



Windsor-Detroit Bridge Authority

Quarterly Financial Report for the Period Ended

December 31, 2019

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 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) stipulates 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 monitors 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 meters 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 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.



The Project is being delivered through a public-private partnership (P3), using the design, build, finance, operate and maintain (DBFOM) model. WDBA's private sector partner is Bridging North America (BNA). BNA is a consortium consisting of:

- ACS Infrastructure Canada Inc. (ACSIC), which is the Canadian subsidiary of ACS Group
- Fluor Canada Ltd., a subsidiary of Fluor Corporation, and
- Aecon Group Inc.

OBJECTIVES, ACTIVITIES, AND EXPECTED RESULTS FOR 2019-20

For 2019-20, WDBA's top priority is building the organizational capacity to deliver on its mandate to facilitate the design and construction of the Gordie Howe International Bridge Project. The following include WDBA's objectives, activities and expected results for 2019-20 and the planning period and a brief summary of progress:

1. Executing on Oversight Plans, Ensuring Project Agreement Obligations are met

Oversight Plans are being executed and reported on monthly.

2. Design and Construction of the Gordie Howe International Bridge Project

Design and construction work is progressing on all four components of the project. As an example, drilled shafts for the main pylon on the Canadian side of the bridge component were completed in December 2019.

3. Site Preparations (includes, US Property acquisition, Early Works, and Utility Relocation in Canada and the US)

Activities related to US Property Acquisition, Early Works, and Canadian Utility Relocation are progressing. Notably, items related to Early Works and Canadian Utility Relocation were completed in December 2019.

4. Building Organizational Capacity and Continued Organizational Development During the Design-Build Phase

WDBA successfully achieved its staffing goals by end of summer 2019. WDBA will continue to analyze its resourcing requirements and anticipates additional resources.

5. Stakeholder Engagement and External Positioning for Operations

WDBA has made significant progress in the delivery of its stakeholder engagement and communications activities on both sides of the border.

6. Transition Planning from Construction to Operations

WDBA is further developing the systems that will be needed when the Gordie Howe International Bridge project nears substantial completion.



FINANCIAL ANALYSIS

SUMMARY

At the end of third quarter of 2019-20, net results of operations at WDBA reflect a surplus of \$342.3 million (2018-19: \$100.0 million). The surplus is mostly due to the timing of appropriations and expenditures on capital assets and the acquisition of US properties.

Compared to the 2019 fiscal year end results, WDBA net debt increased from \$452.6 million to \$569.2 million, a change of \$116.6 million. Non-financial assets increased by \$451.5 million to \$1,575.5 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 \$155.5 million in appropriations in the third quarter of 2019-20, for a total of \$428.0 million through December 31, compared to \$101.7 million and \$265.1 million respectively in the prior year. WDBA ended the third quarter of 2019-20 with a net surplus of \$123.8 million for a total of \$342.3 million through December 31, compared to \$10.3 million and \$100.0 million respectively 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's activities, Michigan activities, Early Works, including Canadian utility relocation, design and engineering costs, and WDBA operations.

EXPENSES

WDBA incurred \$35.0 million of direct expenses in the third quarter of 2019-20, for a total of \$92.9 million as of December 31, compared to \$89.7 million and \$161.2 million respectively in the prior year. As shown in the accompanying table, expenses are lower in the current year as procurement expenses and preparatory work incurred in the prior year included one-time expenses for the reimbursement of costs of the two unsuccessful proponents and increased professional and legal services; increased costs in Fiscal 2020 include amortization of leased properties and roads, and local road improvements.

Internal services costs, as shown in the Statement of Operations, reflect expenses to support the Gordie Howe International Bridge Project: primarily salaries and benefits of employees not directly involved in the project. WDBA incurred \$2.1 million of internal services costs in the third quarter of 2019-20, for a total of \$6.1 million as of December 31, compared to \$2.4 million and \$6.8 million respectively in the prior year.

WDBA recognized negligible costs for work performed for other government agencies in the third quarter of 2019-20, and the period to date to December 31, compared to \$0.3 million and \$6.0 million respectively in the prior year.



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

(thousands of dollars)

	Nine Months Ended		Three Months Ended	
	December	December	December	December
	31, 2019	31, 2018	31, 2019	31, 2018
I-75 Costs	66,553	89,644	27,363	76,050
Payroll and Benefits	8,329	6,381	2,901	2,015
Michigan Land	5,071	9,044	897	3,811
Legal Services	4,294	6,687	1,236	1,575
Insurance	4,081	3,245	1,416	1,467
Professional Services	3,593	14,504	839	2,255
Amortization	2,597	478	955	414
Local Road Improvements	1,999	-	729	-
Office and Maintenance	782	355	303	125
Rent	547	525	170	184
Property Taxes	405	516	138	165
Transfers to International Authority	300	1	-	1
Travel expenses	288	351	136	91
Other	115	239	40	61
Repairs and Maintenance	10	-	7	-
Work performed for other Government Agencies	7	6,002	6	309
Reimbursement for Unsuccessful Proponents	-	30,000	-	-
Foreign Exchange Loss	-	5,976	-	3,853
	98,971	173,948	37,136	92,376

Reimbursement for Unsuccessful Proponents represents a one-time expense incurred in the prior year for the reimbursement of costs of the two unsuccessful proponents who bid on the project.

As the I-75 interchange will be turned over to the State of Michigan upon completion of the project, all costs associated with the I-75 interchange are expensed as incurred. 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 decrease in I-75 costs are due to significant, non-recurring costs that were incurred in the prior year.

Professional services were lower primarily due to a decrease in consulting services related to the MDOT planning and engineering work and other consulting work in support of the project.

Work performed for other government agencies represented environmental remediation work on a property adjacent to the Canadian POE for Infrastructure Canada in the prior year. The environmental remediation of the property is now substantially complete.

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 the property acquisition process nearing completion.

The decrease in legal services is primarily due to lower levels of property acquisition activities in Michigan and the completion of the P3 procurement process in the prior year.



The increase in amortization expense is due to the placement into service of a portion of the Perimeter Access Road (PAR) on the Canadian POE, and the Michigan Lease.

Local Road Improvements represents mobilization and design costs related to work to be performed on local roads in Canada outside of the Canadian POE.

Payroll and Benefits have increased as a result of increased staffing levels to support the construction phase of the project.

STATEMENT OF FINANCIAL POSITION

FINANCIAL ASSETS

Financial assets of \$209.0 million (March 31, 2019: \$278.1 million) consisting of \$173.3 million in cash and \$35.8 million in accounts receivable and deposits (March 31, 2019: \$240.4 million and \$37.7 million), are offset by \$778.2 million in liabilities (March 31, 2019: \$730.6 million).

At December 31, 2019, WDBA had a restricted cash balance of \$141.2 million in an escrow account (March 31, 2019: \$189.3 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, 2019 and March 31, 2019 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. In the current fiscal year, WDBA has recovered \$55.6 million of HST.

LIABILITIES

At December 31, 2019, WDBA's liabilities were \$778.2 million (March 31, 2019: \$730.6 million). Liabilities consist 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 \$104.7 million (March 31, 2019: \$117.4 million) consist primarily of amounts for BNA activities, Michigan activities, utility relocation, and professional fees.

The environmental liability of \$4.9 million is a decrease of \$14.6 million from the prior year, due to significant work done on US properties during the year to remediate these properties prior to turnover to BNA.

NON-FINANCIAL ASSETS

WDBA held \$1,474.3 million of tangible capital assets at the end of the third quarter of 2019-20, compared to \$988.4 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.

In the current year \$75.7 million was transferred from prepaid expenses to tangible capital assets for properties held under a master lease with the State of Michigan (2019: \$58.3 million).



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 of \$1,253.1 million at December 31, 2019 (March 31, 2019: \$858.2 million), includes costs related to the building of the bridge, and the Canadian and U.S. POEs. Given that the project is still in its early stages, most of the capitalized costs are related to BNA's start-up, design, procurement and early construction 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)

	December 31, 2019	March 31, 2019
Bridge	507,154	335,133
Canadian Port of Entry	403,007	297,502
US Port of Entry	342,977	225,585
	1,253,138	858,220

Prepaid expenses of \$101.2 million (March 31, 2019: \$135.6 million) primarily consisted of costs related to the acquisition of land in Michigan of \$83.1 million at December 31, 2019 (March 31, 2019: \$113.4 million), and prepaid insurance of \$18.0 million at December 31, 2019 (March 31, 2019: \$22.0 million).



WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER 2019-2020

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.



Bryce Phillips
Chief Executive Officer



Mike St. Amant, FCPA, FCA
Chief Financial Administrative Officer

Windsor, Canada
February 28, 2020



Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
as at December 31, 2019
(thousands of dollars)

(Unaudited)

	December 31, 2019	March 31, 2019
FINANCIAL ASSETS		
Cash	32,022	51,090
Restricted cash (Note 3)	141,239	189,276
Accounts receivable	35,608	36,527
Deposits	159	1,160
Total Financial Assets	209,028	278,053
LIABILITIES		
Accounts payable and accrued liabilities	104,746	117,376
Accrued employee benefits	757	784
Environmental liability (Note 4)	4,931	19,523
Holdback (Note 5)	71,380	10,666
Due to private partner (Note 6)	596,373	582,280
Total Liabilities	778,187	730,629
Net Debt	569,159	452,576
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	1,474,305	988,380
Prepaid expenses (Note 8)	101,181	135,583
Total Non-Financial Assets	1,575,486	1,123,963
Accumulated Surplus	1,006,327	671,387
Accumulated surplus is comprised of:		
Accumulated operating surplus	1,013,388	671,044
Accumulated remeasurement gains (losses)	(7,061)	343
	1,006,327	671,387

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, 2019
(thousands of dollars)

(Unaudited)

	Twelve Months Ended	Three Months Ended	December	Nine Months Ended	December
	March 31,	December	31, 2018	December	31, 2018
	2020	31, 2019	31, 2018	31, 2019	31, 2018
	Budget	Actual	Actual	Actual	Actual
REVENUE					
Revenue from Operations	-	5	-	5	38
Proceeds from insurance claims	-	2,953	-	5,139	-
Interest	-	1,083	716	3,988	2,936
Foreign Exchange Gain	-	1,364	-	4,183	-
Total Revenue	-	5,405	716	13,315	2,974
EXPENSES (Note 10)					
Gordie Howe International Bridge Project	212,088	35,023	89,675	92,864	161,167
Internal services	9,731	2,107	2,394	6,100	6,803
Work performed for other Government agencies	-	6	307	7	5,978
Total Expenses	221,819	37,136	92,376	98,971	173,948
Deficit before Government Funding	(221,819)	(31,731)	(91,660)	(85,656)	(170,974)
Government transfers - Appropriations	830,007	155,494	101,693	427,993	265,052
Government transfers - Recoveries	-	6	307	7	5,948
	830,007	155,500	102,000	428,000	271,000
Operating Surplus	608,188	123,769	10,340	342,344	100,026
Accumulated Operating Surplus, Beginning of Period	694,459	889,619	631,542	671,044	541,856
Accumulated Operating Surplus, End of Period	1,302,647	1,013,388	641,882	1,013,388	641,882

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, 2019
(thousands of dollars)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Accumulated Remeasurement Gains (Losses), Beginning of Period	(3,671)	(3,090)	343	(5,420)
Unrealized gains (losses) attributable to:				
Foreign exchange	(2,026)	(16,933)	(3,221)	(16,726)
Amounts reclassified to the Statement of Operations:				
Foreign exchange	(1,364)	3,853	(4,183)	5,976
Net Remeasurement Gains (Losses) for the Period	(3,390)	(13,080)	(7,404)	(10,750)
Accumulated Remeasurement Gains (Losses), End of Period	(7,061)	(16,170)	(7,061)	(16,170)

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Change in Net Financial Assets (Net Debt)
for the nine months ended December 31, 2019
(thousands of dollars)

(Unaudited)

	Twelve Months Ended	Three Months Ended		Nine Months Ended	
	March 31,	December	December	December	December
	2020	31, 2019	31, 2018	31, 2019	31, 2018
	Budget	Actual	Actual	Actual	Actual
OPERATING SURPLUS	608,188	123,768	10,340	342,344	100,026
Acquisition of tangible capital assets	(910,642)	(161,883)	(465,349)	(488,520)	(561,962)
Amortization of tangible capital assets	127	955	414	2,597	478
	(302,327)	(37,160)	(454,595)	(143,579)	(461,458)
Changes in other non-financial assets					
Acquisition of prepaid expenses	-	(19,637)	(10,610)	(46,875)	(58,243)
Use of prepaid expenses	3,620	1,871	1,910	5,614	4,693
Transfer of prepaids to capital	108,051	174	7,913	75,663	37,095
	111,671	(17,592)	(787)	34,402	(16,455)
Net remeasurement gains and (losses) for the period	-	(3,390)	(13,080)	(7,404)	(10,750)
Change in Net Debt	190,657	(58,142)	(468,462)	(116,581)	(488,663)
Net Financial Assets (Net Debt), Beginning of Period	(498,713)	(511,017)	110,684	(452,578)	130,885
Net Financial Assets (Net Debt), End of Period	(308,056)	(569,159)	(357,778)	(569,159)	(357,778)

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, 2019
(thousands of dollars)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
OPERATING TRANSACTIONS				
Cash receipts from Government transfers	155,500	50,000	428,000	271,000
Interest received	1,130	779	4,106	3,245
HST Refunds	14,011	4,686	55,571	9,943
Other cash receipts	40	3	2,817	479
Cash payments to suppliers	(73,601)	(46,646)	(192,035)	(128,287)
Return of Parliamentary appropriations	-	-	-	-
Cash payments to and on behalf of employees	(2,661)	(2,052)	(8,068)	(5,897)
Transfers to International Authority	-	-	(300)	-
Cash Provided by Operating Transactions	94,419	6,770	290,091	150,483
CAPITAL TRANSACTIONS				
Cash used to acquire tangible capital assets	(125,484)	(24,889)	(353,194)	(61,708)
Cash applied to Capital Transactions	(125,484)	(24,889)	(353,194)	(61,708)
Effect of exchange rate changes on cash	(2,645)	1,194	(4,002)	(12,921)
Increase (decrease) in cash and cash equivalents	(33,710)	(16,925)	(67,105)	(63,693)
Cash and cash equivalents at beginning of period	206,971	228,757	240,366	275,525
Cash and cash equivalents at end of period	173,261	211,832	173,261	211,832
Cash is composed of:				
Cash	32,022	32,006	32,022	32,006
Restricted cash	141,239	179,826	141,239	179,826
	173,261	211,832	173,261	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 through a Public-Private Partnership.

In the early stages of the Gordie Howe International Bridge Project (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.

WDBA is also 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.

On September 28, 2018, WDBA entered into a Public-Private Agreement (Project Agreement) with Bridging North America (BNA) to design, build, partially finance, operate and maintain the Project. Specifically, the Project Agreement covers BNA's responsibilities to design, construct, partially finance, operate and maintain the Facility; and to design, construct and partially finance the Interstate 75 Interchange (I-75 Interchange). The components of the Facility are the Bridge, the Canadian Port of



Entry, and the US Port of Entry. The Project Agreement will expire in 2054. BNA is responsible for financing the Facility and the I-75 Interchange to an amount equal to 15% of design and build costs. BNA contributed these funds prior to WDBA contributing its own funds to the Project. BNA contributions will be repaid through Capital Payments.

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

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

WDBA implemented the changes by December 31, 2017.

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

The financial statements were approved and authorized for issuance by the Board of Directors on February 28, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

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

b. PUBLIC-PRIVATE PARTNERSHIP

WDBA accounts for the Public-Private Partnership to reflect the terms of the Project Agreement in accordance with Canadian PSAS. Eligible costs incurred by BNA related to the Facility are recognized as tangible capital assets, as the Facility is constructed. These costs include design and build costs, interest costs incurred prior to assets being ready for productive use, as well as rehabilitation payments which are determined to be a betterment. Eligible costs related to the I-75 Interchange are recognized as expenses as they are incurred given that this component will be turned over to MDOT upon completion. At this point, WDBA will have no further responsibility for or involvement with the I-75 Interchange.



WDBA recognizes the associated liability of the Public-Private Partnership for the first 15% of the design and build costs as Due to Private Partner. A 15% holdback is also recorded as a liability for each subsequent invoice of the design and build costs, which will be due upon substantial completion of the Facility.

The liability for funds contributed by BNA 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.

Operating, maintenance and repair payments, and rehabilitation payments which are not determined to be a betterment will be recognized as expenses.

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

c. 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.

d. INTEREST

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

e. PROCEEDS FROM INSURANCE CLAIMS

Proceeds from insurance claims are recognized in the period in which they are confirmed.

f. 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.

g. 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.

h. 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 as economic resources are consumed and used by WDBA.

i. 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.

j. CASH AND RESTRICTED CASH

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

k. 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.

l. 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.

m. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

n. 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.

o. DUE TO PRIVATE PARTNER

The amount due to Private partners consists of the obligation to BNA for the first 15% of the design and build costs. The obligation is measured at amortized cost based on the effective interest rate, which is represented by the rate implicit within the contract. Capital payments commence upon handover of the Canadian Port of Entry and expire after 30 years, which include both principal and interest payments.

p. 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
Roads	between 6 and 10 years
Leased Property	between 93 and 94 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.

q. 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 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.

When land is brought into the master lease agreement with Michigan it is reclassified to tangible capital assets (leased property).

r. 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.

s. 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.



t. 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	Cost or amortized cost
	Restricted cash	Cost or amortized cost
	Deposits	Cost or amortized cost
Financial liabilities	Accounts payable and accrued liabilities	Cost or amortized cost
	Holdback	Cost or amortized cost
	Due to private partner	Cost or amortized cost

u. 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.

v. 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.

w. 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.

x. STANDARDS ISSUED TO BE ADOPTED AT A LATER DATE

The following standard has been issued by the PSAB:

PS 3280 Asset Retirement Obligation: This new Section establishes standards on when and how to account for an asset retirement obligation.

This Section was issued by PSAB in August 2018 and will be effective for fiscal years beginning on or after April 1, 2021. WDBA intends to adopt this standard when it becomes applicable and is currently evaluating the impact of adopting this standard on its financial statements.



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 remediating 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 (\$0 for March 31, 2019), and \$4,931 for the Michigan land, (\$19,523 for March 31, 2019) for a total of \$4,931 (\$19,523 for March 31, 2019).

This amount was recorded as an environmental liability in the Statement of Financial Position.

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.

6. DUE TO PRIVATE PARTNER

BNA is responsible for financing the Project to an amount equal to 15% of design and build costs, (the Threshold Amount \$574,803 million), prior to WDBA contributing its own funds to the Project. The Threshold Amount was achieved during March 2019, with the liability presented as the present value of expected future cash flows, discounted at the implied effective interest rate of 3.24%.



This liability will be discharged by WDBA through Capital Payments, which commence upon the handover of the Canadian Port of Entry to WDBA and expire 30 years after that date. Estimated repayments for the next five years and thereafter are as follows:

(thousands of dollars)

Capital Payments:	
2021 Through 2023	-
2024	11,683
2025	35,048
2026 and Thereafter	1,004,720
Less: Total Interest	(476,649)
Private Partner Contribution	574,803
Capitalized Interest To Date	17,472
Expensed Interest To Date	4,098
Liability	596,373

7. TANGIBLE CAPITAL ASSETS

(thousands of dollars)

	Leasehold Improvements	Computer and Office Equipment	Construction in Progress	Land	Roads	Leased Property	Total
Cost							
April 1, 2018	832	327	222,622	64,886	-	-	288,667
Acquisitions	19	10	643,169	-	-	-	643,198
Transfers	-	-	(7,571)	-	7,571	-	-
Transfers from Prepays	-	-	-	-	-	58,345	58,345
March 31, 2019	851	337	858,220	64,886	7,571	58,345	990,210
April 1, 2019	851	337	858,220	64,886	7,571	58,345	990,210
Acquisitions	60	56	411,679	-	-	1,064	412,859
Transfers	-	-	(16,761)	-	16,761	-	-
Transfers from Prepays	-	-	-	-	-	75,663	75,663
December 31, 2019	911	393	1,253,138	64,886	24,332	135,072	1,478,732
Accumulated Amortization							
April 1, 2018	415	304	-	-	-	-	719
Amortization	114	14	-	-	675	308	1,111
March 31, 2019	529	318	-	-	675	308	1,830
April 1, 2019	529	318	-	-	675	308	1,830
Amortization	86	19	-	-	1,674	818	2,597
December 31, 2019	615	337	-	-	2,349	1,126	4,427
Net Book Value							
March 31, 2019	322	19	858,220	64,886	6,896	58,037	988,380
December 31, 2019	296	56	1,253,138	64,886	21,983	133,946	1,474,305

At December 31, 2019, WDBA recognized construction in progress of \$1,253,138 (2019: \$858,220) for the Project based on eligible costs incurred to date, including capitalized interest of \$17,472 (2019:



\$6,056). The Project components will be amortized over their estimated useful lives once they have entered operation and commence rendering service. Also, as of December 31, 2019, WDBA recognized \$73,623 (2019: \$98,688) of expense related to the I-75 costs and local road improvements, including interest of \$2,677 (2019: \$0).

The acquisition of tangible capital assets shown above includes an amount of \$564,785 (2019: \$565,861) for capital items and holdbacks that remain to be paid for as at December 31, 2019. These items are not included in the Statement of Cash Flow.

8. PREPAID EXPENSES

(thousands of dollars)

	December 31, 2019	March 31, 2019
Michigan Land Acquisitions	65,903	75,075
Prepaid Insurance	18,000	22,036
Michigan Land Acquisitions through Condemnation	17,215	38,305
Other	63	167
	101,181	135,583

The Michigan Land acquisition is related to payments made to the State of Michigan to fund the purchase of land for the Project that will be leased to WDBA for the life of the bridge. Payments made to purchase land that will not be leased to WDBA were expensed in Michigan Land (Note 10).

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 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.

When land is brought into the master lease agreement with Michigan it is reclassified to tangible capital assets (Leased Property).

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, 2019.



10. EXPENSES BY TYPE

(thousands of dollars)

	Nine Months Ended		Three Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
I-75 Costs	66,553	89,644	27,363	76,050
Payroll and Benefits	8,329	6,381	2,901	2,015
Michigan Land	5,071	9,044	897	3,811
Legal Services	4,294	6,687	1,236	1,575
Insurance	4,081	3,245	1,416	1,467
Professional Services	3,593	14,504	839	2,255
Amortization	2,597	478	955	414
Local Road Improvements	1,999	-	729	-
Office and Maintenance	782	355	303	125
Rent	547	525	170	184
Property Taxes	405	516	138	165
Transfers to International Authority	300	1	-	1
Travel expenses	288	351	136	91
Other	115	239	40	61
Repairs and Maintenance	10	-	7	-
Work performed for other Government Agencies	7	6,002	6	309
Reimbursement for Unsuccessful Proponents	-	30,000	-	-
Foreign Exchange Loss	-	5,976	-	3,853
	98,971	173,948	37,136	92,376