



Windsor-Detroit Bridge Authority
Quarterly Financial Report for the Period Ended
December 31, 2017
Unaudited





Mandate

The Windsor-Detroit Bridge Authority (WDBA), established on October 9, 2012, by Letters Patent pursuant to the International Bridges and Tunnels Act, is a Schedule III, Part I non-agent parent Crown Corporation responsible for carrying out the obligations of the Crossing Authority as a party to the 2012 Canada-Michigan Crossing Agreement. Its mandate is to construct and/or operate the Gordie Howe International Bridge project (formerly known as the New International Trade Crossing and the Detroit River International Crossing), and to do so directly or under one or more public-private partnership (P3) agreements with one or more private sector concessionaires procured through a competitive procurement process as contemplated by the Crossing Agreement.

In June 2012, the Government of Canada and Michigan set out the governance framework for WDBA and outlined the roles and responsibilities of the key parties involved in the Gordie Howe International Bridge project. The Crossing Agreement, signed between Canada, WDBA and Michigan (the State of Michigan, the Michigan Department of Transportation and the Michigan Strategic Fund) assumes that Canada will fund the entire project.

The Crossing Agreement also established the International Authority (IA), a legal entity separate and distinct from WDBA. The IA is empowered to approve land acquisitions in the State of Michigan, leases of land in Michigan, as well as the Request for Qualifications, Request for Proposal and the Public-Private Agreement with respect to the Gordie Howe International Bridge project. The IA also has certain oversight responsibilities. These are to maintain on-going monitoring of compliance by WDBA with the Crossing Agreement and the Concessionaire with the Public-Private Agreement. WDBA is required by the Crossing Agreement to fund the activities of the IA.

Overview of the Gordie Howe International Bridge Project

The Windsor-Detroit trade corridor, in particular the Ambassador Bridge, is the busiest border crossing between the U.S. and Canada. The Gordie Howe International Bridge project will address current constraints with existing crossing capacity and will accommodate future trade and travel demand to provide needed capacity as well as system redundancy (i.e. overflow capacity and choice of crossings) in the Windsor-Detroit Region, and flexibility to stream traffic to improve border processing. The project has four major components:

- **Bridge** – a six-lane cable-stayed or suspension bridge with a span of 850 metres across the Detroit River.
- **Canadian Port of Entry (POE)** – a 53 hectare site that will house passenger, commercial and animal customs and border processing, tolling, and maintenance facilities.
- **U.S. POE** – a 68 hectare site and of similar scale to the Canadian Port of Entry, but without toll collection facilities.
- **Michigan Interchange with Interstate 75 (I-75)** – consists of the primary connecting overpasses and ramps to and from the U.S. Port of Entry and associated local road improvements.



2017-2018 Corporate Priorities

The WDBA's key objective is to substantially complete the P3 procurement process in 2017-18. To be able to achieve this objective, WDBA's strategic priorities are:

- **P3 Procurement Process:** Issue a definitive project agreement to the proponents.
- **U.S. Property Acquisition:** WDBA is working with the Michigan Department of Transportation (MDOT) to acquire required properties in Michigan. WDBA anticipates that all properties will either be acquired by MDOT or will be placed in condemnation by MDOT.
- **Early Works on the Canadian Port of Entry (POE):** Site preparation activities on the POE are underway including the Perimeter Access Road construction, minor utility relocation and fill, grading and drainage.
- **Utility Relocation:**
 - **Canadian Utilities:** Continue utility relocation to finalize site preparation for the Canadian POE; and
 - **U.S. Utilities:** Finalize agreements with MDOT for utility relocation and continue ongoing relocation activities.

Financial Analysis

Summary

At the end of the third quarter of 2017-18, net results of operations at WDBA reflect a surplus of \$142.0 million (compared to \$199.6 million in the prior year). The surplus is mostly due to the timing of appropriations and expenses on the acquisition of US properties and capital costs.

During this same period, net financial assets decreased by \$43.3 million to \$184.0 million. Financial assets decreased by \$59.1 million to \$232.9 million. The decrease is due mainly to capital asset and Michigan property acquisition activities.

Non-financial assets increased by \$175.7 million to \$365.2 million. The increase is driven by property acquisition activities in Michigan, the signing of the ground lease for the Canadian land, utility relocation in Canada, the Early Works on the Canadian lands, capitalized design and engineering costs, compared to the prior year.

Effective July 1, 2017 WDBA entered into a ground lease with the Government of Canada for the land to be used for the construction of the Canadian POE. Under the terms and conditions of the ground lease, all of the benefits and risks incident to ownership have been, in substance, transferred to WDBA. Consistent with the Crossing Agreement, the land was leased to WDBA for nil consideration. The Canadian land is recorded as a contributed capital asset at the Government of Canada's carrying amount.

The Crossing Agreement signed in June 2012 mandated the creation of a "Crossing Authority" to finance, construct and manage the operations of the new international crossing. WDBA was created in October 2012 to fulfill the mandate of the "Crossing Authority". WDBA became operational in August 2014, with the creation of its Board of Directors and the hiring of its President and CEO. In order to begin the new international crossing project as soon as possible, Transport Canada began some activities on behalf of WDBA when the Crossing Agreement was signed. As of April 1, 2016 Infrastructure Canada has assumed responsibility for WDBA. All costs incurred by Transport Canada and Infrastructure Canada on behalf of WDBA after the signature of the Crossing Agreement are reflected in the financial statements of WDBA.

Statement of Operations

Appropriations

WDBA received \$49.3 million in appropriations in the third quarter of 2017-18, for a total of \$136.2 million through December 31, 2017, compared to \$94.5 million and \$219.5 million respectively in the prior year, and ended the quarter



with a net surplus of \$142.0 million, compared to \$199.6 million in the prior year. The surplus is mostly due to the timing of appropriations and expenses on the acquisition of US properties and capital costs.

The appropriations were used to fund property acquisition activities in Michigan, Canadian utility relocation, the P3 procurement process, design and engineering costs, the Early Works, and WDBA operations. Appropriations were higher in the prior year primarily due to WDBA depositing funds in the escrow account to fund the acquisition of the US properties.

Expenses

WDBA incurred \$29.9 million of direct expenses in the third quarter of 2017-18, for a total of \$56.2 million through December 31, 2017, compared to \$5.5 million and \$16.0 million respectively in the prior year. The increase is driven mainly by the acquisition of properties in Michigan, an increase professional services expenses, in legal expenses, increased salaries and benefits due to an increase in the number of employees, and environmental remediation of land adjacent to the Canadian POE.

Internal services costs reflect expenses to support the Gordie Howe International Bridge project, primarily salaries and benefits of employees not directly involved in the project. WDBA incurred \$2.2 million of internal services costs in the third quarter of 2017-18, for a total of \$5.8 million through December 31, 2017, compared to \$1.7 million and \$4.7 million respectively in the prior year.

The table below provides a breakdown of the expenses by type:

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Michigan Land	16,511	1,261	27,933	5,214
Professional Services	3,868	1,051	9,062	2,794
Foreign Exchange Loss	2,966	82	1,217	-
Legal Services	2,775	1,329	9,093	3,555
Payroll and Benefits	2,594	1,691	6,766	4,935
I-75 Costs	1,691	628	4,269	1,259
Remediation of non WDBA owned land	700	-	796	-
Insurance	350	381	1,055	915
Rent	160	148	481	472
Travel expenses	123	34	203	70
Property Tax Expense	112	-	345	-
Office and Maintenance	109	161	386	394
Other	74	47	222	108
Amortization	61	60	182	171
Claim Settlements	-	295	-	893
	32,094	7,168	62,010	20,780

Michigan Land costs relate to the acquisition of property in Michigan that will be primarily used for the I-75 interchange, or is needed for the associated local road improvements. I-75 Costs are primarily for utility work, demolition, environmental work, and professional services related to design and engineering for the I-75 interchange. The increase in Michigan Land costs is primarily due to considerably higher property acquisition activities in Michigan, the most significant being the acquisition of streets and alleys from the City of Detroit. The third quarter expense includes the effect of a change in accounting estimate related to the acquisition of the streets and alleys discussed below under Non-Financial Assets. The increase in I-75 Costs is mainly due to an increase in the environmental liability as additional properties are acquired, demolition of structures, and environmental remediation.



Professional services were higher primarily due to an increase in consulting services related to the P3 procurement process, MDOT planning and engineering work, traffic and revenue forecasting, and other consulting work in support of the project. The increase in legal services is mainly due to an increase in legal activities related to property acquisition in Michigan and work related to the P3 procurement process.

The increase in payroll and benefits is primarily due to higher staffing levels in the current year compared to the same period in the prior year. Claim settlement expense represents the non-capitalized portion of the cost to settle a contractor claim.

WDBA also incurred costs related to the environmental remediation of a Government of Canada property adjacent to the Canadian POE.

Statement of Financial Position

Financial Assets

At December 31, 2017, WDBA's net financial assets were \$184.0 million (\$227.2 million at March 31, 2017). Financial assets of \$232.9 million (\$291.9 million at March 31, 2017) were mostly made up of \$211.8 million in cash and \$20.9 million in accounts receivable (\$275.5 million and \$16.3 million at March 31, 2017), offset by \$48.9 million in liabilities (\$64.7 million at March 31, 2017).

At December 31, 2017, WDBA had a restricted cash balance of \$179.8 million in an escrow account (\$265.7 million at March 31, 2017). These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities. WDBA is required to fund Michigan activities at the beginning of each quarter in the escrow account.

Accounts receivable at December 31, 2017 and March 31, 2017 consisted mainly of recoverable HST. WDBA has finalized its HST status and is in the process of filing to recover its cost. WDBA expects to recover 100% of the HST on expenditures directly related to construction (including design, engineering, plaza fill, utility relocation, etc.), and approximately 70% of the HST for expenditures related to WDBA's operating expenses.

Liabilities

At December 31, 2017, WDBA's liabilities were \$48.9 million (\$64.7 million at March 31, 2017). The liabilities included payables and accruals for WDBA's suppliers, employee benefits, environmental remediation and holdbacks related to the Early Works.

Accounts payable and accrued liabilities of \$36.5 million (\$52.3 million at March 31, 2017) consists primarily of amounts for Michigan activities, utility relocation, legal fees, engineering consulting services and consulting services related to the P3 procurement process.

Non-Financial Assets

WDBA held \$260.6 million of tangible capital assets at the end of the third quarter of 2017-18, compared to \$135.5 million at the end of the prior year. These consist primarily of costs incurred related to the Gordie Howe International Bridge project (Construction in Progress).

Construction in Progress (\$195.2 million at December 31, 2017 - \$134.8 million at March 31, 2017), includes costs related to the building of the bridge, and the Canadian and U.S. POE's. Given that the project is still in its early stages, the majority of the capitalized costs are related to utility relocation, the Early Works, professional services such as the general engineering consultant and environmental remediation.



The table below provides a breakdown of the Construction in Progress:

(thousands of dollars)

	Dec. 31, 2017	March 31, 2017
Canadian Port of Entry	112,392	36,287
Bridge	51,076	76,782
US Port of Entry	31,780	21,733
	195,248	134,802

The third quarter financial statements reflect the impact of a change in accounting policy affecting tangible capital assets and government transfers – other. Prior to the change, WDBA treated the lease of land from the Government of Canada as a lease of a tangible capital asset with a corresponding liability; both the leased asset and the liability were amortized over the term of the Crossing Agreement. In the third quarter WDBA changed its accounting policy with respect to the land. The lease of the land is now treated as a contributed land asset, which will not be amortized; the full amount of the contribution has been recorded as a government transfer in the Statement of Operations. The change resulted in an increase in tangible capital assets and a reduction of amortization expense of \$0.2 million, the elimination of the liability of \$64.6, and an increase in government transfers – other of \$64.6 million. The change was applied retroactively in accordance with Canadian Public Sector Accounting Standards to the second quarter of 2017-18.

Prepaid expenses of \$99.4 million (\$54.0 million at March 31, 2017) primarily consisted of costs related to the acquisition of land in Michigan (\$96.2 million at December 31, 2017 - \$49.7 million at March 31, 2017).

The third quarter financial statements also include the impact of a change in accounting estimate affecting prepaid expenses and Michigan Land expense. The change was required as updated information was received by WDBA in the third quarter regarding the allocation of streets and alleys acquired from the City of Detroit. The change resulted in a \$13.4 million reduction to prepaid expenses recorded at September 30, 2017. WDBA has treated this as a change in an accounting estimate and accounted for the change in the third quarter in accordance with Canadian Public Sector Accounting Standards.

Outlook

In line with its priorities, WDBA expects that its major expenses for the rest of the year will be around:

- U.S. property acquisitions
- P3 procurement process
- Early Works on the Canadian POE
- Utilities relocation in Canada and the United States



WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER 2017-2018

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

André Juneau

Linda Hurdle, CPA, CA

Interim Chief Executive Officer

Chief Operating Officer

Windsor, Canada

February 23, 2018



Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
as at December 31, 2017
(thousands of dollars)

(Unaudited)

	Dec. 31, 2017	March 31, 2017
FINANCIAL ASSETS		
Cash	32,006	9,842
Restricted cash (Note 3)	179,826	265,683
Accounts receivable	20,892	16,274
Deposits	157	134
TOTAL FINANCIAL ASSETS	232,881	291,933
LIABILITIES		
Accounts payable and accrued liabilities	36,473	52,347
Accrued employee benefits	815	810
Environmental liability (Note 8)	8,392	5,840
Holdback (Note 6)	3,233	5,718
TOTAL LIABILITIES	48,913	64,715
NET FINANCIAL ASSETS	183,968	227,218
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	260,591	135,467
Prepaid expenses	99,399	54,008
Advances for capital assets	5,234	-
TOTAL NON-FINANCIAL ASSETS	365,224	189,475
ACCUMULATED SURPLUS	549,192	416,693
Accumulated surplus is comprised of:		
Accumulated operating surplus	559,256	417,222
Accumulated rereasurement gains (losses)	(10,064)	(529)
	549,192	416,693

The accompanying notes form an integral part of the financial statements.



Windsor-Detroit Bridge Authority
 Quarterly Statement of Operations
 for the nine months ended December 31, 2017
 (thousands of dollars)

(Unaudited)

	Twelve Months Ended March 31, 2018 Budget	Three months ended Dec. 31		Nine months ended Dec. 31	
		2017 Actual	2016 Actual	2017 Actual	2016 Actual
REVENUE					
Foreign Exchange Gain	-	-	-	-	412
Interest	-	1,082	201	2,129	468
TOTAL REVENUE	-	1,082	201	2,129	880
EXPENSES (Note 9)					
Detroit River International Crossing	180,571	29,901	5,479	56,242	16,036
Internal services	10,806	2,193	1,689	5,768	4,744
TOTAL EXPENSES	191,377	32,094	7,168	62,010	20,780
DEFICIT BEFORE GOVERNMENT FUNDING	(191,377)	(31,012)	(6,967)	(59,881)	(19,900)
Government transfers - Appropriations	297,606	49,304	94,500	136,208	219,500
Government transfers - Other	24,212	107	16	64,914	34
Government transfers - Recoveries	-	696	-	792	-
	321,818	50,107	94,516	201,914	219,534
OPERATING SURPLUS	130,441	19,095	87,549	142,033	199,634
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	419,971	540,161	228,756	417,223	116,671
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	550,412	559,256	316,305	559,256	316,305

The accompanying notes form an integral part of the financial statements.



Windsor-Detroit Bridge Authority
Quarterly Statement of Remeasurement Gains and Losses
for the nine months ended December 31, 2017
(thousands of dollars)

(Unaudited)

	Three months ended		Nine months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	(13,388)	449	(529)	644
Unrealized gains (losses) attributable to:				
Foreign exchange	358	1,341	(10,752)	1,641
Amounts reclassified to the Statement of Operations:				
Foreign exchange	2,966	82	1,217	(413)
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	3,324	1,423	(9,535)	1,228
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	(10,064)	1,872	(10,064)	1,872

The accompanying notes form an integral part of the financial statements.



Windsor-Detroit Bridge Authority
 Quarterly Statement of Change in Net Financial Assets
 for the nine months ended December 31, 2017
 (thousands of dollars)

(Unaudited)

	Twelve Months Ended	Three months ended		Nine months ended	
	March 31, 2018 Budget	Dec. 31, 2017 Actual	Dec. 31, 2016 Actual	Dec. 31, 2017 Actual	Dec. 31, 2016 Actual
OPERATING SURPLUS	130,441	19,095	87,548	142,033	199,634
Acquisition of tangible capital assets	(171,941)	(18,690)	(20,534)	(125,305)	(73,714)
Amortization of tangible capital assets	200	61	60	182	171
	(41,300)	466	67,074	16,910	126,091
Changes in other non-financial assets					
Acquisition of prepaid expenses	(118,500)	7,770	(9,287)	(47,554)	(19,838)
Use of prepaid expenses	-	727	627	2,163	1,383
Additions to advances for material	-	(4)	-	(5,234)	-
	(118,500)	8,493	(8,660)	(50,625)	(18,455)
Net remeasurement gains and (losses) for the period	-	3,324	1,424	(9,535)	1,229
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(159,800)	12,283	59,838	(43,250)	108,865
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	238,098	171,685	97,118	227,218	48,091
NET FINANCIAL ASSETS, END OF PERIOD	78,298	183,968	156,956	183,968	156,956

The accompanying notes form an integral part of the financial statements.



Windsor-Detroit Bridge Authority
Statement of Cash Flow
for the nine months ended December 31, 2017
(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
OPERATING TRANSACTIONS				
Cash receipts from Parliamentary appropriations	50,000	94,500	137,000	219,500
Interest received	779	201	1,668	509
Other cash receipts	4,689	1	6,451	8
Cash payments to suppliers	(29,046)	(10,349)	(54,757)	(23,583)
Refundable HST paid to Suppliers	(3,336)	(3,140)	(8,360)	(8,228)
Cash payments to and on behalf of employees	(2,052)	(1,508)	(5,897)	(4,589)
CASH PROVIDED BY OPERATING TRANSACTIONS	21,034	79,705	76,105	183,617
CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	(25,256)	(22,932)	(58,343)	(58,949)
Cash used to acquire property in Michigan	(12,255)	(4,545)	(65,296)	(14,893)
Cash used to acquire future capital assets	(1,456)	-	(5,234)	-
CASH APPLIED TO CAPITAL TRANSACTIONS	(38,967)	(27,477)	(128,873)	(73,842)
Effect of exchange rate changes on cash	1,008	1,284	(10,925)	2,140
Increase (decrease) in cash and cash equivalents	(16,925)	53,512	(63,693)	111,915
Cash and cash equivalents at beginning of period	228,757	131,630	275,525	73,227
Cash and cash equivalents at end of period	211,832	185,142	211,832	185,142
Cash is composed of:				
Cash	32,006	45,431	32,006	45,431
Restricted cash	179,826	139,711	179,826	139,711
	211,832	185,142	211,832	185,142

The accompanying notes form an integral part of the financial statements.



Selected Notes to the Quarterly Unaudited Financial Statements

1. Authority and Activities

The Windsor-Detroit Bridge Authority (WDBA), incorporated on October 9, 2012, under Order in Council P.C. 2012-1350, is a Crown Corporation listed under Schedule III Part I of the *Financial Administration Act (FAA)* and is not subject to income tax under the provisions of the *Income Tax Act*.

WDBA was established in accordance with the Crossing Agreement signed by the Government of Canada and the State of Michigan on June 15, 2012. The mandate of WDBA is to design, construct, finance, operate and maintain a new international crossing between Windsor, Ontario and Detroit, Michigan. In the early stages of the project the international crossing was designated the Detroit River International Crossing; on May 14, 2015, the international crossing was officially named the Gordie Howe International Bridge (GHIB).

WDBA is mandated to design, construct and finance the interchange between the Gordie Howe International Bridge and the Interstate 75 (I-75), a highway that is part of the United States' Interstate Highway System. In accordance with the Crossing Agreement, the interchange shall also be a part of the Interstate Highway System. Once the construction of the interchange has been completed it will be turned over to the Michigan Department of Transportation (MDOT). MDOT will be responsible for maintaining the interchange; WDBA will have no further responsibility for or involvement with the interchange.

The Crossing Agreement also established the International Authority, a legal entity separate and distinct from WDBA. The International Authority is empowered to approve land acquisitions in the State of Michigan, leases of land in Michigan, as well as the Request for Qualifications, Request for Proposal and the Public-Private Agreement with respect to the GHIB project. The International Authority also has certain oversight responsibilities. These are to maintain on-going monitoring of compliance by WDBA with the Crossing Agreement and the Concessionaire with the Public-Private Agreement.

The International Authority is governed by a board consisting of six members. Two of the members are appointed by the Government of Canada, one member by WDBA, and three members appointed by the State of Michigan. All costs of the International Authority are funded by WDBA.

WDBA depends on funding from the Government of Canada for its operations and will require funding from the Government of Canada to finance the construction of the international crossing. After completion of the bridge WDBA will continue to depend on funding from the Government of Canada to finance operations until the bridge operations generate a surplus.

By Order in Council P.C. 2014-1382 dated December 10, 2014, the Corporation is also subject to a directive pursuant to Section 89 of the *Financial Administration Act* as follows:

- (a) To ensure that the pension plans will provide:
 - i. A 50:50 current service cost-sharing ratio between employee and employer for pension contributions, to be phased in for all members by December 31, 2017, and,
 - ii. For any employee hired on or after January 1, 2015, that the normal age of retirement is raised to 65 years and that the age at which retirement benefits are available, other than those received at the normal age of retirement, corresponds with the age at which they are available under the Public Service Pension Plan; and
- (b) To outline its implementation strategies with respect to the commitments set out in paragraph (a) in its next corporate plan and subsequent corporate plans until the commitments are fully implemented.

WDBA implemented the changes by December 31, 2017.



In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89 of the Financial Administration Act to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. WDBA has implemented this directive effective August 7, 2015.

The financial statements were approved and authorized for issuance by the Board of Directors on February 23, 2018.

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

b) Government Transfers - Appropriations

Government transfers are recognized as revenue when the transfer is authorized and eligibility criteria are met, except to the extent that stipulations give rise to an obligation that meets the definition of a liability. Transfers received are recognized as deferred revenue when stipulations give rise to a liability.

For government transfers initially recognized as deferred revenue, revenue is recognized in the statement of operations as the stipulations are met. Any portion of government transfers to which WDBA is entitled to but has not received is recognized under Accounts Receivable from the Government of Canada.

c) Government Transfers - Other

Costs incurred by the Government of Canada to support WDBA that would otherwise have been incurred by WDBA are recognized in the financial statements of WDBA at the carrying amount. These costs are reported as Government Transfers - Other, and expensed or capitalized as contributions to tangible capital assets depending on their nature.

d) Government Transfers - Recoveries

Costs recovered from the Government of Canada for services provided by WDBA are recognized in the financial statements at the exchange amount.

e) Cash and Restricted Cash

Cash and restricted cash consist of cash held in WDBA's bank accounts.

f) Deposits

Deposits with other entities are recorded and carried at cost.

g) Accounts Receivable

Accounts receivable are recorded and carried at cost. Accounts receivable are reviewed at each financial statement date by WDBA for impairment. Accounts receivable consist primarily of HST receivable.



h) Accounts Payable

Accounts payable are recorded and carried at cost. Accounts payable consist primarily of amounts related to the ongoing construction activities of the project.

i) Prepaid Expenses

Payments made prior to the related services being rendered are recorded as prepaid expenses. Prepaid expenses are recognized in expense as the related services are rendered.

Payments made to the State of Michigan to fund the purchase of land for the Gordie Howe International Bridge project and that will be leased or licensed back to WDBA are recorded as prepaid expenses. Payments made to purchase land that will not be leased or licensed back to WDBA, but will remain the responsibility of the State of Michigan, are expensed as incurred.

Payments made for Michigan land through the condemnation process which will be leased or licensed back to WDBA are recorded as Prepaid Expenses – Michigan Land Acquisitions through Condemnation. Payments made for properties that will not be leased or licensed back to WDBA, but will remain the responsibility of the State of Michigan, are expensed as incurred.

j) Tangible Capital Assets

Tangible capital assets are recorded at cost. Replacements, major improvements and costs which extend the useful service lives of existing assets or increase their capacity, are capitalized. Repairs and maintenance are charged to the Statement of Operations as incurred.

Amounts included in construction in progress are not amortized until transferred to the appropriate capital asset classification. The amounts are transferred when the assets are ready for productive use in accordance with WDBA's policies.

Tangible capital assets are amortized over their estimated useful lives using the straight-line method, over the following periods:

Leasehold improvements	between 3 and 7 years
Office equipment and furniture	between 3 and 10 years

When conditions indicate that a tangible capital asset no longer contributes to the ability of WDBA to provide services, or that the value of future economic benefits associated with a tangible capital asset is less than its net carrying value, the cost of the tangible capital asset is reduced to reflect the impairment. Net write-downs on tangible capital assets are recorded as expenses in the Statement of Operations. Assessments of whether such conditions exist are made, at a minimum, at each financial statement date.

k) Advances on Capital Assets

Amounts paid for material to be used in the future for tangible capital assets, but that have not yet been installed, accepted, and put into use as WDBA assets are recorded as advances on material.

l) Environmental Obligations

Whenever WDBA accepts responsibility or has direct responsibility for sites where contamination exceeds environmental standards, plans to abandon future economic benefits to that effect and where the amount involved can be reasonably estimated, an obligation for the clean-up of the contaminated sites is recorded as a liability in the



Statement of Financial Position. The estimate includes costs directly attributable to remediation activities, post-remediation operations, maintenance and monitoring activities that are an integral part of the remediation strategy. The estimated future costs are recorded as a liability and are based on the present value of the estimated cash flows of costs that are most likely to be incurred. If it proves impossible to make a reasonable estimate of the amount or it is not expected that economic benefits will be given up, the situation will be disclosed through a note to the Financial Statements.

m) Contingent Liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is recognized and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

n) Expense Recognition

All expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each period.

o) Pension and Benefit Plans

WDBA offers defined contribution pension and benefit plans to its employees; expenses related to these plans are recognized in the period in which they are incurred.

p) Financial Instruments

WDBA identifies, assesses and manages financial risks in order to minimize their impact on its results and financial position. Financial risks are managed in accordance with specific criteria. WDBA does not engage in speculative transactions or the use of derivatives.

The measurement of financial instruments depends on their classification as follows:

Categories	Financial instruments	Measurement
Financial assets	Cash Restricted cash Deposits	Cost or amortized cost
Financial liabilities	Accounts payable and accrued liabilities Holdback	Cost or amortized cost

q) Foreign Currency Translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate at the end of each quarter. Until an item is settled, gains and losses arising as a result of remeasurement are reported in the Statement of Remeasurement Gains and Losses. When the item is settled, the exchange gain and loss are recorded in the Statement of Operations.



r) Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts and presentation of assets and liabilities at the financial statements date and the reported amounts of revenues and expenses during the reporting period. The amount of GST/HST recoverable, the estimated useful life of tangible capital assets, accrued liabilities, environmental liabilities and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

s) Budget Figures

Budget figures included in the Financial Statements were provided for comparison. These figures are from WDBA's Corporate Plan which was approved by WDBA's Board of Directors and the Treasury Board Secretariat, and have not been audited.

t) Accounting Standards and Guidelines Adopted During the Year

The following standards and guidelines have been issued by the PSAB effective April 1, 2017 and were adopted prospectively by WDBA on April 1, 2017. Their adoption did not have a significant impact on the financial statements and no adjustment was required to the opening accumulated surplus:

PS 2200 Related party disclosures: This new Section defines a related party and establishes disclosures required for related party transactions.

PS 3210 Assets: This new Section provides guidance for applying the definition of assets set out in Financial Statement concepts, Section PS 1000, and establishes general disclosure standards for assets.

PS 3320 Contingent assets: This new Section defines and establishes disclosure standards on contingent assets.

PS 3380 Contractual rights: This new Section defines and establishes disclosure standards on contractual rights.

u) Standards and Guidelines Issued to be Adopted at a Later Date

The following standard has been issued by the PSAB:

PS 3430 Restructuring transactions: This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018.

WDBA intends to adopt this standard when it becomes applicable. While WDBA is currently evaluating the impact of adopting this standard on its financial statements, it is not expected to have a significant impact on WDBA's financial reporting.

3. Restricted Cash

Restricted cash consists of funds deposited into an escrow account. The cash in the escrow account is used to fund the Gordie Howe International Bridge project activities in Michigan, including property acquisition and related costs, planning and engineering costs.

WDBA is required by the Michigan Activities Funding Acknowledgement to utilize an escrow account to hold and disburse the funds for these activities. The Michigan Activities Funding Acknowledgement outlines the processes, roles and



responsibilities surrounding the acquisition of property in Michigan by the Michigan Parties (MDOT and the Michigan Strategic Fund, or MSF) and other project activities in Michigan. The escrow account is funded by WDBA on a quarterly basis.

4. Tangible Capital Assets

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Construction in Progress	Land	Total
Cost					
April 1, 2016	792	278	55,308	-	56,378
Acquisitions	18	49	79,494	-	79,561
March 31, 2017	810	327	134,802	-	135,939
April 1, 2017	810	327	134,802	-	135,939
Acquisitions	22	-	60,446	-	60,468
Contributions	-	-	-	64,836	64,836
December 31, 2017	832	327	195,248	64,836	261,243
Accumulated Amortization					
April 1, 2016	144	95	-	-	239
Amortization	133	100	-	-	233
March 31, 2017	277	195	-	-	472
April 1, 2017	277	195	-	-	472
Amortization	99	81	-	-	180
December 31, 2017	376	276	-	-	652
Net Book Value					
March 31, 2017	533	132	134,802	-	135,467
December 31, 2017	456	51	195,248	64,836	260,591



5. Prepaid Expenses

(thousands of dollars)

	Dec. 31, 2017	March 31, 2017
Michigan Land Acquisitions	51,017	30,929
Michigan Land Acquisitions in Condemnation	45,133	18,773
Prepaid Insurance	3,179	4,216
Other	70	90
	99,399	54,008

The Michigan Land acquisition is related to payments made to the State of Michigan to fund the purchase of land for the Gordie Howe International Bridge project that will be leased or licensed back to WDBA for the life of the bridge. Payments made to purchase land that will not be leased or licensed back to WDBA were expensed in Michigan Land (Note 9).

Where a property cannot otherwise be acquired through voluntary means, MDOT will acquire the property through the condemnation process. Michigan Land Acquisitions through Condemnation represent amounts related to properties in the condemnation process that will be leased or licensed back to WDBA by the State of Michigan. Once the court has awarded title of a property to MDOT the amount associated with that property is reclassified to Michigan Land acquisitions.

6. Holdback

WDBA temporarily retains an amount on the total due to contractors to ensure that the latter fulfills its obligations. The contracts call for the Corporation to pay holdbacks upon substantial completion of the individual contracts.

7. Contingencies

In the normal course of its activities, WDBA is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the financial statements. It is the opinion of management that the settlement of such matters will not result in any material liabilities to WDBA for the quarter ended December 31, 2017.

8. Environmental Liability

WDBA recognizes a provision for environmental cleanup when all of the following conditions are satisfied: an environmental standard exists; the level of contamination has been determined to exceed the environmental standard; WDBA is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made at that time.

WDBA is responsible for the land required for the Gordie Howe International Bridge project. In Canada, this consists of land currently owned by the Government of Canada in Windsor, Ontario. The Michigan land required for the project is purchased by the State of Michigan; these purchases are funded by WDBA. It has been determined that certain parcels of land contain levels of contamination above acceptable environmental standards. WDBA expects that future economic benefits will be given up to remediate the contamination; remediation will be performed as part of the activities to prepare the site for the construction of the Gordie Howe International Bridge.

The contamination is the result of prior owners' use of the land. Remediation will require the excavation and disposal of contaminated soil. Studies commissioned by WDBA estimate that the cost of remediation activities for the Canadian land to be \$3.3 million, (\$3.3 million for March 31, 2017), and \$5.1 million for the Michigan land, (\$2.6 million for March 31, 2017) for a total of \$8.4 million (\$5.8 million for March 31, 2017).



This amount was recorded as an environmental liability in the Statement of Financial Position. Of this amount, \$7.5 million was capitalized to the cost of the project, and \$0.9 million relating to land that will not be leased or licensed back to WDBA, but will remain the responsibility of the State of Michigan, was expensed.

9. Expenses by Type

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Michigan Land	16,511	1,261	27,933	5,214
Professional Services	3,868	1,051	9,062	2,794
Foreign Exchange Loss	2,966	82	1,217	-
Legal Services	2,775	1,329	9,093	3,555
Payroll and Benefits	2,594	1,691	6,766	4,935
I-75 Costs	1,691	628	4,269	1,259
Remediation of non WDBA owned land	700	-	796	-
Insurance	350	381	1,055	915
Rent	160	148	481	472
Travel expenses	123	34	203	70
Property Tax Expense	112	-	345	-
Office and Maintenance	109	161	386	394
Other	74	47	222	108
Amortization	61	60	182	171
Claim Settlements	-	295	-	893
	32,094	7,168	62,010	20,780

10. Change in Accounting Policy

The third quarter financial statements reflect the impact of a change in accounting policy affecting tangible capital assets and government transfers – other. Prior to the change, WDBA treated the lease of land from the Government of Canada as a lease of a tangible capital asset with a corresponding liability; both the leased asset and the liability were amortized over the term of the Crossing Agreement. In the third quarter WDBA changed its accounting policy with respect to the land. The lease of the land is now treated as a contributed land asset, which will not be amortized; the full amount of the contribution has been recorded as a government transfer in the Statement of Operations. The change resulted in an increase in tangible capital assets and a reduction of amortization expense of \$0.2 million, the elimination of the liability of \$64.6, and an increase in government transfers – other of \$64.6 million. The change was applied retroactively in accordance with Canadian Public Sector Accounting Standards to the second quarter of 2017-18.

11. Change in Accounting Estimate

The third quarter financial statements also include the impact of a change in accounting estimate affecting prepaid expenses and Michigan Land expense. The change was required as updated information was received by WDBA in the third quarter regarding the allocation of streets and alleys acquired from the City of Detroit. The change resulted in a \$13.4 million reduction to prepaid expenses recorded at September 30, 2017. WDBA has treated this as a change in an accounting estimate and accounted for the change in the third quarter in accordance with Canadian Public Sector Accounting Standards.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.