



Windsor-Detroit Bridge Authority

Quarterly Financial Report for the Period Ended

June 30, 2017

Unaudited





Mandate

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

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

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

Overview of the Gordie Howe International Bridge Project

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

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



2017-2018 Corporate Priorities

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

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

Financial Analysis

Summary

At the end of the first quarter of 2017-18, net results of operations at WDBA reflect a surplus of \$26.2 million (compared to \$89.6 million in the prior year). The surplus is mostly due to the timing of appropriations and expenses on the acquisition of US properties and capital costs.

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

Statement of Operations

OVERVIEW

WDBA received \$37.9 million in appropriations in the first quarter of 2017-18, compared to \$95.0 million in the prior year, and ended the quarter with a net surplus of \$26.2 million, compared to \$89.6 million in the prior year. The surplus is mostly due to the timing of appropriations and expenses on the acquisition of US properties and capital costs.

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

EXPENSES

WDBA incurred \$10.6 million of direct expenses in the first quarter of 2017-18, compared to \$4.7 million in the prior year. The increase is driven mainly by an increase in professional services expenses, legal services, property acquisition in Michigan, and increased salaries and benefits due to an increase in the number of employees.



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 \$2.0 million of internal services costs in the first quarter of 2017-18, compared to \$1.5 million in the prior year.

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

(thousands of dollars)

	Three Months Ended	
	June 30, 2017	June 30, 2016
Michigan Land	3,398	1,595
Legal Services	3,381	1,312
Professional Services	2,709	608
Payroll and Benefits	1,987	1,574
Insurance	356	144
Rent	162	157
Office and Maintenance	154	134
Property Taxes	124	-
Other	113	30
Environmental Remediation Canadian Land	72	-
Amortization	59	56
I-75 Costs	52	319
Travel expenses	44	20
Claim Settlements	-	294
	12,611	6,243

Michigan Land costs relate to the acquisition of property in Michigan that will be primarily used for the I-75 interchange, or is needed for the associated local road improvements. I-75 Costs are primarily for professional services related to design and engineering for the I-75 interchange. The increase in Michigan Land costs is mainly the result of significantly higher property acquisition activities as the Michigan activities were fully staffed and had the necessary consultants in place to support these activities. The decrease in I-75 Costs is mainly due to a reduction in design and engineering consulting costs related to the request for proposal for the P3 procurement (P3 RFP) which was substantially completed in the prior year.

Professional services increased primarily due to the need for consulting services related to the P3 procurement process; for which the second stage, the request for proposal, was launched in the third quarter of 2016-17, and other consulting work in support of the project. The increase in legal services is driven mainly by a higher pace of property acquisition activities in Michigan and the request for proposal stage of the P3 procurement process.

The increase in payroll and benefits is primarily due to higher staffing levels; WDBA had 56 employees in the first quarter of 2017-18 compared to 46 in the prior year. The increase in insurance expense is mainly driven by the purchase of general liability and environmental insurance for property. Claim settlement expense represents the non-capitalized portion of the cost to settle a contractor claim.

Statement of Financial Position

OVERVIEW

At June 30, 2017, WDBA's net financial assets were \$202.6 million (\$227.2 million at March 31, 2017). Financial assets of \$265.9 million (\$291.9 million at March 31, 2017) were mostly made up of \$247.6 million in cash and \$17.4 million in



accounts receivable (\$275.5 million and \$16.3 million at March 31, 2017), offset by \$63.1 million in liabilities (\$64.7 million at March 31, 2017).

Accounts receivable at June 30, 2017 and March 31, 2017 consisted mainly of recoverable HST. WDBA has finalized its HST status and is in the process of filing to recover its cost. WDBA expects to recover 100% of the HST on expenditures directly related to construction (including design, engineering, plaza fill, utility relocation, etc.), and approximately 70% of the HST for expenditures related to WDBA's operating expenses.

Deposits of \$0.9 million (\$0.1 million at March 31, 2017) consist primarily of deposits with Enwin Utilities for electrical cable, Hydro One for utility relocation, and rent.

The liabilities at June 30, 2017 included payables and accruals for Michigan activities, environmental remediation, utility relocation, legal fees, engineering consulting services, consulting services related to the P3 procurement process, employee benefits, and holdbacks related to the Early Works.

Restricted Cash

At June 30, 2017, WDBA had a restricted cash balance of \$227.6 million in an escrow account (\$265.7 million at March 31, 2017). These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities. WDBA is required to fund Michigan activities at the beginning of each quarter in the escrow account.

Non-Financial Assets

WDBA held \$152.2 million of tangible capital assets at the end of the first quarter of 2017-18, compared to \$135.5 million at the end of the prior year. These consist primarily of costs incurred related to the Gordie Howe International Bridge project (Construction in Progress).

Construction in Progress (\$151.6 million at June 30, 2017 - \$134.8 million at March 31, 2017), includes costs related to the building of the bridge, and the Canadian and U.S. POE's. Given that the project is still in its early stages, the majority of the capitalized costs are related to the Early Works, professional services such as the general engineering consultant, utility relocation and environmental remediation.

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

(thousands of dollars)

	June 30, 2017	March 31, 2017
Canadian Port of Entry	88,586	76,783
Bridge	39,942	36,285
US Port of Entry	23,047	21,733
	151,575	134,801

Prepaid expenses of \$82.5 million (\$54.0 million at March 31, 2017) primarily consisted of costs related to the acquisition of land in Michigan (\$78.5 million at June 30, 2017 - \$49.7 million at March 31, 2017).



Outlook

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

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



WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER 2017-2018

Statement of Management Responsibility

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

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

Marie Campagna, FCPA, FCMA ICD.D

Director

Linda Hurdle, CPA, CA

Chief Financial Administrative Officer

Windsor, Canada

August 24, 2017



Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
as at June 30, 2017
(thousands of dollars)

(Unaudited)

	June 30, 2017	March 31, 2017
FINANCIAL ASSETS		
Cash	20,017	9,842
Restricted cash (Note 3)	227,625	265,683
Accounts receivable	17,434	16,274
Deposits	858	134
TOTAL FINANCIAL ASSETS	265,934	291,933
LIABILITIES		
Accounts payable and accrued liabilities	55,958	52,347
Accrued employee benefits	891	810
Environmental liability (Note 8)	5,833	5,840
Holdback (Note 6)	687	5,718
TOTAL LIABILITIES	63,369	64,715
NET FINANCIAL ASSETS	202,565	227,218
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	152,182	135,466
Prepaid expenses	82,469	54,008
TOTAL NON-FINANCIAL ASSETS	234,651	189,474
ACCUMULATED SURPLUS	437,216	416,692
Accumulated surplus is comprised of:		
Accumulated operating surplus	443,387	417,221
Accumulated remeasurement gains (losses)	(6,171)	(529)
	437,216	416,692

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, 2017
(thousands of dollars)

(Unaudited)

	Twelve Months Ended March 31, 2018 Budget	Three Months Ended June 30, 2017 Actual	Three Months Ended June 30, 2016 Actual
REVENUE			
Foreign Exchange Gain	-	699	679
Interest	-	78	146
TOTAL REVENUE	-	777	825
EXPENSES (Note 9)			
Detroit River International Crossing*	180,571	10,649	4,716
Internal services	10,806	1,962	1,527
TOTAL EXPENSES	191,377	12,611	6,243
DEFICIT BEFORE GOVERNMENT FUNDING	(191,377)	(11,834)	(5,418)
Government transfers - Appropriations	297,606	37,928	95,000
Government transfers - Other	24,212	72	-
	321,818	38,000	95,000
OPERATING SURPLUS	130,441	26,166	89,582
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	94,475	417,221	9,168
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	224,916	443,387	98,750

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 three months ended June 30, 2017
(thousands of dollars)

(Unaudited)

	For the Three Months Ended	
	June 30, 2017	June 30, 2016
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	(529)	644
Unrealized gains (losses) attributable to:		
Foreign exchange	(4,943)	(848)
Amounts reclassified to the Statement of Operations:		
Foreign exchange	(699)	(679)
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	(5,642)	(1,527)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	(6,171)	(883)

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Change in Net Financial Assets
for the three months ended June 30, 2017
(thousands of dollars)

(Unaudited)

	Twelve Months Ended March 31, 2018 Budget	Three Months Ended June 30, 2017 Actual	Three Months Ended June 30, 2016 Actual
OPERATING SURPLUS	130,441	26,166	89,582
Acquisition of tangible capital assets	(290,441)	(16,774)	(32,736)
Amortization of tangible capital assets	200	58	56
	(159,800)	9,450	56,902
Acquisition of prepaid expenses	-	(29,175)	(2,919)
Use of prepaid expenses	-	714	356
	-	(28,461)	(2,563)
Net remeasurement gains and (losses) for the period	-	(5,642)	(1,527)
INCREASE IN NET FINANCIAL ASSETS	(159,800)	(24,653)	52,812
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	238,098	227,218	48,190
NET FINANCIAL ASSETS, END OF PERIOD	78,298	202,565	101,002

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, 2017
(thousands of dollars)

(Unaudited)

	For the Three Months Ended	
	June 30, 2017	June 30, 2016
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Operating surplus	26,166	89,582
Adjustments for non-cash items		
Amortization of tangible capital assets	59	56
Changes in non-cash working capital items		
(Increase) Decrease in accounts receivable	(1,160)	(3,835)
(Increase) Decrease in deposits	(724)	-
Increase (Decrease) in accounts payable and accrued liabilities (Note 4)	13,416	(27,475)
Increase (Decrease) in accrued employee benefits	81	154
Increase (Decrease) in environmental liability (Note 8)	(427)	15,933
Increase (Decrease) in holdback	(5,031)	1,117
(Increase) Decrease in prepaid expenses	(28,461)	(2,563)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,919	72,969
CASH FLOW FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets (Note 4)	(24,386)	(8,694)
NET CASH APPLIED TO CAPITAL ACTIVITIES	(24,386)	(8,694)
EFFECT OF EXCHANGE RATE CHANGE ON CASH	(7,416)	(1,065)
NET INCREASE (DECREASE) IN CASH	(27,883)	63,210
CASH, BEGINNING OF PERIOD	275,525	73,227
CASH, END OF PERIOD	247,642	136,437
Cash is composed of:		
Cash	20,017	57,125
Restricted cash	227,625	79,312
	247,642	136,437

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



Selected Notes to the Quarterly Unaudited Financial Statements

1 Authority and Activities

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

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

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

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

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

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

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

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

WDBA is in the process of phasing in these changes by the required dates.



The financial statements were approved and authorized for issuance by the Board of Directors on August 24, 2017.

2. Significant Accounting Policies

a) Basis of Accounting

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

b) Government Transfers - Appropriations

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

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

c) Government Transfers - Other

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

d) Government Transfers - Recoveries

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

e) Cash and Restricted Cash

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

f) Deposits

Deposits with other entities are recorded and carried at cost.

g) Accounts Receivable

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

h) Accounts Payable

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

i) Prepaid Expenses

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



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

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

j) Tangible Capital Assets

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

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

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

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

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

k) Environmental Obligations

Whenever WDBA accepts responsibility or has direct responsibility for sites where contamination exceeds environmental standards, plans to abandon future economic benefits to that effect and where the amount involved can be reasonably estimated, an obligation for the clean-up of the contaminated sites is recorded as a liability in the Statement of Financial Position. The estimate includes costs directly attributable to remediation activities, post-remediation operations, maintenance and monitoring activities that are an integral part of the remediation strategy. The estimated future costs are recorded as a liability and are based on the present value of the estimated cash flows of costs that are most likely to be incurred. If it proves impossible to make a reasonable estimate of the amount or it is not expected that economic benefits will be given up, the situation will be disclosed through a note to the Financial Statements.

l) 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.



m) 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.

n) 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.

o) Financial Instruments

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

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

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

p) 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.

q) Measurement Uncertainty

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

3. Restricted Cash

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



WDBA is required by the Michigan Activities Funding Acknowledgement to utilize an escrow account to hold and disburse the funds for these activities. The Michigan Activities Funding Acknowledgement outlines the processes, roles and responsibilities surrounding the acquisition of property in Michigan by the Michigan Parties (MDOT and the Michigan Strategic Fund, or MSF) and other project activities in Michigan. The escrow account is funded by WDBA on a quarterly basis.



4. Tangible Capital Assets

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Construction in Progress	Total
Cost				
April 1, 2016	792	278	55,308	56,378
Acquisitions	18	49	79,493	79,560
March 31, 2017	810	327	134,801	135,938
April 1, 2017	810	327	134,801	135,938
Acquisitions	-	-	16,774	16,774
June 30, 2017	810	327	151,575	152,712
Accumulated Amortization				
April 1, 2016	144	95	-	239
Amortization	133	100	-	233
March 31, 2017	277	195	-	472
April 1, 2017	277	195	-	472
Amortization	31	27	-	58
June 30, 2017	308	222	-	530
Net Book Value				
March 31, 2017	533	132	134,801	135,466
June 30, 2017	502	105	151,575	152,182

The Acquisition of tangible capital assets and the change in accounts payables and accrued liabilities presented in the Statement of Cash Flows excludes an amount of \$19.0 million (March 31, 2017 – \$26.6 million) in relation to the acquisition of tangible capital assets, as the amount relates to capital activities through the three months ended June 30, 2017 that remain to be paid as at June 30, 2017.



5. Prepaid Expenses

(thousands of dollars)

	June 30, 2017	March 31, 2017
Michigan Land Acquisitions through Condemnation	43,848	18,773
Michigan Land Acquisitions	34,677	30,929
Prepaid Insurance	3,874	4,216
Other	69	90
	82,469	54,008

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

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

6. Holdback

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

7. Contingencies

In the normal course of its activities, WDBA is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the financial statements. It is the opinion of management that the settlement of such matters will not result in any material liabilities to WDBA for the quarter ended June 30, 2017.

8. Environmental Liability

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

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

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



This amount was recorded as an environmental liability in the Statement of Financial Position. Of this amount, \$5.6 million was capitalized to the cost of the project, and \$0.3 million relating to land that will not be leased or licensed back to WDBA, but will remain the responsibility of the State of Michigan, was expensed.

9. Expenses by Type

(thousands of dollars)

	Three Months Ended	
	June 30, 2017	June 30, 2016
Michigan Land	3,398	1,595
Legal Services	3,381	1,312
Professional Services	2,709	608
Payroll and Benefits	1,987	1,574
Insurance	356	144
Rent	162	157
Office and Maintenance	154	134
Property Taxes	124	-
Other	113	30
Environmental Remediation Canadian Land	72	-
Amortization	59	56
I-75 Costs	52	319
Travel expenses	44	20
Claim Settlements	-	294
	12,611	6,243

10. Comparative Figures

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