

WINDSOR-DETROIT BRIDGE AUTHORITY

Quarterly Financial Report for the Period Ended June 30, 2015 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 the 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, the 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.

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 53.4 hectare site that will house passenger, commercial and animal customs and border processing, tolling, and maintenance facilities.
- **U.S. POE** – a 60.3 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.





2015-2016 Corporate Priorities

The WDBA's key objective is to launch the P3 procurement process in 2015 which is required if the agency is to meet the targeted 2020 opening date. To be able to achieve this objective, the WDBA's strategic priorities are:

- **U.S. Property Acquisition:** The WDBA is working with the Michigan Department of Transportation (MDOT) to acquire required properties in Michigan.
- **Acceleration of Early Works:**
 - **Canadian Port of Entry (POE):** Site preparation activities on a portion of the POE to be undertaken including the Perimeter Access Road design and construction, minor utility relocation and fill, grading and drainage.
- **Utility Relocation:**
 - **Canadian Utilities:** Establish timelines and confirm costs associated with the relocation of utilities on the Canadian POE; and
 - **U.S. Utilities:** Complete relocation designs and enter into contracts for the relocation of all utilities.

Financial Analysis

Summary

At the end of the first quarter of 2015-16, net results of operations at the WDBA reflect a surplus of \$17.7 million (compared to \$100,000 in prior year). The current quarter surplus is mostly due to timing of expenses on the acquisition of US properties.

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. The WDBA was created in October 2012 to fulfill the mandate of the "Crossing Authority". The 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 the WDBA when the Crossing Agreement was signed. All costs incurred by Transport Canada on behalf of the WDBA after the signature of the Crossing Agreement are reflected in the financial statements of the WDBA.

Statement of Operations

OVERVIEW

The WDBA received \$21 million in appropriations in the first quarter of 2015-16 and ended the quarter with a net surplus of \$17.7 million. The surplus is mostly due to timing of expenses for the acquisition of U.S. properties.

EXPENSES

The WDBA incurred \$2.4 million in expenses in support of the Detroit River International Crossing (DRIC) project. The WDBA is currently in the initial stages of the project, the expenses incurred were mainly for professional services to support the P3 procurement process, the acceleration of Early Works for the Canadian POE and the acquisition of the U.S. properties.





Internal services costs reflect expenses not directly related to the DRIC project, such as legal and professional services in support of the P3 and Early Works procurement processes and the acquisition of U.S. properties, salaries and benefits of employees not directly involved in the project and setting up the WDBA office in Windsor.

The table below provides a breakdown of the expenses by Expense Type.

(thousands of dollars)

	Three Months Ended	
	June 30, 2015	June 30, 2014
Legal Services	1,186	148
Professional Services	982	21
Payroll and Benefits	870	-
Rent	158	-
Office and Maintenance	87	-
Insurance	60	-
Depreciation	49	-
Meals and Travel	27	-
Other	57	-
	3,476	169

Statement of Financial Position

OVERVIEW

At June 30, 2015, the WDBA's net assets were \$14.3 million (\$857 thousand at March 31, 2015). The net assets were mostly made up of \$20.4 million in cash (\$2.6 million at March 31, 2015) and \$6.1 million in liabilities (\$1.7 million at March 31, 2015). The liabilities at June 30, 2015, included payables and accruals for engineering consulting services, legal fees and Michigan activities.

RESTRICTED CASH

At June 30, 2015, the WDBA had a restricted cash balance of \$11.3 million in an escrow account. These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities. The WDBA is required to fund Michigan activities at the beginning of each quarter in the escrow account.

TANGIBLE CAPITAL ASSETS

The WDBA held \$10.3 million of capital assets at the end of the first quarter of 2015-16, compared to \$5.8 million at the end of the prior year. These include costs to set up the offices and operations of the WDBA and costs incurred related to the Gordie Howe International Bridge project (Projects in Progress).

Projects in Progress (\$9.4 million at June 30, 2015 - \$5.0 million at March 31, 2015), includes costs related to the building of the bridge, Canadian and U.S. POE and property acquisitions. Given that the project is still in its early stages, the





majority of the capitalized costs related to professional services such as general engineer consultant and Michigan activities related to property acquisitions.

Outlook

- In line with its priorities, the WDBA expects that its major expenses for the rest of the year will be around:
- U.S. property acquisitions
- The WDBA has engaged MDOT who will acquire the properties. The acquisition process is currently underway.
- P3 procurement process
- The WDBA has issued the Request for Qualifications for the P3 procurement process and is currently working on the development of the Request for Proposals.
- Acceleration of the early works
- The WDBA anticipates awarding the contract for Early Works on the Canadian POE in August/September 2015, with the expectation that the work will commence shortly after.
- Utilities relocation in Canada and the U.S.
- The WDBA is currently in discussion with utility providers in both Canada and the U.S. to finalize agreements and begin relocation. It is expected that some relocation work will begin in September.





WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER 2015-2016

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.

Michael Cautillo

President and Chief Executive Officer

Linda Hurdle, CPA, CA

Chief Financial Administrative Officer

Windsor, Canada

August 31, 2015





Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
as at June 30, 2015
(thousands of dollars)

(Unaudited)

	June 30, 2015	March 31, 2015
FINANCIAL ASSETS		
Cash and cash equivalents	9,026	162
Restricted cash (Note 3)	11,347	-
Accounts receivable	-	2,403
TOTAL FINANCIAL ASSETS	20,373	2,565
LIABILITIES		
Accounts payable and accrued liabilities	6,048	1,708
TOTAL LIABILITIES	6,048	1,708
NET ASSETS/(DEBT)	14,325	857
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	10,334	5,837
Prepaid expenses	236	303
TOTAL NON-FINANCIAL ASSETS	10,570	6,140
ACCUMULATED SURPLUS	24,895	6,997
Accumulated surplus is comprised of:		
Accumulated operating surplus	24,682	6,997
Accumulated remeasurement gains (losses)	213	-
	24,895	6,997

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Operations
for the three months ended June 30, 2015
(thousands of dollars)

(Unaudited)

	Twelve months ended March 31, 2016 Budget	Three months Ended June 30, 2015 Actual	Three months Ended June 30, 2014 Actual
REVENUE			
Interest	-	19	-
TOTAL REVENUE	-	19	-
EXPENSES (Note 6)			
Detroit River International Crossing	282,943	2,415	169
Internal services	7,895	1,061	-
TOTAL EXPENSES	290,838	3,476	169
DEFICIT BEFORE GOVERNMENT FUNDING	(290,838)	(3,457)	(169)
Government transfers- Appropriations	290,838	21,000	-
Government transfers- Other		142	269
	290,838	21,142	269
ANNUAL OPERATING SURPLUS (DEFICIT)	-	17,685	100
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		6,997	-
ACCUMULATED OPERATING SURPLUS, END OF YEAR	-	24,682	100

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Remeasurement Gains and Losses
for the three months ended June 30, 2015
(thousands of dollars)

(Unaudited)

	For the Three Months Ended	
	June 30, 2015	June 30, 2014
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	-	-
Unrealized gains (losses) attributable to:		
Foreign exchange	213	-
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	213	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	213	-

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Change in Net Assets
for the three months ended June 30, 2015
(thousands of dollars)

(Unaudited)

	Twelve months Ended March 31, 2016 Budget	Three Months Ended June 30, 2015 Actual	June 30, 2014 Actual
ANNUAL OPERATING SURPLUS (DEFICIT)	-	17,685	100
Acquisition of tangible capital assets	71,658	(4,545)	(100)
Amortization of tangible capital assets		48	-
	71,658	13,188	-
Use of prepaid expenses		67	-
Net remeasurement gains and (losses) for the year		213	-
INCREASE (DECREASE) IN NET ASSETS	71,658	13,468	-
NET ASSETS, BEGINNING OF YEAR		857	-
NET ASSETS, END OF YEAR	71,658	14,325	-

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





Windsor-Detroit Bridge Authority
Quarterly Statement of Cash Flow
for the three months ended June 30, 2015
(thousands of dollars)

(Unaudited)

	Three Months Ended	
	June 30, 2015	June 30, 2014
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Annual operating surplus (deficit)	17,685	100
Adjustments for non-cash items		
Amortization of tangible capital assets	48	-
Contributions used to acquire capital assets	(6)	(100)
Remeasurement gains (losses)	213	-
Changes in non-cash working capital items		
Accounts receivable	2,403	-
Accounts payable and accrued liabilities	4,340	-
Prepaid expenses	67	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,750	-
CASH FLOW FROM CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(4,539)	-
NET CASH APPLIED TO CAPITAL ACTIVITIES	(4,539)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,211	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	162	-
CASH AND CASH EQUIVALENTS, END OF YEAR	20,373	-
Cash and cash equivalents composed of:		
Cash and cash equivalents	9,026	-
Restricted cash	11,347	-
	20,373	-

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*.

The WDBA was established in accordance with the Crossing Agreement signed by Canada and the State of Michigan, with an execution date of June 15, 2012. The mandate of the WDBA is to design, construct, finance, operate and maintain a new international crossing – the Gordie Howe International Bridge – between Canada and Michigan.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and in accordance with the requirements of the *FAA* and the *Standard on Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board Secretariat.

b) Government transfers

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

Revenue is recognized in the statement of operations as the stipulations are met. Any portion of government transfers to which the WDBA is entitled to but has not received is recognized under Accounts Receivable from the Federal Government.

c) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments. Investments purchased three months or less from maturity are recorded at cost.





d) Accounts receivable

Accounts receivable are recorded and carried at cost. The amounts due from the federal government are not considered to be at risk of non-collection. Other accounts receivable are periodically reviewed by the WDBA for impairment.

e) Tangible capital assets

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

Amounts included in construction in progress are transferred to the appropriate capital assets classification upon completion. Tangible capital assets transferred to related parties are accounted for at carrying value.

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

f) 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.

g) 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.





h) Financial Instruments

The 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. The 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 and cash equivalents Restricted cash Accounts receivable	Cost or amortized cost
Financial liabilities	Accounts payable and accrued liabilities Deferred revenue	Cost or amortized cost

i) 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.

j) 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 estimated useful life of tangible capital assets, accrued liabilities, supplier claims, and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

3. RESTRICTED CASH

Restricted cash represents funds deposited in an escrow account for the Michigan activities, such as U.S. property acquisition. The escrow account is funded on a quarterly basis.





4. TANGIBLE CAPITAL ASSETS

TANGIBLE CAPITAL ASSETS

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Projects in Process	Total
Cost				
April 1, 2014	-	-	744	744
Acquisitions	674	217	4,222	5,113
March 31, 2015	674	217	4,966	5,857
Acquisitions	60	15	4,470	4,545
June 30, 2015	734	232	9,436	10,402
Accumulated Depreciation				
April 1, 2014	-	-	-	-
Amortization	14	6	-	20
March 31, 2015	14	6	-	20
Amortization	30	18	-	48
June 30, 2015	44	24	-	68
Net Book Value				
March 31, 2015	660	211	4,966	5,837
June 30, 2015	690	208	9,436	10,334





5. CONTINGENCIES

In the normal course of its activities, the 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 the WDBA.

6. EXPENSES BY TYPE

(thousands of dollars)

	Three Months Ended	
	June 30, 2015	June 30, 2014
Legal Services	1,186	148
Professional Services	982	21
Payroll and Benefits	870	-
Rent	158	-
Office and Maintenance	87	-
Insurance	60	-
Depreciation	49	-
Meals and Travel	27	-
Other	57	-
	3,476	169

