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# **Windsor-Detroit Bridge Authority**

Quarterly Financial Report for the Period Ended

December 31, 2018

Unaudited





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## 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 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 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 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.

Prior to the third quarter of 2018-19, the primary focus of WDBA was finalizing the P3 procurement process. On July 5th, 2018, WDBA announced the selection of the preferred proponent to design, build, finance, operate and maintain the Gordie Howe International Bridge Project. The successful proponent



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was the Bridging North America (BNA) consortium. On September 28th, 2018, WDBA and BNA reached financial close, signing the Project Agreement (PA) between WDBA and BNA. Prior to financial close WDBA and BNA separately signed the Early Work agreement, under which BNA has commenced certain start-up activities.

In the third quarter, the focus of WDBA shifted to the commencement of construction activities. BNA began to mobilize for construction, continued design work on the components of the project, and started certain preliminary activities.

BNA is responsible for contributing its own funds to the Project of an amount equal to 15% of construction and non-construction costs, or \$574.8 million, referred to in the Project Agreement with BNA as the Threshold Amount. BNA must contribute these funds prior to WDBA contributing its own funds to the Project. This amount is recognized as Due to private partner in the Statement of Financial Position; this obligation will be discharged by WDBA through Capital Payments, which commence upon the handover of the Canadian Port of Entry to WDBA.

## 2018-2019 STRATEGIC PRIORITIES

The WDBA's key objective for 2018-19 is to launch the construction of the Gordie Howe International Bridge project. To be able to achieve this objective, WDBA is focused on the following aspects related to the construction of the new crossing including:

- Finalizing the P3 procurement process, which was completed on September 28, 2018
- Acquiring the U.S. properties
- Utility relocation in the U.S.
- Completing the Early Works and utility relocation in Canada
- Commence construction of the new crossing

## FINANCIAL ANALYSIS

### SUMMARY

At the end of the third quarter of 2018-19, net results of operations at WDBA reflect a surplus of \$100.0 million (compared to \$142.0 million in the prior year). The surplus is mostly due to the timing of appropriations and expenditures on capital assets and the acquisition of US properties.

Compared to the year end results, WDBA moved from a net financial asset position of \$130.9 million to a net financial liability position of \$357.8 million, a change of \$488.7 million due primarily to the recording a liability to BNA of \$497.7 million. Non-financial assets increased by \$577.9 million to \$983.5 million. The increase is driven by BNA startup activities, and increases in costs related to Michigan activities, utility relocation in Canada, and the Early Works on the Canadian lands.



## STATEMENT OF OPERATIONS

### APPROPRIATIONS

WDBA received \$101.7 million in appropriations in the third quarter of 2018-19, for a total of \$265.1 million through December 31, compared to \$49.3 million and \$136.2 million respectively in the prior year. WDBA ended the quarter with a net surplus of \$100 million, compared to \$142 million in the prior year. The surplus is mostly due to the timing of appropriations and expenditures on capital assets and the acquisition of US properties.

The appropriations were used to fund BNA startup activities, Michigan activities, Early Works, including Canadian utility relocation, design and engineering costs, and WDBA operations.

### EXPENSES

WDBA incurred \$89.7 million of direct expenses in the third quarter of 2018-19, for a total of \$161.2 million as of December 31, compared to \$29.9 million and \$56.2 million respectively in the prior year. The increase is driven mainly by preparation of the I-75 lands in Michigan, the reimbursement of costs of the two unsuccessful proponents who bid on the project, and an increase in professional services expenses.

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 \$2.4 million of internal services costs in the third quarter of 2018-19 for a total of \$6.8 million as of December 31, compared to \$2.2 million and \$5.8 million respectively in the prior year.

WDBA recognized expenses of \$0.3 million for work performed for other government agencies in the quarter, for a total of \$6 million as of December 31.

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

**(thousands of dollars)**

	Nine months ended		Three months ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
I-75 Costs	<b>89,644</b>	4,269	<b>76,050</b>	1,691
Reimbursement for Unsuccessful Proponents	<b>30,000</b>	-	-	-
Professional Services	<b>14,504</b>	9,062	<b>2,255</b>	3,868
Michigan Land	<b>9,044</b>	27,933	<b>3,811</b>	16,511
Legal Services	<b>6,687</b>	9,093	<b>1,575</b>	2,775
Payroll and Benefits	<b>6,381</b>	6,766	<b>2,015</b>	2,594
Work performed for other Government agencies	<b>6,002</b>	-	<b>309</b>	-
Foreign Exchange Loss	<b>5,976</b>	1,217	<b>3,853</b>	2,966
Insurance	<b>3,245</b>	1,055	<b>1,467</b>	350
Rent	<b>525</b>	481	<b>184</b>	160
Property Tax Expense	<b>516</b>	345	<b>165</b>	112
Amortization	<b>478</b>	182	<b>414</b>	61
Office and Maintenance	<b>355</b>	386	<b>125</b>	109
Travel expenses	<b>351</b>	203	<b>91</b>	123
Other	<b>239</b>	221	<b>61</b>	74
Transfers to International Authority	<b>1</b>	-	<b>1</b>	-
Remediation of non WDBA owned land	-	796	-	700
	<b>173,948</b>	62,009	<b>92,376</b>	32,094



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I-75 Costs are primarily for BNA's start-up costs, utility work, demolition, environmental work, and professional services related to the design and engineering of the I-75 Interchange. The increase in I-75 costs is mainly the result of significant design and engineering activities compared to the prior year.

Reimbursement for Unsuccessful Proponents represent costs that were incurred by the two unsuccessful proponents in an effort to secure the P3 agreement for the Gordie Howe International Bridge that were reimbursed by WDBA in accordance with the terms of the Request for Proposal.

Professional services were higher primarily due to an increase in consulting services related to the MDOT planning and engineering work, P3 procurement process, traffic and revenue forecasting, and other consulting work in support of the project.

Work performed for other Government agencies relates to activities that WDBA carried out for other parties for activities related to, but distinct from the project. These costs increased from last year as WDBA performed environmental remediation work on a property adjacent to the Canadian POE for Infrastructure Canada. WDBA also acted on behalf of the Ontario Ministry of Transportation (MTO) to have site preparation work performed for Bridge B-1; the bridge that will connect the Rt. Hon. Herb Gray Parkway to the Canadian POE. Both the environmental remediation and the site preparation work for Bridge B-1 were contracted out by WDBA to third parties.

WDBA has implemented an owner-controlled insurance program for insurance related to the construction of the project. The increase is the result of policies being put in place in anticipation of the start of construction.

Michigan Land is related 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. The decrease in Michigan Land costs is primarily due to lower levels of property acquisition activities in Michigan compared to the prior year.

The decrease in legal services is primarily due to lower levels of property acquisition activities in Michigan compared to the prior year.

## STATEMENT OF FINANCIAL POSITION

### FINANCIAL ASSETS

Financial assets of \$223.7 million (March 31, 2018: \$221.8 million) consisting of \$192.9 million in cash and \$30.8 million in accounts receivable and deposits (March 31, 2018: \$198.9 million and \$22.9 million), are offset by \$581.4 million in liabilities (March 31, 2018: \$90.9 million).

At December 31, 2018, WDBA had a restricted cash balance of \$158.1 million in an escrow account (March 31, 2018: \$189.9 million). These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities carried out by MDOT. WDBA is required to fund MDOT's Michigan activities at the beginning of each quarter in the escrow account.

Accounts receivable at December 31, 2018 and March 31, 2018 consisted mainly of recoverable HST. 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. WDBA recovered \$9.9 million of HST in the first three quarters of 2018-19.

#### LIABILITIES

At December 31, 2018, WDBA's liabilities were \$581.4 million (March 31, 2018: \$90.9 million). The liabilities consists mainly of BNA's 15% contribution to the project, payables and accruals for WDBA's suppliers, environmental remediation and holdbacks related to the Early Works.

Accounts payable and accrued liabilities of \$61.7 million (March 31, 2018: \$70.9 million) consists primarily of amounts for Michigan activities, utility relocation, and, legal fees.

#### NON-FINANCIAL ASSETS

WDBA held \$849.4 million of tangible capital assets at the end of the third quarter of 2018-19, compared to \$287.9 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) and leased land in Canada and Michigan.

During the year, WDBA signed a master lease with Michigan for properties in Michigan's possession. This resulted in \$37.1 million being transferred from prepaid expenses to tangible capital assets.

During the year, a portion of the Perimeter Access Road (PAR) was completed and turned over to BNA to be put into use. This is reflected in the Tangible Capital Assets table as a transfer out of Construction in Process and a transfer into Roads. As per the agreement with the City of Windsor, WDBA will return the PAR to the City upon substantial completion of the Project. As such, this asset will be fully depreciated by the time of substantial completion.

Construction in Progress - \$740.2 million at December 31(March 31, 2018: \$222.6 million), 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 BNA's start-up costs, the Early Works utility relocation, professional services, and environmental remediation.

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

**(thousands of dollars)**

	<b>Dec. 31, 2018</b>	March 31, 2018
Bridge	<b>517,412</b>	57,430
Canadian Port of Entry	<b>149,260</b>	118,653
US Port of Entry	<b>73,485</b>	46,539
	<b>740,157</b>	222,622

Prepaid expenses of \$134.1 million (March 31, 2018: \$117.6 million) primarily consisted of costs related to the acquisition of land in Michigan - \$110.5 million at December 31, 2018 (March 31, 2018: \$114.2 million).



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## WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER 2018-2019

### 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.



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Bryce Phillips  
Chief Executive Officer



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Mike St. Amant, CPA, CA  
Chief Financial Administrative Officer

Windsor, Canada  
February 22, 2019



**Windsor-Detroit Bridge Authority**  
**Quarterly Statement of Financial Position**  
**as at December 31, 2018**  
**(thousands of dollars)**

(Unaudited)

	Dec. 31, 2018	March 31, 2018
<b>FINANCIAL ASSETS</b>		
Cash	34,790	9,008
Restricted cash (Note 3)	158,063	189,913
Accounts receivable	29,657	21,747
Deposits	1,158	1,158
<b>TOTAL FINANCIAL ASSETS</b>	<b>223,668</b>	221,826
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	61,700	70,913
Accrued employee benefits	623	753
Environmental liability (Note 4)	16,833	15,468
Holdback (Note 5)	4,545	3,807
Due to private partner (Note 6)	497,745	-
<b>TOTAL LIABILITIES</b>	<b>581,446</b>	90,941
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>(357,778)</b>	130,885
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 7)	849,433	287,948
Prepaid expenses (Note 8)	134,057	117,602
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>983,490</b>	405,550
<b>ACCUMULATED SURPLUS</b>	<b>625,712</b>	536,435
Accumulated surplus is comprised of:		
Accumulated operating surplus	641,882	541,855
Accumulated remeasurement gains (losses)	(16,170)	(5,420)
	<b>625,712</b>	536,435

*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, 2018**  
**(thousands of dollars)**

(Unaudited)

	Twelve Months Ended March 31, 2019 Budget	Three months ended Dec. 31 2018 Actual	2017 Actual	Nine months ended Dec. 31 2018 Actual	2017 Actual
REVENUE					
Revenue from Operations	-	-	-	38	-
Interest	-	716	1,082	2,936	2,129
TOTAL REVENUE	-	716	1,082	2,974	2,129
EXPENSES (Note 10)					
Detroit River International Crossing	191,755	89,675	29,901	161,167	56,241
Internal services	17,107	2,394	2,193	6,803	5,768
Work performed for other Government agencies	-	307	-	5,978	-
TOTAL EXPENSES	208,862	92,376	32,094	173,948	62,009
DEFICIT BEFORE GOVERNMENT FUNDING	(208,862)	(91,660)	(31,012)	(170,974)	(59,880)
Government transfers - Appropriations	352,636	101,693	49,304	265,052	136,208
Government transfers - Other	7,060	-	107	-	64,914
Government transfers - Recoveries	-	307	696	5,948	792
	359,696	102,000	50,107	271,000	201,914
OPERATING SURPLUS	150,834	10,340	19,095	100,026	142,033
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	522,131	631,542	540,161	541,856	417,223
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	672,965	641,882	559,256	641,882	559,256

*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, 2018**  
**(thousands of dollars)**

(Unaudited)

	Three months ended		Nine months ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	<b>(3,090)</b>	(13,388)	<b>(5,420)</b>	(529)
Unrealized gains (losses) attributable to:				
Foreign exchange	<b>(16,933)</b>	358	<b>(16,726)</b>	(10,752)
Amounts reclassified to the Statement of Operations:				
Foreign exchange	<b>3,853</b>	2,966	<b>5,976</b>	1,217
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	<b>(13,080)</b>	3,324	<b>(10,750)</b>	(9,535)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	<b>(16,170)</b>	(10,064)	<b>(16,170)</b>	(10,064)

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



**Windsor-Detroit Bridge Authority**  
**Quarterly Statement of Change in Net Debt**  
**for the nine months ended December 31, 2018**  
**(thousands of dollars)**

(Unaudited)

	Twelve Months Ended		Three months ended		Nine months ended	
	March 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	
	Budget	Actual	Actual	Actual	Actual	
OPERATING SURPLUS	150,834	<b>10,340</b>	19,095	<b>100,026</b>	142,033	
Acquisition of tangible capital assets	(482,130)	<b>(465,349)</b>	(18,688)	<b>(561,962)</b>	(125,302)	
Amortization of tangible capital assets	920	<b>414</b>	61	<b>478</b>	182	
	<b>(330,376)</b>	<b>(454,595)</b>	468	<b>(461,458)</b>	16,913	
Acquisition of prepaid expenses		<b>(10,610)</b>	7,770	<b>(58,243)</b>	(47,554)	
Use of prepaid expenses	-	<b>1,910</b>	727	<b>4,693</b>	2,161	
Transfer of Prepays to Capital	-	<b>7,913</b>	(4)	<b>37,095</b>	(5,234)	
	-	<b>(787)</b>	8,493	<b>(16,455)</b>	(50,627)	
Net remeasurement gains and (losses) for the period		<b>(13,080)</b>	3,323	<b>(10,750)</b>	(9,535)	
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(330,376)	<b>(468,462)</b>	12,284	<b>(488,663)</b>	(43,249)	
NET FINANCIAL ASSETS (DEBT), BEGINNING OF PERIOD	127,385	<b>110,684</b>	171,685	<b>130,885</b>	227,218	
NET FINANCIAL ASSETS (DEBT), END OF PERIOD	(202,991)	<b>(357,778)</b>	183,969	<b>(357,778)</b>	183,969	

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



**Windsor-Detroit Bridge Authority**  
**Quarterly Statement of Cash Flow**  
**for the nine months ended December 31, 2018**  
**(thousands of dollars)**

(Unaudited)

	Three months ended		Nine months ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
<b>OPERATING TRANSACTIONS</b>				
Cash receipts from Government transfers	<b>102,000</b>	50,000	<b>271,000</b>	137,000
Interest received	<b>1,111</b>	779	<b>3,245</b>	1,673
HST Refunds	-	4,686	<b>9,943</b>	6,428
Other cash receipts	-	3	<b>479</b>	19
Cash payments to suppliers	<b>(69,097)</b>	(46,646)	<b>(168,260)</b>	(128,287)
Cash payments to and on behalf of employees	<b>(1,996)</b>	(2,052)	<b>(6,488)</b>	(5,897)
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>32,018</b>	6,770	<b>109,919</b>	10,936
<b>CAPITAL TRANSACTIONS</b>				
Cash used to acquire tangible capital assets	<b>(47,222)</b>	(24,889)	<b>(101,165)</b>	(61,708)
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<b>(47,222)</b>	(24,889)	<b>(101,165)</b>	(61,708)
Effect of exchange rate changes on cash	<b>(14,883)</b>	1,194	<b>(14,822)</b>	(12,921)
Increase (decrease) in cash and cash equivalents	<b>(30,087)</b>	(16,925)	<b>(6,068)</b>	(63,693)
Cash and cash equivalents at beginning of period	<b>222,940</b>	228,757	<b>198,921</b>	275,525
Cash and cash equivalents at end of period	<b>192,853</b>	211,832	<b>192,853</b>	211,832
<b>Cash is composed of:</b>				
Cash	<b>34,790</b>	32,006	<b>34,790</b>	32,006
Restricted cash	<b>158,063</b>	179,826	<b>158,063</b>	179,826
	<b>192,853</b>	211,832	<b>192,853</b>	211,832

*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:



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- 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 22, 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a. BASIS OF ACCOUNTING

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

### b. REVENUE

WDBA recognizes revenue when the transactions or events giving rise to the revenues occur. Normally, revenues are recognized when persuasive evidence of an arrangement exists, services have been provided or goods have been delivered, the amount is fixed and determinable, and collection is reasonably assured.

### c. 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.

### d. 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



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costs are reported as Government Transfers - Other, and expensed or capitalized as contributions to tangible capital assets depending on their nature as economic resources are consumed and used by WDBA.

e. 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.

f. INTEREST

Interest on cash deposits is recorded in the period in which it is earned.

g. CASH AND RESTRICTED CASH

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

h. DEPOSITS

Deposits with other entities are recorded and carried at cost. Deposits represent amounts held by third parties under the terms of their contracts with WDBA.

i. 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.

j. 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.

k. 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 to WDBA are recorded as prepaid expenses. Payments made to purchase land that will not be leased 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 to WDBA are recorded as Prepaid Expenses – Michigan Land Acquisitions through Condemnation. Payments made for properties that will not be leased back to WDBA, but will remain the responsibility of the State of Michigan are expensed as incurred.

l. 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.



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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
Roads	between 6 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.

#### m. 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, and 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.

#### n. 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.

#### o. 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.

#### p. 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.





#### q. 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:

<b>Categories</b>	<b>Financial instruments</b>	<b>Measurement</b>
Financial assets	Cash Restricted cash Deposits	Cost or amortized cost
Financial liabilities	Accounts payable and accrued liabilities Holdback Due to private partner	Cost or amortized cost

#### r. 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.

#### s. 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, impairments and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

#### t. 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.

#### u. ACCOUNTING STANDARDS AND GUIDELINES ADOPTED DURING THE YEAR

The following standard was issued by the PSAB effective April 1, 2018 and was adopted prospectively by WDBA on April 1, 2018. The adoption did not have an impact on the financial statements and no adjustment was required to the opening accumulated surplus:

*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.



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The following standard was issued by the PSAB on November 1, 2018 and was adopted prospectively by WDBA effective April 1, 2018. The adoption did not have an impact on the financial statements and no adjustment was required to the opening accumulated surplus:

*PS 3400 Revenue:* This new Section establishes standards on how to account for and report on revenue.

### 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. 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. Studies commissioned by WDBA estimate that the remaining cost of remediation activities for the Canadian land to be \$0.2 million (\$3.1 million for March 31, 2018), and \$16.6 million for the Michigan land, (\$12.4 million for March 31, 2018) for a total of \$16.8 million (\$15.5 million for March 31, 2018).

This amount was recorded as an environmental liability in the Statement of Financial Position. Of this amount, \$12.1 million was capitalized to the cost of the project, and \$4.7 million relating to land that will not be leased back to WDBA, but will remain the responsibility of the State of Michigan, was expensed.

### 5. HOLDBACK

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



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## 6. PROJECT AGREEMENT

### a. OVERVIEW

On September 28, 2018, WDBA signed a Project Agreement with Bridging North America (BNA) to design, build, finance, operate and maintain the Gordie Howe International Bridge Project. Specifically, the project agreement covers BNA's responsibilities to design, construct, finance, operate and maintain the Facility, the components of which are the Bridge, the Canadian Port of Entry, and the US Port of Entry; and to design, construct and finance the Interstate 75 (I-75) Interchange. The Project Agreement will expire 30 years following the substantial completion of the Facility.

### b. TANGIBLE CAPITAL ASSETS

The WDBA recognizes a tangible capital asset at historical cost less any amortization as eligible costs are incurred by BNA related to the Facility. WDBA recognizes an expense for eligible costs related to the I-75 Interchange as this component will be turned over to the Michigan Department of Transportation upon completion; WDBA will have no further responsibility for or involvement with the I-75 Interchange. Eligible costs include certain payments by WDBA to BNA during the construction period, interest costs incurred prior to substantial completion of the Project, as well as operating, maintenance and repair payments and rehabilitation payments which are determined to be a betterment. At December 31, 2018, WDBA recognized a tangible capital asset of \$425.4 million for the Project based on eligible costs incurred to date. The Project components will be amortized over their estimated useful lives once they are entered into operations and commence rendering service. During the year, WDBA recognized \$72.4 million of expense related to the I-75 Interchange.

### c. LIABILITIES

The WDBA recognizes obligations for funds contributed by BNA, eligible construction period payments, a holdback on construction period payments, operating, maintenance and repair payments, rehabilitation payments, and other operation period payments once they are incurred by BNA. Any other future costs committed by BNA for the Gordie Howe International Bridge Project represent a contractual obligation which is disclosed by WDBA.

BNA is responsible for contributing its own funds to the Project of an amount equal to 15% of construction and non-construction costs (the threshold amount), \$574.8 million, plus an implied interest amount; BNA contributed these funds prior to WDBA contributing its own funds to the Project. This amount is recognized as Due to private partner in the Statement of Financial Position; this obligation will be discharged by WDBA through Capital Payments, which commence upon the handover of the Canadian Port of Entry to WDBA, and consist of principal, equity and interest components.

### d. EXPENSE

During the operating period WDBA will recognize an expense for operating, maintenance and repair payments, and rehabilitation payments which are not determined to be a betterment. During this period WDBA will recognize a tangible capital asset for rehabilitation payments which are determined to be a betterment.



e. REVENUE

Revenue from operations will consist of tolls collected from users of the Bridge. Revenue is recognized as it is earned, as evidenced by WDBA's fulfillment of its performance obligations for the use of the Bridge.

7. TANGIBLE CAPITAL ASSETS

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Construction in Progress	Land	Roads	Total
<b>Cost</b>						
April 1, 2017	810	327	134,802	-	-	135,939
Acquisitions	22	-	92,775	-	-	92,797
Contributions	-	-	-	64,886	-	64,886
Impairments	-	-	(4,955)	-	-	(4,955)
<b>March 31, 2018</b>	<b>832</b>	<b>327</b>	<b>222,622</b>	<b>64,886</b>	<b>-</b>	<b>288,667</b>
April 1, 2018	832	327	222,622	64,886	-	288,667
Acquisitions	-	162	524,707	-	-	524,869
Transfers	-	-	(7,172)	37,095	7,172	37,095
<b>December 31, 2018</b>	<b>832</b>	<b>489</b>	<b>740,157</b>	<b>101,981</b>	<b>7,172</b>	<b>850,631</b>
<b>Accumulated Amortization</b>						
April 1, 2017	277	195	-	-	-	472
Amortization	138	109	-	-	-	247
<b>March 31, 2018</b>	<b>415</b>	<b>304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>719</b>
April 1, 2018	415	304	-	-	-	719
Amortization	86	10	-	-	383	479
<b>December 31, 2018</b>	<b>501</b>	<b>314</b>	<b>-</b>	<b>-</b>	<b>383</b>	<b>1,198</b>
<b>Net Book Value</b>						
March 31, 2018	417	23	222,622	64,886	-	287,948
<b>December 31, 2018</b>	<b>331</b>	<b>175</b>	<b>740,157</b>	<b>101,981</b>	<b>6,789</b>	<b>849,433</b>

The acquisition of tangible capital assets shown above includes an amount of \$484,736 (\$38,540 as of the end of 2018) for capital items and holdbacks that remain to be paid for as at December 31, 2018. These items are not included in the Statement of Cash Flow.

In the prior year, WDBA recognized impairment losses totaling \$4,955 to write-down damaged assets in construction in progress to their net realizable values. Due to physical damage to the assets, WDBA determined that the assets provided no future benefit to WDBA.



## 8. PREPAID EXPENSES

(thousands of dollars)

	Dec. 31, 2018	March 31, 2018
Michigan Land Acquisitions	72,185	75,388
Michigan Land Acquisitions in Condemnation	38,305	38,853
Prepaid Insurance	23,451	3,010
Other	117	350
	<b>134,057</b>	<b>117,601</b>

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 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 10).

In the second quarter, WDBA signed a master lease with Michigan for properties in Michigan's possession, as a result \$37.1 million was transferred from prepaid expenses to tangible capital assets.

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 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.

## 9. 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, 2018.



## 10. EXPENSES BY TYPE

(thousands of dollars)

	Nine months ended		Three months ended	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
I-75 Costs	89,644	4,269	76,050	1,691
Reimbursement for Unsuccessful Proponents	30,000	-	-	-
Professional Services	14,504	9,062	2,255	3,868
Michigan Land	9,044	27,933	3,811	16,511
Legal Services	6,687	9,093	1,575	2,775
Payroll and Benefits	6,381	6,766	2,015	2,594
Work performed for other Government agencies	6,002	-	309	-
Foreign Exchange Loss	5,976	1,217	3,853	2,966
Insurance	3,245	1,055	1,467	350
Rent	525	481	184	160
Property Tax Expense	516	345	165	112
Amortization	478	182	414	61
Office and Maintenance	355	386	125	109
Travel expenses	351	203	91	123
Other	239	221	61	74
Transfers to International Authority	1	-	1	-
Remediation of non WDBA owned land	-	796	-	700
	<b>173,948</b>	<b>62,009</b>	<b>92,376</b>	<b>32,094</b>

## 11. CHANGE IN ACCOUNTING POLICY

The prior year comparative figures 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 of last year, 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.

## 12. CHANGE IN ACCOUNTING ESTIMATE

The prior year comparative figures 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.

## 13. COMPARATIVE FIGURES

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