Nanaimo Port Authority
Financial Statements
December 31, 2019

Contents

For the year ended December 31, 2019

Independent Auditor's Report

To the Board of Directors of Nanaimo Port Authority:

Opinion

We have audited the financial statements of Nanaimo Port Authority (the "Port"), which comprise the statement of financial position as at December 31, 2019, and the statements of loss and comprehensive loss, 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 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.

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 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.

Other Information

Management is responsible for the other information. The other information comprises an Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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'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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Port'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.

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'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'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 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.

Nanaimo, British Columbia

MNP LLP

April 23, 2020

Chartered Professional Accountants

Nanaimo Port Authority
Statement of Financial Position
As at December 31, 2019

	2019	*2018*
Assets		
Current		
Cash and cash equivalents *(Note 6)*	**528,031**	986,696
Investments	**-**	30,738
Accounts receivable *(Note 7)*	**982,761**	3,548,339
Inventories	**11,358**	46,126
Prepaid expenses	**413,854**	312,203
Harbour development fund *(Note 8)*	**1,000,000**	1,000,000
	2,936,004	5,924,102
Non-current		
Property and equipment *(Note 9)*	**28,707,926**	28,805,618
Total assets	**31,643,930**	34,729,720
Liabilities		
Current		
Trade and other payables	**1,400,262**	4,687,058
Deferred revenue	**317,919**	495,253
Deferred pension liability *(Note 10)*	**142,300**	51,200
Current portion of long-term debt *(Note 12)*	**282,234**	-
Short-term debt *(Note 11)*	**500,000**	999,988
	2,642,715	6,233,499
Liabilities		
Non-current		
Long-term debt *(Note 12)*	**1,126,334**	-
	3,769,049	6,233,499
Events after the reporting period *(Note 18)*		
Equity		
Contributed capital	**24,991,262**	24,991,262
Retained earnings	**3,679,719**	4,061,559
Reserve for harbour development *(Note 8)*	**1,000,000**	1,000,000
Accumulated other comprehensive loss *(Note 10)*	**(1,796,100)**	(1,556,600)
	27,874,881	28,496,221
	31,643,930	34,729,720

Approved on behalf of the Board

Donna Hais

Donna Hais, Chair of the Board

Barbara Coe.

Barbara Coe, Audit Committee Chair

The accompanying notes are an integral part of these financial statements

Nanaimo Port Authority
Statement of Loss and Comprehensive Loss
For the year ended December 31, 2019

	2019	*2018*
Revenue		
Port operations	**6,354,131**	7,816,730
Lease	**3,716,998**	3,161,389
	10,071,129	10,978,119
Expenses		
Maintenance	**654,992**	868,085
Marketing and community contributions	**629,984**	558,907
Operating	**3,452,704**	3,860,504
Professional fees	**422,213**	490,175
Salaries, wages and benefits	**3,045,772**	3,215,907
	8,205,665	8,993,578
Profit before other items	**1,865,464**	1,984,541
Other income (expense)		
Investment income	**55,944**	48,481
Gain on disposal of property and equipment	**21,000**	46,000
Gross revenue charge	**(205,033)**	(241,064)
Depreciation	**(2,119,215)**	(2,030,486)
	(2,247,304)	(2,177,069)
Net loss	**(381,840)**	(192,528)
Comprehensive loss		
Net actuarial losses on defined benefit plans	**(239,500)**	(322,500)
Total comprehensive loss	**(621,340)**	(515,028)

The accompanying notes are an integral part of these financial statements

Nanaimo Port Authority
Statement of Changes in Equity
For the year ended December 31, 2019

	Contributed capital	*Reserve for Harbour Development*	*Retained earnings*	*Accumulated other comprehensive loss*	*Total equity*
Balance December 31, 2017	**24,991,262**	**2,000,000**	**3,254,087**	**(1,234,100)**	**29,011,249**
Net loss for the year	**-**	**-**	**(192,528)**	**-**	**(192,528)**
Other comprehensive loss for the year	**-**	**-**	**-**	**(322,500)**	**(322,500)**
Transfers	**-**	**(1,000,000)**	**1,000,000**	**-**	**-**
Balance December 31, 2018	**24,991,262**	**1,000,000**	**4,061,559**	**(1,556,600)**	**28,496,221**
Net loss for the year	**-**	**-**	**(381,840)**	**-**	**(381,840)**
Other comprehensive loss for the year	**-**	**-**	**-**	**(239,500)**	**(239,500)**
Balance December 31, 2019	**24,991,262**	**1,000,000**	**3,679,719**	**(1,796,100)**	**27,874,881**

The accompanying notes are an integral part of these financial statements

	2019	*2018*
Cash provided by (used for) the following activities		
Operating activities		
Comprehensive loss	**(381,840)**	(192,528)
Depreciation	**2,119,215**	2,030,486
Gain on disposal of property and equipment	**(21,000)**	(46,000)
Actuarial loss on defined benefit plan	**(239,500)**	(322,500)
Decrease in deferred pension benefit	**91,000**	324,700
	1,567,875	1,794,158
Changes in working capital accounts		
Accounts receivable	**2,565,679**	(2,362,122)
Inventories	**34,770**	(35,292)
Prepaid expenses	**(101,651)**	(32,616)
Trade and other payables	**(3,286,797)**	3,534,264
Deferred revenue	**(177,334)**	129,548
	602,542	3,027,940
Financing activities		
Proceeds from long-term debt	**1,500,000**	-
Repayments of debt	**(591,420)**	(500,004)
	908,580	(500,004)
Investing activities		
Increase in investments	**-**	(443)
Proceeds from disposal of investments	**30,738**	-
Purchases of property and equipment	**(2,021,525)**	(3,224,106)
Proceeds from disposal of property and equipment	**21,000**	46,000
	(1,969,787)	(3,178,549)
Decrease in cash resources	**(458,665)**	(650,613)
Cash resources, beginning of year	**1,986,696**	2,637,309
Cash resources, end of year	**1,528,031**	1,986,696
Cash resources are composed of:		
Cash	**528,031**	986,696
Harbour development fund	**1,000,000**	1,000,000
	1,528,031	1,986,696

1. Reporting entity

Nanaimo Port Authority (the “Port”) was incorporated in accordance with Section 10 of the Canada Marine Act and by the Letters Patent of Continuance issued by the Minister of Transport on July 11, 1999.

The Port has the mandate to administer, control and manage the harbour, waters and foreshore of the Georgia Strait in an area adjacent to Nanaimo, British Columbia, Canada.

The Port generates revenue through a variety of operations including a deep-sea shipping port, property leases and general harbour administration.

The address of the Port’s registered office is 100 Port Drive, PO Box 131, Nanaimo, British Columbia.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors and authorized for issue on April 23, 2020.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared in the historical basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out in Note 4.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Port’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

Significant accounting judgments, estimates and assumptions

The preparation of the Port’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Port may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date include accounts receivable, useful lives of capital assets, impairment of capital assets, and employee future benefits.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Pension and other post employment benefits

Significant measurement judgment is required to determine the cost of defined benefit pension plans and other post employment benefits. The actuarial valuations involve making assumptions about discount rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

4. Summary of significant accounting policies

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The original cost and related accumulated depreciation of existing assets were transferred from the Nanaimo Harbour Commission.

All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date the asset is put into use.

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	***Rate***
Terminal Facilities	straight-line	5 - 40 years
Commercial Inlet Facilities	straight-line	5 - 40 years
Harbour Operations	straight-line	10 - 15 years
Harbour Properties	straight-line	3 - 50 years
Administrative Facilities	straight-line	4 - 50 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Government grants

Government grants related to property and equipment are deducted in calculating the cost of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Government grants are recognized when there is reasonable assurance that the Port will comply with the terms and conditions associated with the grants and the grants will be received.

Gross revenue charge

The Port pays a gross revenue charge as required per the Letters Patent under the authority of the Canada Marine Act.

Employee benefits

The Port's post employment benefit programs consist of a defined benefit plan for both union and non-union employees, as well as other post-employment benefits.

4. Summary of signifcant accounting policies *(Continued from previous page)*

The cost of providing benefits under the defined benefit plans are actuarially determined using the Projected Unit Credit Method (PUCM) at each reporting date. The PUCM (also known as the benefit/years of service method) recognizes each period of service as an additional unit of benefit entitlement and measures each unit separately to determine the final obligation. The discount rate used to determine defined benefit obligations is based on market yields at the end of the reporting period of high quality corporate bonds or market yields on government bonds.

The assets or liabilities recognized on the statement of financial position represents the present value of the Port's defined benefit obligation at the end of the reporting period less the fair value of plan assets. The value of any asset resulting from the calculation is restricted to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs consists of the following:

- Service costs comprising current service costs, past-service costs (including unvested amounts) resulting from plan amendments or curtailments, and gains or losses on settlement. Service costs are recognized immediately in profit or loss.
- Net interest expense or income which is recognized in profit or loss and calculated by applying the discount rate to the net defined asset or liability.
- Remeasurements comprising actuarial gains or losses, the change in asset restriction amount excluding amounts included in net interest, and the actual return on plan assets excluding amounts included in net interest, are recognized immediately in other comprehensive income.

The Port recognizes actuarial gains and losses in comprehensive income in the period in which they occur.

Revenue recognition

The following describes the Port's principal activities from which it generates revenue.

Port operations

The Port generates revenue from various Port operations. Revenue is recognized when services are rendered.

Consideration is typically due when services are rendered.

Leases

The Port generates revenue from leases on a straight-line basis over the lease term.

The Port recognizes revenue based on the actual performance at the end of the reporting period as a proportion of the total performance to be provided. This is determined based on the portion of time past at the end of the reporting period as a proportion of the total lifetime of the lease.

Consideration is typically due monthly in even payments over the lifetime of the lease. When cash is received in advance of the revenue recognition criteria being met this is recorded as deferred revenue.

Impairment of non-financial assets

The Port performs impairment tests on property, plant and equipment when events or circumstances occur that indicate the asset(s) 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.

4. Summary of signifcant accounting policies *(Continued from previous page)*

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliably measured, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly because of the transaction. When the fair value of a non-monetary transaction cannot be accurately measured or the transaction lacks commercial substance, it is recorded at the carrying value of the asset given up adjusted by the fair value of any monetary consideration received or given.

Financial instruments

Financial assets

Recognition and initial measurement

The Port recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

The Port recognizes and derecognizes purchases and sales of financial assets on the trade date, which is the date that the Port commits to selling or purchasing the financial asset. Interest is not accrued on the asset and corresponding liability until the settlement date when title of the financial asset passes.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss.

Reclassifications

The Port reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Port recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

For all financial assets the Port records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the Port assessed that a significant increase in credit risk has occurred, the Port records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Port assesses whether a financial asset is credit-impaired at the reporting date. For financial assets assessed as credit-impaired at the reporting date, the Port continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial assets

Financial assets are written off when the Port has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Port derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

4. Summary of signifcant accounting policies *(Continued from previous page)*

Financial liabilities

Recognition and initial measurement

The Port recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Port measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability or a component classified as a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Port derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

5. Change in accounting policies

Leases

Effective January 1, 2019 (hereafter referred to as the “date of initial application”), the Port adopted IFRS 16 *Leases* as issued by the IASB in January 2016. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives*, and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Transition

The Port applied the changes in accounting policies resulting from the adoption of IFRS 16 retrospectively to each prior reporting period presented.

The application of the standard has resulted in a change in the Port’s accounting policy for recognition of leases.

Initial application of IFRS 16

There was no material impact on the financial statements from the retrospective application of IFRS 16 *Leases*.

6. Cash and cash equivalents

The Port's cash and cash equivalents are held with commercial banks in fixed and guaranteed income securities as required by the Canada Marine Act. Cash and cash equivalents are comprised of:

	2019	*2018*
Petty cash	**2,150**	2,150
Bank balances	**525,881**	880,914
Investments	**-**	103,632
	528,031	986,696

7. Accounts receivable

	2019	*2018*
Trade receivables	**849,520**	705,865
Goods and services tax receivables	**-**	66,519
Receivables related to Vehicle Processing Centre	**133,241**	2,775,955
	982,761	3,548,339

8. Harbour development fund

The Harbour Development Fund was established by the Board of Directors to finance capital restoration and development of the Port's assets. The Board of Directors approves transfers to and from the reserve. The Port strives to maintain sufficient working capital and funded reserve balances to meet operating and capital requirements and to finance unforeseen difficulties or emergencies.

The fund was adequately funded by cash of $1,000,000 (2018 - cash of $1,000,000) at the end of the year.

9. Property and equipment

	2019	2018
Cost	87,576,782	85,577,759
Depreciation	58,868,856	56,772,141
	28,707,926	28,805,618

	2019	2018
Terminal facilities	15,729,323	15,107,904
Commercial Inlet Facilities	2,774,416	2,980,317
Harbour Operations	2,167,902	2,382,772
Harbour Properties	7,743,897	8,021,284
Administrative Facilities	292,388	313,341
	28,707,926	28,805,618

	Terminal Facilities	***Commercial Inlet Facilities***	***Harbour Operations***	***Harbour Properties***	***Admin. Facilities***	***Total***
Cost						
2018						
Balance, beginning of year	46,727,342	11,054,510	3,875,131	18,892,256	1,804,414	82,353,654
Additions	2,714,861	230,156	40,676	145,515	92,898	3,224,106
Balance, end of prior year	49,442,203	11,284,666	3,915,807	19,037,771	1,897,312	85,577,759
2019						
Balance, beginning of year	49,442,203	11,284,666	3,915,807	19,037,771	1,897,312	85,577,759
Additions	1,698,234	99,277	53,744	124,651	45,619	2,021,525
Disposals	22,502	-	-	-	-	22,502
Balance, end of year	51,117,935	11,383,943	3,969,551	19,162,422	1,942,931	87,576,782

	Terminal Facilities	***Commercial Inlet Facilities***	***Harbour Operations***	***Harbour Properties***	***Admin. Facilities***	***Total***
Depreciation						
2018						
Balance, beginning of year	33,326,007	8,011,586	1,262,806	10,612,673	1,528,583	54,741,655
Depreciation	1,008,292	292,763	270,229	403,814	55,388	2,030,486
Balance, end of prior year	34,334,299	8,304,349	1,533,035	11,016,487	1,583,971	56,772,141
2019						
Balance, beginning of year	34,334,299	8,304,349	1,533,035	11,016,487	1,583,971	56,772,141
Depreciation	1,076,813	305,178	268,614	402,038	66,572	2,119,215
Disposals	22,500	-	-	-	-	22,500
Balance, end of year	35,388,612	8,609,527	1,801,649	11,418,525	1,650,543	58,868,856

10. Deferred pension liability

The Port maintains a defined benefit plan for eligible employees and has a funding policy for the union and non-union defined benefit plans. These plans are contributory and require member contributions. The Port will fund plan benefits measured on a going concern basis and provide adequate funding for future service benefits in accordance with the applicable laws and plan texts. Emerging plan experience, changes in assumptions, and improvements to past service benefits will result in actuarial gains and losses, sometimes giving rise to going concern and/or solvency funding deficits. The Port will apply its discretion in determining how rapidly it will fund deficits in accordance with applicable laws.

In 2020, the funding obligations for these plans are expected to be approximately $374,700 (union - $115,400; non-union $259,400).

The most recent valuation of the non-union and union pension plans for funding purposes was conducted as of December 31, 2019.

The following tables present information on a calendar year basis concerning the employee pension plan.

	Union	Non-Union	**2019 Totals**	2018 Totals
Accrued Benefit Obligation				
Balance - January 1	2,478,700	6,944,500	**9,423,200**	9,331,900
Employer current service cost	92,600	234,900	**327,500**	364,900
Interest cost	95,200	265,300	**360,500**	325,800
Benefits paid	(79,900)	(239,100)	**(319,000)**	(313,900)
Employee contributions	34,300	69,300	**103,600**	79,200
Actuarial gain	415,600	886,500	**1,302,100**	(364,700)
Balance - December 31	3,036,500	8,161,400	**11,197,900**	9,423,200
Fair Value of Plan Assets				
Balance - January 1	2,253,500	7,118,500	**9,372,000**	9,605,400
Actual return on plan assets	345,600	1,084,500	**1,430,100**	(342,800)
Employer contributions	139,900	329,000	**468,900**	344,100
Employee contributions	34,300	69,300	**103,600**	79,200
Benefits paid	(79,900)	(239,100)	**(319,000)**	(313,900)
Balance, December 31	2,693,400	8,362,200	**11,055,600**	9,372,000
Net defined benefit asset (liability)	(343,100)	200,800	**(142,300)**	(51,200)
Pension Expense				
Current service cost	92,600	234,900	**327,500**	364,900
Interest on accrued benefit	95,200	265,300	**360,500**	325,800
Less: expected return on plan assets	(89,200)	(278,300)	**(367,500)**	(344,400)
Total recognized in profit and loss	98,600	221,900	**320,500**	346,300
Comprehensive Loss				
Actuarial losses	159,200	80,300	**239,500**	322,500
Accumulated Comprehensive Loss				
Balance actuarial loss - January 1	559,000	997,600	**1,556,600**	1,234,100
Actuarial losses recognized in year	159,200	80,300	**239,500**	322,500
Balance - December 31	718,200	1,077,900	**1,796,100**	1,556,600

10. Deferred pension liability *(continued from previous page)*

Plan Assets by Category

The invested assets of the pension plan by asset category are as follows:

	Union %	Non-Union %	**2019 Total %**	2018 Total %
Equity Securities	51	51	**51**	54
Debt Securities	42	42	**42**	44
Other	7	7	**7**	2
	100	100	**100**	100

The following summarizes the history of the plan obligations, plan assets and experience adjustments for the current annual period and the previous four annual periods:

	2019	2018	2017	2016
Present value of plan obligations	**11,197,900**	9,423,200	9,331,900	8,330,800
Fair value of plan assets	**11,055,600**	9,372,000	9,605,400	8,583,800
Surplus (deficit)	**(142,300)**	(51,200)	273,500	253,000
Experience losses on plan obligations	**(32,700)**	(103,000)	(72,300)	(146,700)
Experience gains on plan assets	**(1,062,600)**	687,200	470,000	198,600

11. Short-term debt

	2019	2018
Short-term debt bearing interest at RBC prime (3.95%)+ 0.50%, payable in monthly instalments of $41,667 plus interest, maturing December 31, 2020	**500,000**	999,988

The loan is secured by a first ranking and specific security interest in the floating cruise ship dock located at Nanaimo Assembly Wharves with a carrying value of $5,714,601 (2018 - $5,993,762). As well as a first ranking security interest in all accounts receivable with a carrying value of $982,762 (2018 - $3,548,339).

12. Long-term debt

In addition to the short-term debt noted above in Note 11, the Port has the following credit facilities available:

Non-revolving term facility for the maximum amount of $3,000,000 by way of:
- RBC prime loan with an interest rate of RBC prime (3.95%) plus 0.25%
- Fixed rate term loan with an interest rate to be determined at time of borrowing.

	2019	2018
Term loan bearing interest at RBC prime (3.95%) + 0.25%, payable in monthly blended instalments of $28,000, maturing August 6, 2021	**1,408,568**	-
Less: current portion	**282,234**	-
	1,126,334	-

13. Contingent liabilities

The Port may have contingent liabilities for environmental restoration requirements at a number of its properties. The nature, extent, timing and cost of clean up at these properties is not determinable or has not been determined as the obligation for remediation is normally activated by a change in use or sale of the property. The Port accrues the costs associated with environmental remediation obligations when such costs are likely and reasonable estimate of costs can be determined.

14. Capital management

The Port's objectives when managing capital are to safeguard the Port's ability to continue as a going concern and maintain sufficient capital capacity and flexibility to meet its strategic direction. The Port is not subject to any externally imposed capital requirements.

The Port manages the following as capital:

	2019	2018
Cash and cash equivalents	**1,528,031**	1,986,696
Investments	**-**	30,738
Accounts receivable	**982,762**	3,548,339
Accounts payable and accrued liabilities	**(1,400,262)**	(4,687,058)
	1,110,531	878,715

The Port monitors capital on the basis of changes in economic conditions and the risk characteristics of the underlying assets. During the year, the Port's strategy, which was unchanged from the prior year, was to manage capital in order to fund capital projects and operations.

15. Remuneration

Compensation in respect of key management personnel is disclosed below. In addition, the total remuneration is disclosed for all Board of Directors, the Chief Executive Officer and the top earning officers or employees in terms of the Port Authority Management Regulations.

Name	Title	Salary/Fee	Benefits & Allowances	Total
D. Hais	Board Chair	20,483	2,400	**22,883**
F. Denning	Vice Chair	18,442	2,400	**20,842**
M.Corfield	Director	13,367	1,000	**14,367**
B. Coe	Director	16,400	2,400	**18,800**
J. Manhas	Director	6,833	1,000	**7,833**
R. Sinclaire	Director	16,400	2,400	**18,800**
D. White	Director	9,567	1,400	**10,967**
I. Marr	President and CEO	198,295	629	**198,924**

16. Interests in joint arrangements

The Port has a 50% interest in a joint arrangement with Western Stevedoring Company Limited ("Western Stevedoring").

The Joint Works Agreement between the Port and Western Stevedoring is classified as a joint operation in accordance with IFRS 11 Joint Arrangements . The joint operators were working together in 2018 and completed the project in 2019, to develop a 60,000 square-foot vehicle processing centre and to improve berthing facilities at the Port. The joint arrangement is a strategic partnership in order to accommodate the offloading and preparation of new automobiles entering Canada.

In accordance with IFRS 11 Joint Arrangements, the Port has recorded $3,477,532 (2018 - $2,097,921) in Property, plant and Equipment, representing its interest in the vehicle processing facility

17. Financial instruments

The Port as part of its operations carries a number of financial instruments. It is management's opinion that the Port is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Foreign Currency Risk

The Port's exposure to foreign exchange risk is not significant as it has nominal foreign currency transactions.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk exists because the accounts receivable are unsecured. The maximum credit risk exposure is $982,762 (2018 - $3,548,339). Management believes that the credit risk is low for accounts receivable as management performs regular credit assessments of its customers and provides allowance for potentially uncollectible accounts receivable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Port is exposed to interest rate risk through its variable prime rate borrowing and its pension assets and liabilities.

17. Financial Instrument *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Port will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Port enters into transactions to purchase goods and services on credit and must fund its pension obligations for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Port’s future net cash flows for the possibility of negative net cash flow.

The Port manages the liquidity risk resulting from accounts payable and pension obligations by maintaining significant cash resources and maintaining liquid assets.

The current liabilities of the Port are expected to be settled and mature within one year of the period end date.

18. Events after the reporting period

In March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of travel restrictions, self-imposed quarantine periods and social distancing, could have a significant impact on the Port and many other businesses worldwide. At this time it is not possible to reliably estimate the length and severity of the impact the COVID-19 outbreak may have on the Port's financial results for 2020.

19. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.