

	Land $	Buildings $	Docks and services $	Equipment $	Capital development-in-progress $	Total $
Year ended December 31, 2019						
Additions	359,897	5,567,310	7,139,832	626,864	541,667	14,235,570
Disposals – cost	-	-	(112,225)	(157,989)	-	(270,214)
Disposals – accumulated depreciation	-	-	13,644	157,989	-	171,633
Depreciation	-	(3,066,566)	(4,276,174)	(973,856)	-	(8,316,596)
	359,897	2,500,744	2,765,077	(346,992)	541,667	5,820,393
Closing net book value	45,514,935	30,810,738	57,264,768	4,522,206	5,485,592	143,598,232
December 31, 2019						
Cost	45,514,935	87,409,421	121,349,384	15,174,557	5,485,592	274,933,889
Accumulated depreciation	-	(56,714,179)	(64,084,622)	(10,536,856)	-	(131,335,657)
Net book value	45,514,935	30,695,242	57,264,762	4,637,701	5,485,592	143,598,232

The Government of Canada, the Province of Ontario and the City of Hamilton contributed certain property and equipment to the Hamilton Harbour Commissioners prior to the Authority being established in May 2001. The amount of land and property and equipment was included in land or property and equipment at the transfer amount with the offset included in contributed surplus.

The Authority continues to advance the Randle Reef Sediment Remediation Project (the Project) in partnership with Environment Canada, the Ontario Ministry of the Environment, the City of Hamilton, the City of Burlington and US Steel Canada. In September 2013, an important milestone was reached with the partners announcing that all legal agreements to fund and implement the Project had been executed. A project contractor commenced in 2015 to enable the construction of the contain-and-cap facility. To date, $49 million has been contributed by the Authority and is reflected in construction-in-progress within property and equipment. A further cash commitment of approximately $1.1 million is expected to occur between 2020 and 2021.

Included within purchases of property and equipment during the fiscal year are approximately $1.8 million (2018 – $0.6 million) of additions that have not yet been paid for.

During the year, the Authority received approval for a grant for the Westport Modernization Project from the Government of Canada of not more than 50% of eligible capital expenditures incurred before December 31, 2021, up to a maximum grant of $17.725 million. In 2019, the Authority claimed eligible capital expenditures of $4.9 million. The eligible capital expenditures are recorded in property and equipment net of the reimbursement received.

8 Bank indebtedness

The former Oshawa Port Authority had a revolving demand line of credit for $500,000 of which $121,575 had been utilized as at December 31, 2018. The credit facility bears interest at the bank's prime rate plus 1% per annum, and was secured by a general security agreement. Subsequent to the amalgamation of the Hamilton and Oshawa Port Authorities the credit facility was closed and repaid in full.

(expressed in Canadian dollars)

9 Trade and other payables

	2019 $	2018 $
Trade payables	6,397,417	5,394,306
Accrued expenses	6,332,466	3,409,850
Deferred revenue	1,236,013	1,462,381
Security deposits	2,095,803	2,270,742
	16,061,699	12,537,279

10 Employee benefits

The Authority has a defined benefit pension plan (pension benefit plan), a supplemental executive retirement plan (SERP), a non-pension post-retirement benefit plan (other benefit plan) and a defined contribution plan. Certain information with respect to these plans is provided below.

The Authority operates defined benefit pension plans in Canada based on employee pensionable earnings and length of service. The pension benefit plan was closed to new members effective June 30, 2011.

The majority of benefit payments are from trustee administered funds; however, there is also an unfunded plan where the Authority meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice. Responsibility for governance of the plans and overseeing all aspects of the plans, including investment decisions and contribution schedules, lies with the Authority. The Authority has set up a Pension Committee to assist in the management of the plans and has also appointed experienced, independent professional experts, such as investment managers, actuaries, custodians and trustees.

The amounts recognized in the consolidated statement of financial position are as follows:

	Pension benefit plan and SERP	
	2019 $	2018 $
Present value of funded obligations	19,815,971	16,949,952
Fair value of plan assets	(16,787,733)	(14,405,345)
Deficit of funded plans	3,028,238	2,544,607
Present value of unfunded obligations	3,003,056	2,475,309
	6,031,294	5,019,916

(expressed in Canadian dollars)

	Other benefit plan	
	2019 **$**	**2018** **$**
Present value of funded obligations	-	-
Fair value of plan asset	-	-
Deficit of funded plan	-	-
Present value of unfunded obligations	489,400	416,700
Deficit of the plan	489,400	416,700

The movement in the defined benefit obligation is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
As at January 1	19,425,261	20,129,220	416,700	430,900
Current service cost	768,598	882,325	12,900	13,400
Interest cost on obligations	775,154	703,692	16,600	14,900
Actuarial loss (gain)	2,486,284	(1,660,540)	53,300	(29,500)
Benefits paid	(636,270)	(629,436)	(10,100)	(13,000)
As at December 31	22,819,027	19,425,261	489,400	416,700

The movement in the fair value of plan assets is as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
As at January 1	14,405,345	14,653,839	-	-
Interest cost on plan assets	567,747	501,952	-	-
Actual return (loss) on plan assets less interest cost	1,510,078	(969,358)	-	-
Employer contributions	940,833	848,348	10,100	13,000
Benefits paid	(636,270)	(629,436)	(10,100)	(13,000)
As at December 31	16,787,733	14,405,345	-	-

(expressed in Canadian dollars)

The amounts recognized in the consolidated statement of income and comprehensive income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2019 $	2018 $	2019 $	2018 $
Current service costs	768,598	882,325	12,900	13,400
Interest cost of obligations	775,154	703,692	16,600	14,900
Interest cost on plan assets	(567,747)	(501,952)	-	-
Total included in wages and other employee benefits expense	976,005	1,084,065	29,500	28,300

The amounts recognized in the consolidated statement of income and comprehensive income are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2019 $	2018 $	2019 $	2018 $
Actual return (loss) on plan assets less interest cost	1,510,078	(969,358)	-	-
Actuarial gain on benefit obligations	399,968	70,207	-	-
Loss from change in demographic assumptions	(154,248)	-	(2,200)	-
(Loss) gain from change in financial assumptions	(2,732,004)	1,590,333	(51,100)	29,500
Total	(976,206)	691,182	(53,300)	29,500

The principal actuarial assumptions are as follows:

	Pension benefit plan and SERP		Other benefit plan	
	2019 %	2018 %	2019 %	2018 %
Defined benefit obligation as at December 31				
Discount rate	3.10	3.90	3.10	3.90
Future salary increases	3.75	3.75	n/a	n/a
Benefit costs for years ended December 31				
Discount rate	3.10	3.90	3.10	3.90
Future salary increases	3.75	3.75	n/a	n/a

(expressed in Canadian dollars)

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

Plan assets, the majority of which are funding the Authority's defined pension plans, comprise the following:

	2019		2018	
	Unquoted $	**%**	**Unquoted $**	**%**
Equity instruments				
Canadian equity funds	2,530,702	15	3,918,186	27
Foreign equity funds	5,034,025	30	3,346,426	23
	7,564,727	45	7,264,612	50
Fixed income instruments				
Bond funds	4,632,540	28	3,150,178	22
Long-term bonds	4,590,466	27	3,703,944	26
	9,223,006	55	6,854,122	48
Money market	-	-	286,611	2
	16,787,733	100	14,405,345	100

A sensitivity analysis of the Authority's defined benefit pension plans is as follows:

	Impact on pension benefit plan and SERP		Impact on other benefit plan	
	Increase in assumption %	**Decrease in assumption %**	**Increase in assumption %**	**Decrease in assumption %**
0.5% change in discount rate	(7.8)	8.8	(6.8)	7.7
0.5% change in salary growth rate	2.2	(2.1)	n/a	n/a
0.5% change in life expectancy	(1.1)	1.1	(1.0)	1.1

Expected contributions to pension benefit plans for the year ended December 31, 2020 are $562,700. As at December 31, 2019, the accumulated actuarial losses recognized in accumulated other comprehensive loss were $4,091,620 (2018 – $3,062,114).

The Authority's actuary prepares annual valuations of the plans' assets and accrued benefit obligations using January 1 as a measurement date and extrapolating to December 31. The most recent valuations of the pension benefit plan and supplementary plan for funding purposes were conducted as at December 31, 2018. The next valuations of these plans for funding purposes will be as at December 31, 2019.

(expressed in Canadian dollars)

Through its defined benefit plans, the Authority is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform, a deficit will be created. The plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while contributing volatility and risk in the short term.

As the plans mature, the Authority intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

However, the Authority believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Authority's long-term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation; higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The expected maturity analysis of the undiscounted pension plans is presented below:

	Less than a year $	Between 1 and 2 years $	Between 2 and 5 years $	More than 5 years $	Total $
Pension benefit plan and SERP	613,100	735,200	2,245,000	55,594,400	59,187,700
Other benefit plan	15,500	15,900	47,500	671,900	750,800
As at December 31, 2019	628,600	751,100	2,292,500	56,266,300	59,938,500

(expressed in Canadian dollars)

Employer contributions to the defined contribution plan were as follows:

	2019 $	2018 $
Employer contributions	93,522	73,477

11 Port revenue

	2019 $	2018 $
Harbour	3,309,521	4,059,742
Piers and property	26,128,754	24,662,781
GLPM	112,098	92,034
Straight-line rent revenue	102,965	184,229
Marina	1,942,408	1,250,523
	31,595,746	30,249,309

Non-lease components within lease arrangements arising from the recovery of certain operating expenses from tenants are identified within piers and property revenue as follows:

	2019 $	2018 $
Base rent	23,875,427	21,499,852
Other revenue from tenants (a)	2,220,563	2,114,676
Total rent revenue	26,095,990	23,614,528

(a) Other revenue from tenants includes charges for the following services: garbage, janitorial, pest control, window cleaning, security, utilities and maintenance.

12 Wages and other employee benefits

	2019 $	2018 $
Salaries and wages (including termination benefits)	5,601,970	5,629,312
Pension costs – DC plan	93,522	73,477
Pension costs – DB and SERP plans	979,213	1,084,065
Other benefit costs	878,460	945,902
	7,553,165	7,732,756

Compensation of key management

The following disclosure is required pursuant to the Authority's management regulations. The total remuneration includes all members of the Board of Directors, the Chief Executive Officer and employees exceeding $146,825 per year (2018 – $143,595).

(expressed in Canadian dollars)

				2019	2018
Name	**Title**	**Salaries** $	**Taxable benefits** $	**Total** $	**Total** $
Bolotenko, Aleksandr	Director	404	-	404	7,442
Bradley, David	Director	11,862	-	11,862	-
Davis, Meghan	Director	26,000	-	26,000	11,750
Fitzgerald, William	VP Operations	226,875	1,785	228,660	215,081
Hamilton, Ian	President & CEO, Hamilton	397,341	1,580	398,921	344,254
Hart, Robert	CAO & Corporate Secretary	248,069	1,946	250,015	234,277
Howlett, James	Director	26,000	-	26,000	18,700
Keyes, Stan	Director	5,833	-	5,833	32,917
Kluczewski, Chris	Director	4,512	-	4,512	7,857
Knight, Janet	Executive Vice President	294,557	2,087	296,643	265,317
Loomis, Christopher	Director	14,138	-	14,138	-
Mackie, Norm	Director	4,923	-	4,923	7,442
McArthur, Bruce	Director	17,568	-	17,568	7,700
Moccio, Matthew	Director	-	-	-	17,817
Perkins, Patricia	Director	4,102	-	4,102	-
Savage, Robert	Director	15,354	-	15,354	29,067
Singh, Peter	Director	1,217	-	1,217	6,894
Stebbing, Jennifer	Director	-	-	-	9,283
Taylor, Donna	President & CEO, Oshawa	156,919	12,594	169,513	154,767
Valcour, Gary	Director	14,640	-	14,640	25,076
Waldes, Anne	Director	30,674	-	30,674	11,750
Watts, Kathleen	Director	14,192	-	14,192	29,450
		1,515,180	19,992	1,535,172	1,436,841

Termination benefits paid in the year ended December 31, 2019 were $322,520 (2018 – $416,399).

13 Contingencies and commitments

The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

(expressed in Canadian dollars)

Operating leases – accounting by lessor

The future minimum lease payments to be received under non-cancellable operating leases are as follows:

	2019 $	2018 $
No later than 1 year	16,034,131	16,128,319
Year 2	12,667,347	-
Year 3	9,953,585	-
Year 4	8,586,731	-
Year 5	7,836,223	-
Later than 5 years	57,233,418	57,500,823
	112,311,435	114,338,539

Operating leases – accounting by lessee

The Authority leases five photocopiers and a postage meter under non-cancellable operating lease agreements. The future minimum lease payments under non-cancellable operating leases for each of the following years are as follows:

	2019 $	2018 $
No later than 1 year	17,144	41,446
Later than 1 year and no later than 5 years	36,577	39,258
Later than 5 years	-	-
	53,721	80,704

The Authority has an aggregate borrowing limit of $45,500,000 (2018 – $45,500,000). Borrowing is defined in section 9.3 of the Letters Patent.

14 Financial instruments

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are recorded at carrying amounts, which approximate fair value.

(expressed in Canadian dollars)

Fair values, including valuation methods and assumptions

The following table summarizes the fair value of financial assets and liabilities as at December 31, 2019 and December 31, 2018:

	2019 $	2018 $
Assets		
Cash and cash equivalents	20,952,144	17,696,012
Trade and other receivables	3,945,655	2,137,797
Liabilities		
Bank indebtedness	-	121,575
Trade and other payables	16,061,699	12,537,279

Market risk

- Foreign exchange risk

  The Authority is not exposed to foreign exchange risk fluctuations.

- Price risk

  The Authority is not exposed to price risk.

- Interest risk

  The Authority's exposure to general levels of interest risk is limited to outstanding drawings on the demand credit facility.

- Interest rate risk

  The Authority is not exposed to interest rate risk, as there are currently no significant borrowings drawn by the Authority.

Credit risk

The Authority's exposure to concentration of credit risk is limited. The Authority places its cash and cash equivalents and restricted cash with major Canadian financial institutions of high creditworthiness. Credit risk associated with trade and other receivables is minimized, as the Authority performs credit assessments for new customers, monitors the aging of trade and other receivables and contacts debtors regarding payment history. The maximum exposure to credit risk as at the reporting date is the carrying value of accounts receivable. The fair value of trade and other receivables and trade and other payables approximates their carrying value due to their short-term maturity.

(expressed in Canadian dollars)

No financial assets are past due except for trade and current receivables. As at December 31, 2019, trade and other receivables of $2,616,164 (2018 – $1,342,769) were current, $858,731 (2018 – $619,542) were past due but not impaired and $74,772 (2018 – $101,184) were impaired. The aging analysis of the two categories of receivables is as follows:

	2019 $	2018 $
Trade and other receivables		
Current (less than 30 days)	2,616,164	1,342,769
Past due but not impaired (over 30 days)	858,731	619,542
Impaired	74,772	101,185
Past due but not impaired		
Up to 3 months	837,625	512,158
3 to 6 months	21,106	93,132
Impaired		
3 to 6 months	71,658	37,245
More than 6 months	3,114	63,939

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2019 $	2018 $
Allowance for doubtful accounts		
Beginning of year	101,185	128,217
Provision	(24,478)	7,169
Accounts receivable written off during the year	(1,935)	(34,201)
End of year	74,772	101,185

Liquidity risk

Cash flow forecasting is performed to monitor the Authority's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times.

Surplus cash held by the Authority over and above balances required for working capital management is invested in callable interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

As at the reporting date, the Authority held callable short-term deposits of $20,266,112 (2018 – $17,027,829) that are expected to readily generate cash inflows for managing liquidity risk.

The Authority's financial liabilities consist of trade and other payables in the amount of $2,429,451 (2018 – $1,137,166), which have a contractual activity of three months or less.

(expressed in Canadian dollars)

15 Capital management

The Authority manages its capital and credit facility availability to ensure the Authority has adequate financial structure and borrowing capacity to allow for financial flexibility and sufficient liquidity. This may require the Authority to establish new credit facilities. The Authority monitors its generation of cash from operations and available credit as part of its overall assessment.