



Financial statements

Port of Sydney Development Corporation

March 31, 2016

Contents

	<u>Page</u>
Independent auditor's report	1 - 2
Statement of operations	3
Statement of financial position	4
Statement of changes in net financial liabilities	5
Statement of cash flows	6
Notes to the financial statements	7 - 11

Independent auditor's report

Grant Thornton LLP
Suite 200
500 George Place
Sydney, NS
B1P 1K6
T (902) 562-5581
F (902) 562-0073
www.GrantThornton.ca

To the Board of Directors of
Port of Sydney Development Corporation

We have audited the accompanying financial statements of Port of Sydney Development Corporation, which comprise the statement of financial position as at March 31, 2016, and the statement of operations, statement of changes in net financial liabilities and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2016, and the results of its operations for the year then ended in accordance Canadian public sector accounting standards.

Emphasis of Matter

During the current year the Port of Sydney Development Corporation was formed as the successor to Sydney Ports Corporation. As part of the reorganization which occurred between these two entities, all of the assets and liabilities were transferred to the Port of Sydney Development Corporation including the deferred contributions which were received in prior years by the Sydney Ports Corporation and amortized over the useful life of the assets they were related to.

Unlike the Sydney Ports Corporation which reported under Part III of the CPA Handbook, the Port of Sydney Development Corporation reports under the Public Sector Accounting Standards or PSAS. Under this framework, the Port of Development Corporation is required to recognize all deferred contributions within the statement of operations in their entirety. As such, the Port of Sydney Development Corporation's revenues in the current year include \$5,391,341 which represents the inclusion of these deferred contributions received in prior years by the Sydney Ports Corporation.

This revenue item does not represent a cash inflow to the entity in the current year. The adjustment is solely the result of the difference between the accounting standards which govern the Port of Sydney Development Corporation and prior Sydney Ports Corporation.

Sydney, Canada

September 13, 2016

Grant Thornton LLP
Chartered Professional Accountants

Port of Sydney Development Corporation

Statement of operations

Year ended March 31	Budget	2016
Revenues		
Wharfage and berthage	\$ 520,083	\$ 528,562
Passenger tax	602,480	629,488
Events	56,800	61,515
Security	101,210	129,027
Storage and rental	152,891	149,398
Craft market	64,180	79,772
Sundry	10,250	11,244
Government funding	50,000	131,749
Business development	-	567,231
	<u>1,557,894</u>	<u>2,287,986</u>
Expenses		
Advertising and promotion	137,325	97,958
Business development harbour	-	567,231
Cruise activities	42,684	36,599
Dues and fees	37,900	22,845
Events	15,150	11,681
Insurance	53,000	52,647
Interest and bank charges	3,600	4,123
Interest on long term debt	-	16,476
Miscellaneous	25,900	7,366
Office and administration	16,450	20,058
Professional fees	37,875	59,636
Repairs and maintenance	134,570	164,929
Security	136,210	153,423
Travel	42,300	60,688
Utilities	214,385	198,020
Wages and benefits	650,940	686,548
	<u>1,548,289</u>	<u>2,160,228</u>
Operating income	<u>9,605</u>	<u>127,758</u>
Restructuring transaction (Note 9)	-	5,391,341
Amortization of capital assets	-	(408,035)
Excess of revenue over expenditures	<u>\$ 9,605</u>	<u>\$ 5,111,064</u>
Accumulated surplus, beginning of year		
		\$ -
Excess of revenue over expenditures		
		<u>5,111,064</u>
Accumulated surplus, end of year		
		<u>\$ 5,111,064</u>

See accompanying notes to the financial statements.

Port of Sydney Development Corporation

Statement of financial position

March 31

2016

Financial assets

Cash	\$ 431,836
Receivables (Note 4)	<u>173,988</u>
	<u>\$ 605,824</u>

Financial liabilities

Payables and accruals	114,655
Payable to Cape Breton Regional Municipality	1,510,271
Deferred revenue	9,464
Capital lease obligation (Note 7)	<u>155,815</u>
	<u>1,790,205</u>

Net financial liabilities

(1,184,381)

Non-financial assets

Tangible capital assets (Note 5)	6,267,408
Prepays	<u>28,037</u>
	<u>6,295,445</u>

Accumulated surplus (Page 3)

\$ 5,111,064

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements.

Port of Sydney Development Corporation

Statement of changes in net financial liabilities

Year ended March 31

Budget

2016

Excess of revenue over expenditures	\$ 9,605	\$ 5,111,064
Acquisition of tangible capital assets	-	(6,675,443)
Amortization of tangible capital assets	<u>-</u>	<u>408,035</u>
		(1,156,344)
Acquisition of prepaids	<u>-</u>	<u>(28,037)</u>
Change in net financial assets	-	(1,184,381)
Net financial assets, beginning of year	<u>-</u>	<u>-</u>
Net financial assets, end of year	<u>\$ 9,605</u>	<u>\$ (1,184,381)</u>

See accompanying notes to the financial statements.

Port of Sydney Development Corporation

Statement of cash flows

Year ended March 31

2016

Increase in cash and cash equivalents

Operating

Excess of revenue over expenditures	\$ 5,111,064
Restructuring transaction	(5,391,341)
Amortization of tangible capital assets	<u>408,035</u>
	127,758
Change in non-cash operating working capital (Note 8)	<u>25,265</u>
	<u>153,023</u>

Financing

Repayment of capital lease obligation	(186,057)
Redemption of guaranteed investment certificates	<u>402,556</u>
	<u>216,499</u>

Capital

Purchase of property and equipment	<u>62,314</u>
Increase in cash and cash equivalents	431,836
Cash and cash equivalents Beginning of year	<u>-</u>
End of year	<u>\$ 431,836</u>

See accompanying notes to the financial statements.

Port of Sydney Development Corporation

Notes to the financial statements

March 31, 2016

1. Nature of operation

The Port of Sydney Development Corporation ("Port of Sydney") is an other government organization created by the Cape Breton Regional Municipality with a mandate to manage and develop the harbour and infrastructure of the Port of Sydney, Nova Scotia, Canada. The Port of Sydney incorporated under the Companies Act, Chapter 81, Revised Statutes of Nova Scotia, 1989 on March 31, 2015.

2. Summary of significant accounting policies

The financial statements of the Port of Sydney have been prepared by management to conform in all material respects to generally accepted accounting principles for other government organizations using the standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants (CPA) Canada. Significant aspects of the accounting policies adopted by the Port of Sydney are as follows:

Revenue recognition

The Port of Sydney follows the deferral method of accounting for contributions. Restricted contributions, including government grants, are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets are recognized in the year in which the capital assets have been purchased and all liabilities relating to the asset have been cleared. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits.

Subsequent measurement

At each reporting date, the Port of Sydney measures its financial assets and liabilities at cost or amortized cost. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and accruals, payable to Cape Breton Regional Municipality and capital lease obligations.

For financial assets measured at cost or amortized cost, the Port of Sydney regularly assesses whether there are any indications of impairment. If there is an indication of impairment and the Port of Sydney determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Port of Sydney Development Corporation

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Capital assets

Purchases of capital assets are recorded at cost and are amortized over their estimated useful lives. Assets acquired under capital leases are recorded at cost and are amortized over their estimated useful lives of the assets or over the lease term as appropriate.

Amortization

Rates and bases of amortization applied to write off the cost of capital assets over their estimated lives are as follows:

Equipment and signs	20% - 30%, declining balance
Building	5%, declining balance
Compound	5%, declining balance
Wharf	5%, declining balance
Exhibits	20%, declining balance
Computer equipment	30%, declining balance

When a capital asset no longer has any long term service potential to the Port of Sydney, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write downs recognized are not reversed.

Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Net debt

The Port of Sydney's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Port of Sydney is determined by its liabilities less its financial assets.

3. Line of credit

The Port of Sydney has an established line of credit of \$150,000. The line of credit bears interest at a rate of prime plus 2.5%. At year end, the line of credit has a nil balance.

As security for the line of credit, the corporation provided a first ranking security interest on all the property and accounts receivable of the Port of Sydney.

Port of Sydney Development Corporation

Notes to the financial statements

March 31, 2016

4. Receivables	2016
Trade	\$ 163,900
Harmonized sales tax	<u>10,088</u>
	<u>\$ 173,988</u>

The gross carrying amount of impaired trade accounts receivable as of March 31, 2016, is nil.

5. Tangible capital assets

	<u>Buildings</u>	<u>Equipment and signs</u>	<u>Compound</u>	<u>Wharf</u>
Cost:				
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Transfer from Sydney Ports Corporation	9,248,361	672,011	68,973	1,355,737
Additions	-	49,463	-	-
Disposals	-	-	-	-
Balance, end of year	<u>9,248,361</u>	<u>721,474</u>	<u>68,973</u>	<u>1,355,737</u>
Accumulated amortization:				
Balance, beginning of year	-	-	-	-
Transfer from Sydney Ports Corporation	3,833,336	369,113	10,268	630,550
Amortization	270,751	73,149	2,935	36,259
Amortization on disposals	-	-	-	-
Balance, end of year	<u>4,104,087</u>	<u>442,262</u>	<u>13,203</u>	<u>666,809</u>
Net book value	<u>\$ 5,144,274</u>	<u>\$ 279,212</u>	<u>\$ 55,770</u>	<u>\$ 688,928</u>
		<u>Computer equipment</u>	<u>Total - 2016</u>	
Cost:				
Balance, beginning of year	\$ -	\$ -	\$ -	
Transfer from Sydney Ports Corporation	411,511	12,139	11,768,732	
Additions	75,165	-	124,628	
Disposals	-	-	-	
Balance, end of year	<u>486,676</u>	<u>12,139</u>	<u>11,893,360</u>	
Accumulated amortization:				
Balance, beginning of year	-	-	-	
Transfer from Sydney Ports Corporation	363,581	11,070	5,217,918	
Amortization	24,619	321	408,034	
Amortization on disposals	-	-	-	
Balance, end of year	<u>388,200</u>	<u>11,391</u>	<u>5,625,952</u>	
Net book value	<u>\$ 98,476</u>	<u>\$ 748</u>	<u>\$ 6,267,408</u>	

Port of Sydney Development Corporation

Notes to the financial statements

March 31, 2016

6. Government remittances

As of March 31, 2016, there are no amounts outstanding relating to government remittances.

7. Capital lease obligation 2016

Cape Breton Regional Municipality 7% capital lease, payable in monthly instalments of principal and interest of \$13,482, maturing in March, 2017.	\$ 155,815
Less: current portion	<u>(155,815)</u>
	<u>\$ -</u>
Repayment in the next year is as follows: 2017	\$ 161,790
Less: amount representing interest	<u>5,975</u>
Present value of net minimum capital lease payments	<u>155,815</u>
Less: Current portion	<u>155,815</u>
	<u>\$ -</u>

The Port of Sydney has not been able to make all of the lease payments as they have come due under the terms of the lease agreement with the Cape Breton Regional Municipality. To the extent payments are not made, they become part of the payable to the Cape Breton Regional Municipality.

8. Supplemental cash flow information 2016

Change in non-cash operating working capital:

Receivables	\$ (173,988)
Prepays	(28,037)
Payables and accruals	1,624,926
Deferred revenue	<u>9,464</u>
	<u>\$ 1,432,365</u>

Port of Sydney Development Corporation

Notes to the financial statements

March 31, 2016

9. Restructuring transaction

On April 1, 2015, the Port of Sydney Development Corporation acquired 100% of the assets and liabilities of the Sydney Ports Corporation ("SPC") for no consideration. The SPC operated a marine terminal in Sydney, Cape Breton and was dissolved March 31, 2015. The assets and liabilities were transferred to the Port of Sydney Development Corporation as part of the restructuring of the port governance model and expanding the mandate of the organization.

The restructuring transaction was accounted for in accordance of PS 3430 – Restructuring Transactions. Details of the acquisition are as follows:

Carrying value of assets acquired:	
Current assets, including cash of \$549,411	\$ 652,096
Buildings	5,415,025
Wharf	725,187
Equipment and signs	302,898
Compound	58,705
Computer equipment	1,069
Exhibits	47,930
	<u>7,202,910</u>
Carrying value of liabilities assumed:	
Current liabilities	1,655,754
Capital lease obligation	155,815
	<u>1,811,569</u>
Carrying value of net assets acquired	<u><u>\$ 5,391,341</u></u>

10. Pension expense

Effective April 1, 2015, the Port of Sydney Development Corporation has adopted a defined contribution pension plan for its employees which was implemented by the Sydney Ports Corporation on April 1, 2009.

The pension expense for the year ended March 31, 2016, was \$21,781 and is included in wages and benefits, as disclosed in the statement of operations.

11. Other matters

During the year, the Board of Directors approved a motion to provide a formal repayment plan to the Cape Breton Regional Municipality Council for all amounts payable upon the expiration of the capital lease. The Board has proposed to repay the balance owing of \$1,940,542 equally over a ten year term.
