

WINDSOR-DETROIT BRIDGE AUTHORITY

Quarterly Financial Report for the Period Ended September 30, 2015 Unaudited





Note concerning the WDBA's second quarter financial statements

The consolidated financial statements presented and discussed herein are being presented in advance of audited financial statements being available for the prior year ended March 31, 2015. Year-end financial statements are not yet available due to continued work between the Windsor-Detroit Bridge Authority (WDBA) and its auditors. Therefore it is likely that revisions will be required to these statements pending final audited review of the WDBA's prior year financial statements.

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 second quarter of 2015-16, net results of operations at the WDBA reflect a surplus of \$19.8 million (compared to \$2.3 million in the prior year). The current quarter surplus is mostly due to timing of expenses on the acquisition of US properties and capital costs.

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 \$31.0 million in appropriations through the second quarter of 2015-16 and ended the quarter with a net surplus of \$19.8 million. The surplus is mostly due to timing of expenses for the acquisition of U.S. properties and capital costs.

EXPENSES

The WDBA incurred \$9.4 million of direct expenses in support of the 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 (\$2.5 million at September 30, 2015) 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		Six months ended	
	Sept. 30, 2015	Sept. 30, 2014	Sept. 30, 2015	Sept. 30, 2014
Professional Services	4,336	133	5,468	145
Legal Services	1,668	312	2,854	459
Payroll and Benefits	1,404	-	2,255	-
Michigan Land Acquisition	218	-	218	-
Rent	156	-	314	-
Other	135	-	195	-
Office and Maintenance	113	-	200	-
International Authority Costs	100	-	100	-
Insurance	59	-	119	-
Depreciation	51	-	99	-
Meals and Travel	19	1	45	1
	8,259	446	11,867	605

Statement of Financial Position

OVERVIEW

At September 30, 2015, the WDBA's net assets were \$7.3 million (\$734 thousand at March 31, 2015). Financial assets of \$27.5 million (\$3.1 million at March 31, 2015) were mostly made up of \$25.3 million in cash and \$2.2 million in accounts receivable (\$162 thousand and \$2.9 million at March 31, 2015) and \$20.2 million in liabilities (\$2.4 million at March 31, 2015). The liabilities at September 30, 2015, included payables and accruals for engineering consulting services, legal fees and Michigan activities.

RESTRICTED CASH

At September 30, 2015, the WDBA had a restricted cash balance of \$12.4 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 \$12.9 million of capital assets at the end of the second quarter of 2015-16, compared to \$5.3 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 (Construction in Progress).





Construction in Progress (\$12.0 million at September 30, 2015 - \$4.4 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 the general engineering consultant.

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

(thousands of dollars)

	Sept. 30, 2015	March 31, 2015
Professional Fees	7,725	1,050
Transport Canada Costs	3,323	3,384
Utility Relocation	731	-
Early Works	190	-
Other	5	-
	11,973	4,434

Prepaid expenses of \$8.8 million (\$2.2 million at March 31, 2015) primarily consisted of costs related to the acquisition of land in Michigan (\$8.6 million at September 30, 2015 - \$1.9 million at March 31, 2015).

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 contract has been awarded.
- 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. Some relocation work has begun.





WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER 2015-2016

Note: These statements have been prepared in advance of audited statements being produced for the year-end period that closed March 31, 2015. Therefore it is likely that revisions will be required to these statements pending final audited review of the WDBA's prior year financial statements.

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

November 30, 2015





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

(Unaudited)

	Sept. 30, 2015	March 31, 2015
FINANCIAL ASSETS		
Cash and cash equivalents	12,852	162
Restricted cash (Note 3)	12,435	-
Accounts receivable	2,186	2,933
TOTAL FINANCIAL ASSETS	27,473	3,095
LIABILITIES		
Accounts payable and accrued liabilities	20,133	2,361
Holdback	19	-
TOTAL LIABILITIES	20,152	2,361
NET ASSETS/(DEBT)	7,321	734
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	12,855	5,305
Prepaid expenses	8,846	2,202
TOTAL NON-FINANCIAL ASSETS	21,701	7,507
ACCUMULATED SURPLUS	29,022	8,241
Accumulated surplus is comprised of:		
Accumulated operating surplus	28,034	8,241
Accumulated remeasurement gains (losses)	988	-
	29,022	8,241

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





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

(Unaudited)

	Twelve months ended March 31, 2016 Budget	Three months ended Sept. 30 2015 Actual	2014 Actual	Six months ended Sept. 30 2015 Actual	2014 Actual
REVENUE					
Interest	-	24	-	43	-
TOTAL REVENUE	-	24		43	-
EXPENSES (Note 6)					
Detroit River International Crossing*	282,943	6,797	445	9,406	604
Internal services	7,895	1,462	1	2,461	1
TOTAL EXPENSES	290,838	8,259	446	11,867	605
DEFICIT BEFORE GOVERNMENT FUNDING	(290,838)	(8,235)	(446)	(11,824)	(605)
Government transfers - Appropriations	290,838	10,000	2,176	31,000	2,176
Government transfers - Other		252	412	617	689
	290,838	10,252	2,588	31,617	2,865
OPERATING SURPLUS (DEFICIT)	-	2,017	2,142	19,793	2,260
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD		26,017	1,131	8,241	1,013
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	-	28,034	3,273	28,034	3,273

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

* On May 14, 2015, the bridge was officially named the Gordie Howe International Bridge.





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

(Unaudited)

	Three months ended		Six months ended	
	Sept. 30, 2015	Sept. 30, 2014	Sept. 30, 2015	Sept. 30, 2014
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	218	-	-	-
Unrealized gains (losses) attributable to:				
Foreign exchange	798	-	1,016	-
Amounts reclassified to the Statement of Operations:				
Foreign exchange	(28)	-	(28)	-
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	770	-	988	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	988	-	988	-

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





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

(Unaudited)

	Twelve months ended March 31, 2016 Budget	Three months ended Sept. 30, 2015 Actual	Sept. 30, 2014 Actual	Six months ended Sept. 30, 2015 Actual	Sept. 30, 2014 Actual
ANNUAL OPERATING SURPLUS (DEFICIT)	-	2,017	2,142	19,793	2,260
Acquisition of tangible capital assets	71,658	(3,796)	(15)	(7,650)	(133)
Amortization of tangible capital assets		51	-	99	-
	71,658	(1,728)	2,127	12,242	2,127
Change in Prepaid Expenses		(6,257)	-	(6,643)	-
Net remeasurement gains and (losses) for the year		770	-	988	-
INCREASE (DECREASE) IN NET ASSETS	71,658	(7,215)	2,127	6,587	2,127
NET ASSETS, BEGINNING OF PERIOD		14,536	-	734	-
NET ASSETS, END OF PERIOD	71,658	7,321	2,127	7,321	2,127

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





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

(Unaudited)

	Three months ended		Six months ended	
	Sept. 30, 2015	Sept. 30, 2014	Sept. 30, 2015	Sept. 30, 2014
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Operating surplus (deficit)	2,017	2,142	19,793	2,260
Adjustments for non-cash items				
Amortization of tangible capital assets	51	-	99	-
Contributions used to acquire capital assets	(25)	(15)	(330)	(132)
Remeasurement gains (losses)	770	-	988	-
Changes in non-cash working capital items				
Accounts receivable	(1,300)	(4)	748	(4)
Accounts payable and accrued liabilities	11,869	53	16,229	53
Holdback	19	-	19	-
Prepaid expenses	(6,258)	-	(6,644)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,143	2,176	30,902	2,177
CASH FLOW FROM CAPITAL TRANSACTIONS				
Acquisition of tangible capital assets	(3,796)	(15)	(7,649)	(133)
Contributions used to acquire capital assets	25	15	330	132
Tangible Capital assets in Accounts Payable	1,542	-	1,542	-
NET CASH APPLIED TO CAPITAL ACTIVITIES	(2,229)	-	(5,777)	(1)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,914	2,176	25,125	2,176
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	20,373	-	162	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	25,287	2,176	25,287	2,176
Cash and cash equivalents composed of:				
Cash and cash equivalents	12,852	2,176	12,852	2,176
Restricted cash	12,435	-	12,435	-
	25,287	2,176	25,287	2,176

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.

All of the costs associated with the project, including the construction, operation and maintenance of the bridge, and the operating costs of the WDBA, will be recouped through toll revenue once the bridge is in operation.

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

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Construction in Progress	Total
Cost				
April 1, 2014	-	-	1,013	1,013
Acquisitions	674	217	3,421	4,312
March 31, 2015	674	217	4,434	5,325
Acquisitions	72	38	7,539	7,649
September 30, 2015	746	255	11,973	12,974
Accumulated Depreciation				
April 1, 2014	-	-	-	-
Amortization	14	6	-	20
March 31, 2015	14	6	-	20
Amortization	61	38	-	99
September 30, 2015	75	44	-	119
Net Book Value				
March 31, 2015	660	211	4,434	5,305
September 30, 2015	671	211	11,973	12,855

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		Six months ended	
	Sept. 30, 2015	Sept. 30, 2014	Sept. 30, 2015	Sept. 30, 2014
Professional Services	4,336	133	5,468	145
Legal Services	1,668	312	2,854	459
Payroll and Benefits	1,404	-	2,255	-
Michigan Land Acquisition	218	-	218	-
Rent	156	-	314	-
Other	135	-	195	-
Office and Maintenance	113	-	200	-
International Authority Costs	100	-	100	-
Insurance	59	-	119	-
Depreciation	51	-	99	-
Meals and Travel	19	1	45	1
	8,259	446	11,867	605

