



Windsor-Detroit Bridge Authority
Quarterly Financial Report for the Period Ended
December 31, 2016
Unaudited





Mandate

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

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

The Crossing Agreement also established the International Authority (IA), a legal entity separate and distinct from the 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 the WDBA with the Crossing Agreement and the Concessionaire with the Public-Private Agreement. The 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 53.4 hectare site that will house passenger, commercial and animal customs and border processing, tolling, and maintenance facilities .
- **U.S. POE** – a 60.3 hectare site and of similar scale to the Canadian Port of Entry, but without toll collection facilities.
- **Michigan Interchange with Interstate 75 (I-75)** – consists of the primary connecting overpasses and ramps to and from the U.S. Port of Entry and associated local road improvements.



2016-2017 Corporate Priorities

The WDBA's key objective is to launch the P3 procurement process in 2016-17. To be able to achieve this objective, the WDBA's strategic priorities are:

- **P3 Procurement Process:** Continue with the P3 procurement process which was launched in 2015-16.
- **U.S. Property Acquisition:** The WDBA is working with the Michigan Department of Transportation (MDOT) to acquire required properties in Michigan.
- **Early Works on the Canadian Port of Entry (POE):** Site preparation activities on a portion of 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 third quarter of 2016-17, net results of operations at the WDBA reflect a surplus of \$199.6 million (compared to \$115.7 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. The WDBA was created in October 2012 to fulfill the mandate of the "Crossing Authority". The WDBA became operational in August 2014, with the creation of its Board of Directors and the hiring of its President and CEO. In order to begin the new international crossing project as soon as possible, Transport Canada began some activities on behalf of the WDBA when the Crossing Agreement was signed. As of April 1, 2016 Infrastructure Canada has assumed responsibility for the WDBA. All costs incurred by Transport Canada and Infrastructure Canada on behalf of the WDBA after the signature of the Crossing Agreement are reflected in the financial statements of the WDBA.

Statement of Operations

OVERVIEW

The WDBA received \$94.5 million in appropriations in the third quarter of 2016-17, for a total of \$219.5 million through December 31, 2016, compared to \$102.5 million and \$133.5 million respectively in the prior year, and ended the quarter with a net surplus of \$200.0 million, compared to \$115.7 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 increase in appropriations in 2016-17 is primarily due to the higher level of activity in the current year. The appropriations were used to fund property acquisition activities in Michigan, the Early Works, Canadian utility relocation, design and engineering costs, liability insurance, and WDBA operations.

EXPENSES

The WDBA incurred \$5.5 million of direct expenses in the third quarter of 2016-17, for a total of \$16.0 million through December 31, 2016 in support of the project, compared to \$6.9 million and \$15.0 million respectively in the prior year. The increase is driven mainly by the acquisition of properties in Michigan, and increased salaries and benefits due to an increase in number of employees as WDBA continued to add staff to support its operations; offset by decreases in professional services, legal services, and I-75 Costs.



Internal services costs reflect expenses to support the Gordie Howe International Bridge project, such as insurance and salaries and benefits of employees not directly involved in the project. The WDBA incurred \$1.7 million of internal services costs in the third quarter of 2016-17, for a total of \$4.7 million through December 31, 2016, compared to \$1.4 million and \$3.7 million respectively in the prior year.

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

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Payroll and Benefits	1,691	1,404	4,935	3,735
Legal Services	1,329	2,684	3,555	5,156
Michigan Land	1,261	696	5,214	1,895
Professional Services	1,051	2,256	2,794	4,429
I-75 Costs	628	668	1,259	1,962
Insurance	381	62	915	184
Claim Settlements	295	-	893	-
Office and Maintenance	161	70	394	238
Rent	148	160	472	481
Foreign Exchange Loss	82	-	-	-
Amortization	60	56	171	160
Other	47	62	108	220
Travel expenses	34	104	70	150
Transfers to International Authority	-	1	-	101
	7,168	8,223	20,780	18,711

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. 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.

The increase in payroll and benefits is primarily due to higher staffing levels; the WDBA had 50 employees in the third quarter of 2016-17 compared to 42 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.

Professional services expense is lower as much of the expense in the prior year was for the development of the P3 RFP, which was substantially completed during the prior year. The decrease in legal services is due primarily to a reduction in US legal work, and a reduction in work required for the P3 RFP in the current year.

Statement of Financial Position

OVERVIEW

At December 31, 2016, the WDBA's net financial assets were \$157.0 million (\$48.1 million at March 31, 2016). Financial assets of \$202.0 million (\$81.2 million at March 31, 2016) were mostly made up of \$185.1 million in cash and \$16.9 million in accounts receivable (\$73.2 million and \$7.9 million at March 31, 2016), offset by \$45.1 million in liabilities (\$33.1 million at March 31, 2016).



Accounts receivable at December 31, 2016 and March 31, 2016 consisted mainly of recoverable HST. The WDBA has finalized its HST status and is in the process of filing to recover its cost. The 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 the WDBA's operating expenses.

The liabilities at December 31, 2016 included payables and accruals for environmental remediation, Michigan activities, the Early Works, utility relocation, legal fees, engineering consulting services, holdbacks related to the Early Works and employee benefits.

RESTRICTED CASH

At December 31, 2016, the WDBA had a restricted cash balance of \$139.7 million in an escrow account (\$28.7 million at March 31, 2016). These funds are held in a US dollar escrow account to fund U.S. property acquisitions and other Michigan activities. The WDBA is required to fund Michigan activities at the beginning of each quarter in the escrow account. The WDBA requested the additional cash to fund property acquisition activities and liability insurance in Michigan.

NON-FINANCIAL ASSETS

The WDBA held \$130.0 million of tangible capital assets at the end of the third quarter of 2016-17, compared to \$56.1 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 (\$129.0 million at December 31, 2016 - \$55.3 million at March 31, 2016), 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)

	Dec. 31, 2016	March 31, 2016
Bridge	36,617	15,667
Canadian Port of Entry	79,771	32,008
US Port of Entry	12,565	7,633
	128,953	55,308

Deposits of \$0.7 million (\$0.1 million at March 31, 2016) consist primarily of funds held in a court trust fund relating to Michigan properties for which MDOT has filed for condemnation (\$0 at March 31, 2016), deposits with Hydro One related to utility relocation, and rent.

Prepaid expenses of \$30.7 million (\$13.0 million at March 31, 2016) primarily consisted of costs related to the acquisition of land in Michigan (\$26.5 million at December 31, 2016 - \$12.7 million at March 31, 2016).



Outlook

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

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



WDBA QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER 2016-2017

Statement of Management Responsibility

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

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

Michael Cautillo, P.Eng., M.Eng.
President and Chief Executive Officer

Linda Hurdle, CPA, CA
Chief Financial Administrative Officer

Windsor, Canada

February 17, 2017



Windsor-Detroit Bridge Authority
Quarterly Statement of Financial Position
as at December 31, 2016
(thousands of dollars)

(Unaudited)

	Dec. 31, 2016	March 31, 2016
FINANCIAL ASSETS		
Cash	45,431	44,531
Restricted cash (Note 3)	139,711	28,696
Accounts receivable	16,887	7,933
TOTAL FINANCIAL ASSETS	202,029	81,160
LIABILITIES		
Accounts payable and accrued liabilities	20,926	27,726
Accrued Employee Benefits	635	614
Environmental Liability (Note 7)	17,970	2,037
Holdback	5,542	2,692
TOTAL LIABILITIES	45,073	33,069
NET FINANCIAL ASSETS	156,956	48,091
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	129,679	56,139
Deposits	676	100
Prepaid expenses	30,866	12,985
TOTAL NON-FINANCIAL ASSETS	161,221	69,224
ACCUMULATED SURPLUS	318,177	117,315
Accumulated surplus is comprised of:		
Accumulated operating surplus	316,305	116,671
Accumulated remeasurement gains (losses)	1,872	644
	318,177	117,315

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, 2016
 (thousands of dollars)

(Unaudited)

	Twelve months ended March 31, 2017 Budget	Three months ended Dec. 31 2016 Actual	2015 Actual	Nine months ended Dec. 31 2016 Actual	2015 Actual
REVENUE					
Foreign Exchange Gain	-	-	61	412	76
Interest	-	201	63	468	106
TOTAL REVENUE	-	201	124	880	182
EXPENSES (Note 6)					
Detroit River International Crossing*	183,264	5,479	6,861	16,036	15,034
Internal services	8,921	1,689	1,362	4,744	3,677
TOTAL EXPENSES	192,185	7,168	8,223	20,780	18,711
DEFICIT BEFORE GOVERNMENT FUNDING	(192,185)	(6,967)	(8,099)	(19,900)	(18,529)
Government transfers - Appropriations	566,576	94,500	102,500	219,500	133,500
Government transfers - Other	4,700	16	301	34	684
	571,276	94,516	102,801	219,534	134,184
OPERATING SURPLUS (DEFICIT)	379,091	87,549	94,702	199,634	115,655
ACCUMULATED OPERATING SURPLUS, BEGINNING OF PERIOD	94,475	228,756	30,121	116,671	9,168
ACCUMULATED OPERATING SURPLUS, END OF PERIOD	473,566	316,305	124,823	316,305	124,823

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 nine months ended December 31, 2016
(thousands of dollars)

(Unaudited)

	Three months ended		Nine months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF PERIOD	449	920	644	-
Unrealized gains (losses) attributable to:				
Foreign exchange	1,341	1,645	1,641	2,580
Amounts reclassified to the Statement of Operations:				
Foreign exchange	82	(61)	(413)	(76)
NET REMEASUREMENT GAINS (LOSSES) FOR THE PERIOD	1,423	1,584	1,228	2,504
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF PERIOD	1,872	2,504	1,872	2,504

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



Windsor-Detroit Bridge Authority
Quarterly Statement of Change in Net Assets
for the nine months ended December 31, 2016
(thousands of dollars)

(Unaudited)

	Twelve months ended	Three months ended		Nine months ended	
	March 31, 2017 Budget	Dec. 31, 2016 Actual	Dec. 31, 2015 Actual	Dec. 31, 2016 Actual	Dec. 31, 2015 Actual
OPERATING SURPLUS (DEFICIT)	379,091	87,548	94,702	199,634	115,656
Acquisition of tangible capital assets	(256,598)	(20,534)	(25,931)	(73,714)	(34,112)
Amortization of tangible capital assets	207	60	56	171	160
	122,700	67,074	68,827	126,091	81,704
Acquisition of deposits	-	(574)	-	(575)	(2)
Use of deposits	-	-	-	-	-
Acquisition of prepaid expenses	2,491	(8,713)	(1,988)	(19,263)	(5,295)
Use of prepaid expenses	-	627	82	1,383	224
	2,491	(8,660)	(1,906)	(18,455)	(5,073)
Net remeasurement gains and (losses)		1,424	1,584	1,229	2,503
INCREASE (DECREASE) IN NET ASSETS	125,191	59,838	68,505	108,865	79,134
NET ASSETS, BEGINNING OF PERIOD	25,845	97,118	11,255	48,091	626
NET ASSETS, END OF PERIOD	151,036	156,956	79,760	156,956	79,760

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, 2016
(thousands of dollars)

(Unaudited)

	Three months ended		Nine months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
CASH FLOW PROVIDED BY OPERATING ACTIVITIES				
Operating surplus (deficit)	87,548	94,702	199,634	115,656
Adjustments for non-cash items				
Amortization of tangible capital assets	60	56	171	160
Contributed capital assets	-	34	-	331
Changes in non-cash working capital items				
Increase in Accounts receivable	(2,578)	(3,294)	(8,954)	(2,442)
Decrease in Accounts payable and accrued liabilities (Note 4)	(15,980)	(4,060)	(4,945)	10,682
Increase in Accrued employee benefits	45	168	20	362
Increase in Environmental Liability	-	-	15,933	-
Increase in Holdback	791	1,959	2,850	1,978
Increase in Deposits	(574)	-	(575)	(2)
Increase in Prepaid expenses	(8,086)	(1,905)	(17,881)	(5,071)
NET CASH PROVIDED BY OPERATING ACTIVITIES	61,226	87,660	186,253	121,654
CASH FLOW FROM CAPITAL TRANSACTIONS				
Acquisition of tangible capital assets (Note 4)	(9,080)	(10,613)	(76,066)	(20,409)
NET CASH APPLIED TO CAPITAL ACTIVITIES	(9,080)	(10,613)	(76,066)	(20,409)
EFFECT OF EXCHANGE RATE CHANGE ON CASH	1,366	1,832	1,728	2,761
NET INCREASE (DECREASE) IN CASH	53,512	78,879	111,915	104,006
CASH, BEGINNING OF PERIOD	131,630	25,287	73,227	162
CASH, END OF PERIOD	185,142	104,166	185,142	104,168
Cash and cash equivalents composed of:				
Cash	45,431	68,564	45,431	68,564
Restricted cash	139,711	35,602	139,711	35,602
	185,142	104,166	185,142	104,166

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



Selected Notes to the Quarterly Unaudited Financial Statements

1. AUTHORITY AND ACTIVITIES

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

The WDBA was established in accordance with the Crossing Agreement signed by the Government of Canada and the State of Michigan on June 15, 2012. The mandate of the 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).

The 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; the 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 the 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 the 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 the WDBA, and three members appointed by the State of Michigan. All costs of the International Authority are funded by the WDBA.

The 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 the 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.



The 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 February 17, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting and early adoption of standards

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 the 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 the WDBA that would otherwise have been incurred by the WDBA are recognized in the financial statements of the 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) Cash and Restricted Cash

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

e) Accounts Receivable

Accounts receivable are recorded and carried at cost. Accounts receivable are reviewed at each financial statement date by the WDBA for impairment.

f) 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.

g) 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 GHIB project and that will be leased or licensed back to the WDBA are recorded as prepaid expenses. Payments made to purchase land that will not be leased or licensed back to the WDBA, but will be turned over to the State of Michigan, are expensed as incurred.



h) 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 the 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.

i) Environmental Obligations

Whenever the Corporation 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.

j) 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.

k) 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.

l) Pension and Benefit Plans

The 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.



m) Financial Instruments

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

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

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

n) 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.

o) 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 GHIB project activities in Michigan, including property acquisition and related costs, planning and engineering costs.

The 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 the 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, 2015	702	225	4,894	5,821
Acquisitions	67	53	48,983	49,103
Contributions	-	-	1,454	1,454
Transfers	23	-	(23)	-
March 31, 2016	792	278	55,308	56,378
April 1, 2016	792	278	55,308	56,378
Acquisitions	18	49	73,645	73,712
December 31, 2016	810	327	128,953	130,090
Accumulated Depreciation				
April 1, 2015	15	8	-	23
Amortization	129	87	-	216
March 31, 2016	144	95	-	239
April 1, 2016	144	95	-	239
Amortization	99	73	-	172
December 31, 2016	243	168	-	411
Net Book Value				
March 31, 2016	648	183	55,308	56,139
December 31, 2016	567	159	128,953	129,679

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 \$11.5 million (March 31, 2016 – \$13.8 million) in relation to the acquisition of tangible capital assets, as the amount relates to capital activities through the nine months ended December 31, 2016 that remain to be paid as at December 31, 2016. Computer and office equipment acquisition includes an amount of \$5 thousand for a credit from a vendor.



5. CONTINGENCIES

A. Legal

In the normal course of its activities, the WDBA is the claimant or defendant or is involved in certain pending claims or lawsuits. To the extent that a future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded in the financial statements. It is the opinion of management that the settlement of such matters will not result in any material liabilities to the WDBA for the quarter ended December 31, 2016.

B. Contracts

The WDBA is in the process of concluding an agreement to cover additional costs with one of its contractors. The additional costs arose from the need to reset the Canadian Port of Entry Early Works project schedule due to delays in gaining access to lands required for the project.

The WDBA believes that it is likely that the agreement will be signed in the near future. The WDBA has recognized \$2.5 million in the current year as it is related to work performed up to December 31, 2016. The amount was determined based on negotiations with the contractor and is not expected to change.

C. Michigan Land

As the WDBA is required by the Crossing Agreement to finance the GHIB project, it is the WDBA's responsibility to remediate contamination on land that has been purchased by the State of Michigan for the project. Preliminary environmental assessments have identified certain parcels of land which are at a higher risk for contamination based on current and prior land use, and therefore require further investigation in order to determine the extent of contamination and to estimate the cost of remediation.

The land has not yet been leased or licensed back to the WDBA. As such, the WDBA has not been able to independently determine if the contamination exceeds an environmental standard. The State of Michigan has initiated the necessary additional investigation, however, the process is still in its early stage. Since it is unknown whether contamination that exceeds environmental standards is present, no contingent liability related to the Michigan land has been recognized.

6. EXPENSES BY TYPE

(thousands of dollars)

	Three months ended		Nine months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Payroll and Benefits	1,691	1,404	4,935	3,735
Legal Services	1,329	2,684	3,555	5,156
Michigan Land	1,261	696	5,214	1,895
Professional Services	1,051	2,256	2,794	4,429
I-75 Costs	628	668	1,259	1,962
Insurance	381	62	915	184
Claim Settlements	295	-	893	-
Office and Maintenance	161	70	394	238
Rent	148	160	472	481
Foreign Exchange Loss	82	-	-	-
Amortization	60	56	171	160
Other	47	62	108	220
Travel expenses	34	104	70	150
Transfers to International Authority	-	1	-	101
	7,168	8,223	20,780	18,711



7. ENVIRONMENTAL LIABILITY

The 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; the 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.

The WDBA is responsible for the land required for the GHIB project. In Canada, this consists of land currently owned by the Government of Canada in Windsor, Ontario. It has been determined that certain parcels of land contain levels of contamination above acceptable environmental standards. The 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 GHIB.

There are parcels of land that contain levels of contaminants above acceptable environmental standards which require remediation as of December 31, 2016. Remediation will require the excavation and disposal of contaminated soil. A study commissioned by the WDBA estimates that the cost of remediation activities for the contaminated soil to be approximately \$18.0 million. This amount was recorded as an environmental liability in the Statement of Financial Position; the amount was capitalized to the cost of the project.

The WDBA has also assumed responsibility for the land purchased by the State of Michigan, funded by the WDBA, for the GHIB project that will be leased or licensed back to the WDBA. The WDBA could not determine the existence of contamination that exceeded a standard, therefore the WDBA has disclosed this matter as a contingent liability (see Note 5).

