

Financial Statements of

**Port Alberni Port Authority**

**Year Ended December 31, 2016**

DICKSON  
DUSANJ  
& WIRK

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

## Independent Auditor's Report

### To the Board of Directors of Port Alberni Port Authority

#### Report on Financial Statements

We have audited the accompanying financial statements of Port Alberni Port Authority, which comprise the statement of financial position as at December 31, 2016 and the statements of equity, income and comprehensive income, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 auditors' 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 Port Alberni Port Authority as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants

Victoria, BC  
March 29, 2017

# Port Alberni Port Authority

## Statement of Financial Position

As at December 31, 2016 with comparative figures for 2015

	2016	2015
	\$	\$
<b>Assets</b>		
Current:		
Cash and short-term investments (Note 3)	2,735,605	3,501,922
Accounts receivable	787,060	406,301
Inventory	38,163	45,740
Prepaid expenses	70,422	64,684
	<u>3,631,250</u>	<u>4,018,647</u>
Property and equipment (Note 4 and 5)	<u>12,741,908</u>	<u>11,664,923</u>
<b>Total assets</b>	<b><u>16,373,158</u></b>	<b><u>15,683,570</u></b>
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities	985,259	786,235
Unearned revenue	103,961	103,998
Current portion of long-term debt (Note 6)	4,990	4,990
	<u>1,094,210</u>	<u>895,223</u>
Long-term debt (Note 6)	6,653	11,643
Deferred government contributions (Note 7)	<u>4,490,088</u>	<u>4,012,717</u>
<b>Total liabilities</b>	<b><u>5,590,951</u></b>	<b><u>4,919,583</u></b>
<b>Equity</b>		
Reserve for harbour maintenance and development (Note 8)	2,225,031	3,222,405
Retained earnings	<u>8,557,176</u>	<u>7,541,582</u>
<b>Total equity</b>	<b><u>10,782,207</u></b>	<b><u>10,763,987</u></b>
<b>Total liabilities and equity</b>	<b><u>16,373,158</u></b>	<b><u>15,683,570</u></b>

Commitments (Note 9)

Approved on Behalf of the Board:

\_\_\_\_\_ Chairman

\_\_\_\_\_ Director

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

# Port Alberni Port Authority

## Statement of Equity

Year ended December 31, 2016 with comparative figures for 2015

	(Note 8) Reserve for Harbour Maintenance & Development \$	Retained Earnings \$	Total Equity \$
Balance, January 1, 2015	3,222,405	7,608,031	10,830,436
Comprehensive (loss)	-	(66,449)	(66,449)
Balance, December 31, 2015	3,222,405	7,541,582	10,763,987
Comprehensive income	-	18,220	18,220
Transfers	(997,374)	997,374	-
Balance, December 31, 2016	2,225,031	8,557,176	10,782,207

## Port Alberni Port Authority

### Statement of Income and Comprehensive Income

Year ended December 31, 2016 with comparative figures for 2015

	2016	2015
	\$	\$
Revenue		
Operations	5,376,281	4,984,878
Investment income	21,551	35,074
	<u>5,397,832</u>	<u>5,019,952</u>
Gross revenue charge	103,965	99,651
	<u>5,293,867</u>	<u>4,920,301</u>
Expenses		
City of Port Alberni Accord (Note 11)	95,000	95,000
Fuel purchases	451,021	502,219
Insurance	108,879	128,315
Leases	220,438	179,299
Repairs and maintenance	211,826	127,155
Supplies, service and leases	543,528	449,130
Utilities	266,104	243,699
Wages and benefits	2,895,713	2,707,863
	<u>4,792,509</u>	<u>4,432,680</u>
Income from operations before amortization	501,358	487,621
Amortization	483,138	554,070
<b>Income (loss) and comprehensive income (loss) for the year</b>	<b><u>18,220</u></b>	<b><u>(66,449)</u></b>

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

## Port Alberni Port Authority

### Statement of Cash Flows

Year ended December 31, 2016 with comparative figures for 2015	2016 \$	2015 \$
Cash flows from operating activities:		
Comprehensive income (loss)	18,220	(66,449)
Amortization	483,138	554,070
(Increase) in accounts receivable	(380,759)	(31,308)
Decrease in inventories	7,577	25,071
(Increase) decrease in prepaid expenses	(5,738)	36,755
Increase in accounts payable and accrued liabilities	199,024	157,393
(Decrease) in unearned revenue	(37)	(7,058)
Total cash flows from operating activities	<u>321,425</u>	<u>668,474</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(1,733,676)</u>	<u>(225,651)</u>
Cash flows from financing activities:		
Government grants received	650,924	25,397
(Decrease) in long-term debt	<u>(4,990)</u>	<u>(4,990)</u>
Net cash flows from financing activities	<u>645,934</u>	<u>20,407</u>
Net increase (decrease) in cash and short-term investments	(766,317)	463,230
Cash and short-term investments - beginning of year (Note 3)	<u>3,501,922</u>	<u>3,038,692</u>
<b>Cash and short-term investments - end of year (Note 3)</b>	<b><u>2,735,605</u></b>	<b><u>3,501,922</u></b>

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

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### 1. Business Operations

The Port Alberni Port Authority (the "Port Authority") was incorporated on July 1, 1999 in accordance with Section 10 of the Canadian Marine Act and by Letters Patent of Continuance issued by the Minister of Transport.

The Port Authority generates revenue through a variety of operations including deep-sea shipping port, marina management, and property leases.

### 2. Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Port Authority's accounting policies and the financial information presented are consistent with the recommendations of the IASB (International Accounting Standards Board). All amounts are reported in Canadian funds. The financial statements were prepared on the historical cost basis and include the following significant accounting policies which have been applied consistently in all material respects:

#### Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known. Actual results could differ from those estimates.

#### Financial Instruments

The Port Authority aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, with is normally the date of purchase into the following categories:

##### i) Financial Assets at Fair Value through Profit or Loss

This category involves financial instruments held for the purpose of selling them in the short-term. All of the financial instruments in this category must meet the definition of financial assets held for trading. The instruments classified in this category are classified in current assets and include cash and short-term investments.

Financial assets classified in this category are initially recognized at fair value and the transactions costs are expensed to the income statement. Subsequently, financial assets at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit and loss.

##### ii) Held-to-maturity Investments

This category involves non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Port Authority has the positive intention and ability to hold to maturity other than those that the Port Authority upon initial recognition designates as at fair value through profit or loss, available for sale, and those that meet the definition of loans and receivables. The Port Authority does not have any instruments classified in this category.

Held to maturity investments are measured at amortized cost using the effective interest method less any allowance for impairment.

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### 2. Significant Accounting Policies (continued)

#### Financial Instruments (continued)

##### iii) Loans and Receivables

This category involves non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They include current assets when they will be realized with 12 months of the reporting date, otherwise they are classified as non-current. The instruments classified in this category are accounts receivable.

Loans and receivables are measured at amortized cost using the effective interest rate method less an appropriate allowance for doubtful receivables.

##### iv) Available-for-sale Financial Assets

This category involves non-derivative financial instruments that are either designated as such upon initial recognition or are not classified in any of the other categories. The Port Authority does not have any instruments classified in this category.

Available-for-sale assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss. When the asset is sold, the accumulated gains or losses in other comprehensive income are reclassified in the income statement.

##### v) Financial Liabilities at Fair Value through Profit or Loss

This category involves financial liabilities held for trading. Financial liabilities classified in this category are measured at fair value with unrealized gains and losses recognized through profit and loss. The Port Authority does not have any instruments classified in this category.

##### vi) Other Financial Liabilities

This category involves other financial liabilities that are initially recorded at fair value less transaction costs. The instruments classified in this category are accounts payable and accrued liabilities.

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

All financial assets except those measured at fair value through profit or loss are subject to review for impairment annually and written down when there is evidence of impairment.

#### Cash and Short-term Investments

The Port Authority's policy is to disclose bank balances under cash and short-term investments, including bank overdrafts with balances that fluctuate frequently from being positive to overdraft and short-term investments with a maturity period of three months or less from the date of acquisition.

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### 2. Significant Accounting Policies (continued)

#### Inventories

Inventories are stated at the lower of cost and net realizable value, with the cost being determined using the FIFO (first in, first out) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition. The costs of purchase include the purchase price, import duties and non-recoverable taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct material and labour costs, and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

#### Property and Equipment

Property and equipment are stated at historical cost, less any accumulated depreciation and any impairment losses. Historical cost includes all costs directly attributable to the acquisition. Land is not amortized. Amortization of other items of property and equipment is provided on parts that have homogeneous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives, as follows:

Buildings and parking lot	5-10%	Straight-line
Developments	2.5-10%	Straight-line
Equipment	5-30%	Straight-line
Floats	10%	Straight-line
Furniture	20-100%	Straight-line
Harbours	5-100%	Straight-line
Marinas	2.5-20%	Straight-line
Terminals	2.5-10%	Straight-line
Vehicles	20%	Straight-line
Wharves	10%	Straight-line

In the year of acquisition only one-half the normal rate is applied.

#### Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The investment properties are measured using the cost method and are included in property and equipment. Amortization is calculated using the straight-line method. Details of the useful lives of the properties are discussed with property and equipment.

#### Deferred Government Contributions

Government grants are recognized, in amortization, on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate, through profit and loss.

#### Gross Revenue Charge

In order to maintain its Letters Patent in good standing, the Port Authority is required to annually pay the Minister of Transport a charge on gross revenues. The charge is calculated by reference to gross revenues at a rate of 2% on the first \$10 million and at variable rates thereafter.

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### 2. Significant Accounting Policies (continued)

#### Revenue Recognition

Revenue from moorage and camping is recognized over the length of the contract and is subject to cancellation policies for early termination. Revenue from leases is recognized into revenue over the life of the lease. Unrecognized revenue is recorded as unearned revenue. All other revenue is recognized when earned.

#### Impairment of Long Lived Assets

Long-lived assets consist of property and equipment. The Port Authority performs impairment testing on long-lived assets whenever events or changes in circumstances indicate that their 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 the fair value less costs to sell and value in use. Non-current assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment loss at the reporting date.

### 3. Cash and Short-term Investments

The Port Authority's cash and short-term investments are held with commercial banks and investment members in fixed and guaranteed income securities as required by the Canada Marine Act per port authorities' management regulation. Cash and short-term investments consist of the following:

	2016 \$	2015 \$
Cash	508,516	45,338
Short-term investments	2,227,089	3,456,584
	<u>2,735,605</u>	<u>3,501,922</u>

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

### 4. Property and Equipment

	Cost				Accumulated Amortization			Value 2016 \$	
	January 1, 2016 \$	Additions \$	Disposals \$	December 31, 2016 \$	January 1, 2016 \$	Expense \$	Disposals \$		December 31, 2016 \$
<b>Terminal</b>									
Harbour vehicles	196,548	-	-	196,548	196,545	2	-	196,547	1
Terminal - berth 1 and 2	4,813,129	-	-	4,813,129	4,580,836	26,492	-	4,607,328	205,801
Terminal - berth 3	4,506,285	-	-	4,506,285	3,373,680	18,443	-	3,392,123	1,114,162
Terminal equipment	1,424,736	-	-	1,424,736	1,328,119	12,327	-	1,340,446	84,290
	<u>10,940,698</u>	<u>-</u>	<u>-</u>	<u>10,940,698</u>	<u>9,479,180</u>	<u>57,264</u>	<u>-</u>	<u>9,536,444</u>	<u>1,404,254</u>
<b>Fisherman's Harbour, Argyle, &amp; Water Street</b>									
Argyle Street development	6,421,620	3,758	-	6,425,378	1,451,458	171,171	-	1,622,629	4,802,749
Fishermen's harbour	2,567,329	1,636,294	-	4,203,623	993,709	104,010	-	1,097,719	3,105,904
Water Street wharf	193,825	-	-	193,825	193,825	-	-	193,825	-
Sundry Floats	18,898	-	-	18,898	13,575	710	-	14,285	4,613
	<u>9,201,672</u>	<u>1,640,052</u>	<u>-</u>	<u>10,841,724</u>	<u>2,652,567</u>	<u>275,891</u>	<u>-</u>	<u>2,928,458</u>	<u>7,913,266</u>
<b>Real Estate</b>									
Port Fish Building & equip.	1,885,212	-	-	1,885,212	1,880,368	510	-	1,880,878	4,334
Kingsway Avenue - parking	330,976	-	-	330,976	330,976	-	-	330,976	-
Marine Centre Building	219,714	-	-	219,714	208,752	8,056	-	216,808	2,906
Harbour Road	112,069	-	-	112,069	112,069	-	-	112,069	-
	<u>2,547,971</u>	<u>-</u>	<u>-</u>	<u>2,547,971</u>	<u>2,532,165</u>	<u>8,566</u>	<u>-</u>	<u>2,540,731</u>	<u>7,240</u>
<b>Marinas</b>									
China Creek Marina	4,020,156	56,499	-	4,076,655	2,748,828	90,846	-	2,839,674	1,236,981
Clutesi Haven Marina	2,385,961	-	-	2,385,961	1,666,055	47,351	-	1,713,406	672,555
Harbour Quay Marina	5,028,502	-	-	5,028,502	3,845,069	112,224	-	3,957,293	1,071,209
	<u>11,434,619</u>	<u>56,499</u>	<u>-</u>	<u>11,491,118</u>	<u>8,259,952</u>	<u>250,421</u>	<u>-</u>	<u>8,510,373</u>	<u>2,980,745</u>
<b>Administration</b>									
Environmental protection equipment	34,852	-	-	34,852	34,852	-	-	34,852	-
Exploration costs	414,268	-	-	414,268	-	-	-	-	414,268
Harbour costs	309,740	-	-	309,740	302,566	7,174	-	309,740	-
Furniture and equipment	409,629	37,126	-	446,755	367,244	57,376	-	424,620	22,135
	<u>1,168,489</u>	<u>37,126</u>	<u>-</u>	<u>1,205,615</u>	<u>704,662</u>	<u>64,550</u>	<u>-</u>	<u>769,212</u>	<u>436,403</u>
	<u>35,293,449</u>	<u>1,733,677</u>	<u>-</u>	<u>37,027,126</u>	<u>23,628,526</u>	<u>656,692</u>	<u>-</u>	<u>24,285,218</u>	<u>12,741,908</u>

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

### 4. Property and Equipment (continued)

	Cost				Accumulated Amortization			Value 2015 \$	
	January 1, 2015 \$	Additions \$	Disposals \$	December 31, 2015 \$	January 1, 2015 \$	Expense \$	Disposals \$		December 31, 2015 \$
<b>Terminal</b>									
Harbour vehicles	196,548	-	-	196,548	191,546	4,999	-	196,545	3
Terminal - berth 1 & 2	4,797,019	16,110	-	4,813,129	4,533,945	46,891	-	4,580,836	232,293
Terminal - berth 3	4,506,285	-	-	4,506,285	3,322,417	51,263	-	3,373,680	1,132,605
Terminal equipment	1,392,806	31,930	-	1,424,736	1,317,388	10,731	-	1,328,119	96,617
	<u>10,892,658</u>	<u>48,040</u>	<u>-</u>	<u>10,940,698</u>	<u>9,365,296</u>	<u>113,884</u>	<u>-</u>	<u>9,479,180</u>	<u>1,461,518</u>
<b>Fisherman's Harbour, Argyle, &amp; Water Street</b>									
Argyle Street Development	6,421,620	-	-	6,421,620	1,280,475	170,983	-	1,451,458	4,970,162
Fishermen's harbour	2,529,417	37,912	-	2,567,329	922,456	71,253	-	993,709	1,573,620
Water Street wharf	193,825	-	-	193,825	193,825	-	-	193,825	-
Sundry Floats	18,898	-	-	18,898	12,865	710	-	13,575	5,323
	<u>9,163,760</u>	<u>37,912</u>	<u>-</u>	<u>9,201,672</u>	<u>2,409,621</u>	<u>242,946</u>	<u>-</u>	<u>2,652,567</u>	<u>6,549,105</u>
<b>Real Estate</b>									
Port Fish Building & equip.	1,885,212	-	-	1,885,212	1,879,857	511	-	1,880,368	4,844
Kingsway Avenue - parking	330,976	-	-	330,976	330,976	-	-	330,976	-
Marine Centre building	219,714	-	-	219,714	200,696	8,056	-	208,752	10,962
Harbour Road	112,069	-	-	112,069	112,069	-	-	112,069	-
	<u>2,547,971</u>	<u>-</u>	<u>-</u>	<u>2,547,971</u>	<u>2,523,598</u>	<u>8,567</u>	<u>-</u>	<u>2,532,165</u>	<u>15,806</u>
<b>Marinas</b>									
China Creek Marina	3,997,612	22,544	-	4,020,156	2,644,005	104,823	-	2,748,828	1,271,328
Clutesi Haven Marina	2,358,110	27,851	-	2,385,961	1,615,658	50,397	-	1,666,055	719,906
Harbour Quay Marina	4,987,042	41,460	-	5,028,502	3,717,097	127,972	-	3,845,069	1,183,433
	<u>11,342,764</u>	<u>91,855</u>	<u>-</u>	<u>11,434,619</u>	<u>7,976,760</u>	<u>283,192</u>	<u>-</u>	<u>8,259,952</u>	<u>3,174,667</u>
<b>Administration</b>									
Environmental protection equipment	34,852	-	-	34,852	34,852	-	-	34,852	-
Exploration costs	414,268	-	-	414,268	-	-	-	-	414,268
Harbour vessels	309,740	-	-	309,740	271,670	30,896	-	302,566	7,174
Furniture and equipment	361,785	47,844	-	409,629	330,269	36,975	-	367,244	42,385
	<u>1,120,645</u>	<u>47,844</u>	<u>-</u>	<u>1,168,489</u>	<u>636,791</u>	<u>67,871</u>	<u>-</u>	<u>704,662</u>	<u>463,827</u>
	<u>35,067,798</u>	<u>225,651</u>	<u>-</u>	<u>35,293,449</u>	<u>22,912,066</u>	<u>716,460</u>	<u>-</u>	<u>23,628,526</u>	<u>11,664,923</u>

## Port Alberni Port Authority

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 4. Property and Equipment (continued)

Included in property and equipment is \$414,268 in environmental studies and surveys for the Port Alberni Transshipment Hub (PATH) study. These costs have been capitalized as exploration costs and will be added to the cost of the project, when initiated.

#### 5. Investment Properties

Investment properties are comprised of the Port Fish Building and the Marine Centre Building. Included in the Port Authority's income is rental income from investment properties of \$141,940 (2015 - \$111,940). A reconciliation of the investment properties' carrying amounts, including their gross carrying amounts and accumulated amortization, is included in Note 4.

#### 6. Long-term Debt

	2016 \$	2015 \$
KUBOTA CANADA - monthly payments of \$416 plus taxes, zero interest, secured by equipment, maturing April 30, 2019.	11,643	16,633
Less: current portion	(4,990)	(4,990)
	<u>6,653</u>	<u>11,643</u>

The estimated principal repayments on long-term debt over the next three years are as follows:

Year	\$ Amount
2017	4,990
2018	4,990
2019	1,663

#### 7. Deferred Government Contributions

During 2016, the Port Authority received the following government contributions during the year:

	2016 \$	2015 \$
Balance, beginning of year	4,012,717	4,149,710
Fisherman's Harbour	650,924	25,396
Amount recognized as amortization	(173,553)	(162,389)
Balance, end of year	<u>4,490,088</u>	<u>4,012,717</u>

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### 8. Reserve for Harbour Maintenance and Development

The Port Authority has appropriated equity, under the title "harbour maintenance and development", in the amount of \$2,225,031 (2015 - \$3,222,405) for future upgrading and development of the port terminals, marinas, and harbour.

### 9. Commitments

The Port Authority has a long-term Head Lease with the Province of British Columbia for the management of Provincial property in and along the Alberni Inlet. The present lease agreement originated on January 1, 1986 with a term to December 31, 2023. The revenue rate allocation for the term to December 31, 2016 was 50% to the Port Authority.

The Port Authority has a long-term lease with the Regional District of Alberni-Clayoquot for the operation of a campground with a term to December 31, 2029. Annual rent equivalent of 2.4% of the camping revenue is payable each year to the Regional District of Alberni-Clayoquot. A new rent rate is to be negotiated at the beginning of the year 2021. The lease has a cancellation clause of one year for the Port Authority and five years for the Regional District.

The Port Authority has a lease with the City of Port Alberni for Clutesi Haven Marina properties. The term of the lease is to December 31, 2039 with an option to renew for a further 21 years. The rent is \$1 per year and subject to negotiation by mutual agreement for each five year period which commenced January 1, 2015.

The Port Authority has a long-term lease with the Province of British Columbia for the marina lands at China Creek Marina. The term of the lease is to January 31, 2025. The annual fee for use is 4% of the potential gross income from moorage.

### 10. Loan Approval

The Port Authority has a facility with a commercial bank to borrow up to \$1 million, providing the equivalent amount of investments are pledged as security. The rate of interest is commercial bank prime. There was no balance payable at year end.

### 11. Municipal Accord - City of Port Alberni

The Port Authority has an accord with the City of Port Alberni. This accord provides for the payment of \$95,000 per year to the City of Port Alberni for the purpose of enhancing and developing projects of common interests for the benefit of the community. This accord is in effect up to and including the calendar year 2018.

## Port Alberni Port Authority

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 12. Financial Instruments

The fair value of the Port Authority's financial instruments and their related carrying values are categorized as follows:

	2016		2015	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Financial Assets				
Loans and receivables				
Accounts receivable	787,060	787,060	406,301	406,301
Fair value through profit & loss				
Cash and short-term investments	2,735,605	2,735,605	3,501,922	3,501,922
Total financial assets	3,522,665	3,522,665	3,908,223	3,908,223
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	985,256	985,256	786,235	786,235

The financial instruments that are measured subsequent to initial recognition at fair value use the following fair value hierarchy to determine fair value:

- i) Level 1 – fair value measurements are derived from quoted market prices of identical assets.
- ii) Level 2 – fair value measurements are derived from valuation techniques developed from observable market data for similar assets or liabilities.
- iii) Level 3 – fair value measurements are derived from valuation techniques developed without observable market data.

Fair value of cash and short-term investments was determined using Level 1 as quoted market prices were available. The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying value because of their short-term nature.

#### 13. Financial Risks and Concentration of Risks

##### Risk Management Policies

The Port Authority, through its financial instruments, is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The following evaluates the nature and extent of the risks at the end of the reporting period. There have been no significant changes to the Port Authority's risk exposure from the prior year.

##### Credit Risk

Credit risk is the potential for financial loss should a counter party in a transaction fail to meet its obligations. The Port Authority is exposed to credit risk from its accounts receivable. In order to reduce this risk, the Port Authority has credit policies which include the analysis of the financial position of its customers and regular review of their credit limits. An allowance for doubtful accounts is established when factors surrounding the credit risk of specific amounts, historical trends, and other information indicate that an amount may not be collectible. At year end, an allowance for doubtful accounts has not been recorded. The Port Authority is not exposed to significant credit risk.

# Port Alberni Port Authority

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### 13. Financial Risks and Concentration of Risks (continued)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Port Authority is exposed to interest rate risk on its short-term investments. The Port Authority manages interest rate risk by holding investments in accordance with the Canada Marine Act. The Port Authority is not exposed to significant interest rate risk.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Port Authority does not face significant currency risk exposure.

#### Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Port Authority manages other price risk by holding investments in accordance with the Canada Marine Act.

#### Liquidity Risk

Liquidity risk is the risk that Port Authority will encounter difficulty in meeting obligations. The Port Authority manages liquidity risk by having a reserve for harbour maintenance and development and sufficient cash and short-term investments. The Port Authority is not exposed to significant liquidity risk.

### 14. Capital Management

The Port Authority's objective in managing its capital is to fund operations and property and equipment acquisitions. The Port Authority's capital is comprised of assets and liabilities that are liquid. The Port Authority is not subject to any externally imposed capital requirements.

The Port Authority manages the capital based on changes in economic conditions and risk assessment. The Port Authority has sufficient cash and short-term investments to continue to fund the Port's operations.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash and short-term investments	2,735,605	3,501,922
Accounts payable and accrued liabilities	(985,256)	(786,235)
Net excess	<u>1,750,349</u>	<u>2,715,687</u>

Management has estimated that the Port Authority is committed to expenditures totaling \$1,364,600 (2015: \$1,549,700) for property and equipment for the next fiscal year.

## Port Alberni Port Authority

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 15. Remuneration

As required by subsection 37(3) of the Canada Marine Act, the Port Authority must disclose the remuneration paid to the directors and president and chief executive officer in its annual financial statements. For the year ended December 31, 2016, directors' remuneration is as follows:

Name	Title	Amount \$
R. Crema	Director	14,000
A. Haggard	Director	10,000
R. Johnson	Director	10,000
D. Jonsson	Director	10,000
K. McRae	Director	12,000
D. St. Jacques	Director	10,000
G. Trumper	Director	10,000
Z. Knezevic	Port Manager/CEO	175,350

#### 16. Approval of Financial Statements

The financial statements of Port Alberni Port Authority for the year ended December 31, 2016 were approved and authorized for issue by the Board of Directors on March 29, 2017.