

The Seaway International Bridge Corporation, Ltd.

Financial Statements

March 31, 2020

STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of The Seaway International Bridge Corporation, Ltd. (the Corporation or SIBC) and information related to the Corporation contained in the annual report of The Federal Bridge Corporation Limited (Parent Company) are the responsibility of management.

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards and necessarily include some estimates, which are based on management's best judgements.

To meet management's responsibility, management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the integrity and reliability of financial information, that assets are safeguarded and controlled, and that transactions and events are properly recorded. The system of internal control is supplemented by internal auditors, who conduct periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Canada Marine Act* and regulations and the articles and by-laws of the Corporation. The Board exercises these responsibilities with the assistance of the Audit Committee of the Board, which is composed of three directors who are not employees of the Corporation.

The Audit Committee meets with management and the Auditor General of Canada, the external auditor, and also reviews and recommends to the Board the approval of the auditor's report and the Corporation's annual financial statements. In addition, the external auditor has full and free access to the directors of the Corporation.

The Auditor General of Canada is responsible for auditing the financial statements and for issuing her report thereon.



Wade Dorland
Bridge Director



Natalie Kinloch
Board Chair

Cornwall, Ontario
June 9, 2020



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Seaway International Bridge Corporation, Ltd. ("SIBC"), which comprise the statement of financial position as at 31 March 2020, and the statement of operations, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SIBC as at 31 March 2020, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of SIBC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SIBC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SIBC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SIBC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SIBC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SIBC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SIBC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of The Seaway International Bridge Corporation, Ltd. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the *Canada Marine Act* and regulations, and the articles and by-laws of The Seaway International Bridge Corporation, Ltd.

In our opinion, the transactions of The Seaway International Bridge Corporation, Ltd. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for The Seaway International Bridge Corporation, Ltd.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable The Seaway International Bridge Corporation, Ltd. to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Firyal Awada, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
9 June 2020

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Financial Position

as at March 31

(in Canadian dollars)

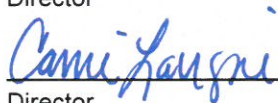
	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	4,080,190	5,250,581
Investments	1,010,607	-
Accounts receivable	58,345	38,863
TOTAL FINANCIAL ASSETS	5,149,142	5,289,444
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	88,501	86,808
Others	205,571	525,846
Holdbacks	3,475	-
Client deposits	46,780	52,930
Due to partners (Note 4)	4,803,490	4,621,788
Employee future benefits (Note 5)	216,647	190,553
Deferred revenue	219,626	209,678
TOTAL LIABILITIES	5,584,090	5,687,603
NET DEBT	434,948	398,159
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	427,382	389,898
Prepaid expenses	15,566	16,261
TOTAL NON-FINANCIAL ASSETS	442,948	406,159
ACCUMULATED SURPLUS	8,000	8,000

Contractual obligations (Note 8), Contractual rights (Note 9) and Contingencies (Note 10)

APPROVED BY THE BOARD OF DIRECTORS



Director



Director

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Operations

for the year ended March 31

(in Canadian dollars)

	2020 Budget	2020 Actual	2019 Actual
REVENUE			
Tolls	3,242,996	3,085,180	3,053,890
Leases and permits	160,586	165,123	163,053
Interest	39,137	82,635	72,202
Foreign currency gain	-	-	25,525
Other	4,800	51,483	31,734
TOTAL REVENUE	3,447,519	3,384,421	3,346,404
EXPENSES (Note 12)			
Maintenance	1,027,040	993,931	970,945
Operations	1,271,198	1,215,981	1,169,283
Administration	897,024	930,347	943,756
TOTAL EXPENSES	3,195,262	3,140,259	3,083,984
Annual Operating Surplus	252,257	244,162	262,420
Accumulated Operating Surplus at beginning of year	8,000	8,000	8,000
Allocation of annual operating surplus as per the joint venture agreement (Note 4)			
Saint Lawrence Seaway Development Corporation	(126,129)	(122,081)	(131,210)
The Federal Bridge Corporation Limited	(126,129)	(122,081)	(131,210)
Accumulated Operating Surplus at end of year	8,000	8,000	8,000

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Change in Net Debt

for the year ended March 31

(in Canadian dollars)

	2020 Budget	2020 Actual	2019 Actual
ANNUAL OPERATING SURPLUS	252,257	244,162	262,420
Acquisition of tangible capital assets (Note 6)	(105,000)	(124,380)	(31,832)
Amortization of tangible capital assets (Note 6)	73,696	86,896	79,210
	(31,304)	(37,484)	47,378
Acquisition of prepaid expenses	(126,900)	(149,890)	(128,340)
Use of prepaid expenses	126,900	150,585	112,079
	-	695	(16,261)
Allocation of annual surplus (Note 4)			
Saint Lawrence Seaway Development Corporation	(126,129)	(122,081)	(131,210)
The Federal Bridge Corporation Limited	(126,129)	(122,081)	(131,210)
	(252,257)	(244,162)	(262,420)
(INCREASE) DECREASE IN NET DEBT	(31,304)	(36,789)	31,117
NET DEBT AT BEGINNING OF YEAR	450,908	398,159	429,276
NET DEBT AT END OF YEAR	482,212	434,948	398,159

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Cash Flow

for the year ended March 31

(in Canadian dollars)

	2020	2019
OPERATING TRANSACTIONS		
Annual operating surplus	244,162	262,420
Adjustment for non-cash items		
Amortization of tangible capital assets (Note 6)	86,896	79,210
Foreign exchange loss (gain)	(3,080)	(15,708)
Changes in non-cash working capital items		
(Increase) decrease in accrued interest receivable on investments	(10,858)	31,885
(Increase) decrease in accounts receivable	13,345	4,082
Increase (decrease) in accounts payable to federal departments and agencies	1,693	(78,941)
Increase (decrease) in other accounts payable	(273,815)	93,877
Increase (decrease) in holdbacks	3,475	-
Increase (decrease) in client deposits	(6,150)	1,466
Increase (decrease) in deferred revenue	9,948	(15,037)
Increase (decrease) in interest due to partners	53,563	51,038
Increase (decrease) in employee future benefits	26,094	(19,627)
(Increase) decrease in prepaid expenses	695	(16,261)
NET CASH PROVIDED BY OPERATING ACTIVITIES	145,968	378,404
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(156,212)	-
NET CASH USED FOR CAPITAL ACTIVITIES	(156,212)	-
INVESTING TRANSACTIONS		
Disposal of investments	250,000	4,003,783
Acquisition of investments	(1,260,607)	-
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(1,010,607)	4,003,783
FINANCING TRANSACTIONS		
Amounts paid for work done on behalf of the partners	(152,620)	(190,890)
NET CASH USED FOR FINANCING ACTIVITIES	(152,620)	(190,890)
Foreign exchange (loss) gain on cash and cash equivalents held in foreign currency	3,080	15,708
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,170,391)	4,207,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,250,581	1,043,576
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,080,190	5,250,581

Interest received during the year was \$71,777 (\$104,087 for the year ended March 31, 2019) and interest paid during the year was \$8,464 (\$6,702 for the year ended March 31, 2019).

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

1. AUTHORITY AND ACTIVITIES

The Seaway International Bridge Corporation, Ltd. (SIBC) is a wholly owned subsidiary of The Federal Bridge Corporation Limited (FBCL), a federal Crown corporation listed in Schedule III-Part I of the *Financial Administration Act*. SIBC is exempt from income tax under Part I of the Canadian *Income Tax Act*.

SIBC was incorporated under the *Canada Corporations Act* in 1962 and was continued under the *Canada Business Corporations Act* to operate and manage an international toll bridge between Cornwall, Ontario and Rooseveltown, New York.

Based on a September 1957 agreement, SIBC manages and operates a joint venture on behalf of FBCL and the Saint Lawrence Seaway Development Corporation (SLSDC). The joint venture has been classified as a government partnership. The accumulated surplus includes 8 issued, fully paid common shares of SIBC at a value of \$1,000 each. FBCL owns all of the shares, which makes SIBC a wholly owned subsidiary of FBCL for the purposes of the *Financial Administration Act*. FBCL's share ownership in SIBC accounts for its 50% investment in the government partnership.

The mandate of SIBC is to operate and manage the international toll bridge corridor linking Cornwall, Ontario, Akwesasne and Rooseveltown, New York. The corridor comprises a low level bridge connecting the City of Cornwall, Ontario to Cornwall Island (North Channel Bridge); a toll plaza and roadway extending across Cornwall Island; and a high level suspension bridge connecting Cornwall Island to Rooseveltown in the state of New York (South Channel Bridge).

The assets and liabilities and the operations presented in the financial statements are those of the partners.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, high interest savings accounts and highly liquid investments maturing within 90 days.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In the course of its normal activities, SIBC invests its excess funds in guaranteed investment certificates of Canadian institutions with a maturity date up to one year. As funds are identified to be used for capital improvements, SIBC may transfer these funds to high interest savings accounts.

Prepaid expenses

Prepaid expenses consist of payments made in advance for insurance services to be received in the future, and payments in lieu of tax paid in advance. Prepaid expenses are recognized in expense as the related services are rendered. Prepaid insurance and prepaid payments in lieu of taxes are included in acquisitions of prepaid expenses and use of prepaid expenses, as shown on the Statement of Change in Net Debt.

Tangible capital assets

Tangible capital assets are recorded at cost. SIBC's tangible capital assets include assets acquired to operate the international toll bridge corridor. Since the North and South Channel Bridges and certain buildings are owned by the partners, capital projects relating to these assets are recorded as work done on behalf of the partners (Note 4), rather than as tangible capital assets of SIBC.

Replacements and major improvements which extend the useful service lives of existing assets, increase their capacity, safety or effectiveness, or are committed to reduce or prevent environmental contamination are capitalized. Repairs and maintenance are charged to operations as incurred.

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

Vehicles and equipment	5 to 10 years
Buildings	10 to 25 years

Tangible capital assets classified as work in progress are transferred to the appropriate capital asset classification when they start being used, and are then amortized.

When conditions indicate that a tangible capital asset no longer contributes to SIBC's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Client deposits

Security deposits from charge account customers are retained by SIBC. The amount secured is an estimate of two months of transit costs for new customers. Customers who have been with SIBC for over two years with perfect payment history can reduce that deposit to one and a half months. After five years of perfect payment history the deposit can be reduced to one month, which is two billing cycles. Deposits are returned to the customer without interest when the accounts are closed.

Employee future benefits

a) Compensated absences

Employees of SIBC are entitled to accumulating but non-vesting sick leave benefits provided for under conditions of employment. SIBC recognizes the cost of future sick leave benefits over the periods in which the employees render services to the entity and the liability for these benefits is recognized based on the probability of usage by employees established per historical data. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

b) Severance benefits

Prior to January 1, 2012, eligible employees of SIBC were entitled to specified benefits as provided for under conditions of employment, through a severance benefit plan. SIBC has eliminated this benefit as of January 1, 2012 and any outstanding payments due as at year end have been accrued and are remeasured on a yearly basis to take into consideration salary increases.

c) Pension plan

All eligible employees of SIBC are covered by the public service pension plan (Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and SIBC to cover current service cost. Pursuant to legislation currently in place, SIBC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of SIBC.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contract Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. For SIBC, this includes tolls received in advance and lease contracts.

Revenue recognition

Tolls revenue is recognized when tolls are collected as vehicles pass through toll booths. Leases and permits revenue is recognized in accordance with the rental contracts. Interest income is recognized when earned.

Revenue from toll debit cards, toll tickets, leases and permits that have not been rendered is deferred and recognized in income as the services are provided. Proceeds received relating to unused toll debit card balances greater than 10 years old that are still unredeemed at year end are recognized as toll revenue. Proceeds received relating to toll tickets that are still unredeemed at year end are recorded as toll revenue based on the average redemption rate of prior year balances.

Lease

The operating lease payments are recognized on a straight-line basis over the term of the lease.

Annual operating surplus

The annual operating surplus is distributed equally between FBCL and SLSDC, as described in Note 4.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

SIBC identifies, assesses and manages financial risks in order to minimize their impact on its results and financial position. Financial risks are managed by SIBC in accordance with the criteria disclosed below and presented in Note 13, and SIBC does not engage in speculative transactions or use of derivatives.

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

- SIBC has elected to measure investments at fair value to correspond with how they are evaluated and managed.
- All other financial assets and financial liabilities are measured at cost or amortized cost.

All financial instruments that are carried at fair value are classified within a fair value measurement hierarchy. The nature of the inputs used to arrive at fair value measurement determine the classification. The classifications are described below:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Quoted prices for similar assets, quoted prices in markets that are not active, or models using inputs that are observable
- Level 3 – One or more significant inputs used in a valuation technique are unobservable in determining the fair value of the instruments

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 rates at the end of the fiscal year.

Realized gains and losses resulting from foreign currency translation are reported on the Statement of Operations.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. The estimated useful lives of tangible capital assets, the amount of accrued liabilities, the assessment of employee future benefits obligations, and contingencies are the most significant items where estimates are used. Actual results could differ significantly from those estimates.

Services provided and received without charge

SIBC provides free usage of the bridge system to North American First Nations persons, to individuals qualifying under the First Nations economic free passage incentive programs and to some government agencies. These services are not recorded in the financial statements.

SIBC also receives audit services free of charge from the Office of the Auditor General of Canada. These services have not been recorded in the financial statements.

3. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,223,525	\$ 1,274,563
Cash equivalents	2,856,665	3,976,018
Total cash and cash equivalents	<u>\$ 4,080,190</u>	<u>\$ 5,250,581</u>

4. DUE TO PARTNERS

As per the Joint Venture agreement, the annual surplus is to be distributed equally between FBCL and SLSDC. In addition, interest earned on investments is credited to FBCL and SLSDC based on their proportionate share of the balance due to partners. Finally, major repairs and/or betterments incurred to assure the reliability of the South Channel Bridge and capital improvements to the North Channel Bridge are paid for by the owners under a service job order system which specifies the owners' percentage allocations.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

4. DUE TO PARTNERS (Continued)

The amount owed to the partners, bears interest at a rate which varies between 0.81% and 1.58% (1.00% and 1.42% for the year ended March 31, 2019) and is payable on demand. The carrying amount approximates its fair value. As of March 31, 2020, the partners have requested that \$4,161,000 be reinvested in capital improvements (included as work done on behalf of the partners) to be undertaken during the next fiscal year (\$2,670,000 as at March 31, 2019). FBCL's share of this work is \$1,372,920 (\$882,000 as at March 31, 2019), and SLSDC's share is \$2,788,080 (\$1,788,000 as at March 31, 2019).

FBCL will provide additional funds in order to alleviate the difference between the capital improvements requested and their portion of the Due to partners balance, as \$250,000 of FBCL's Due to partners balance is required to stay within SIBC for working capital.

The amounts due to FBCL and SLSDC are calculated as follows:

	FBCL		SLSDC		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Balance due at beginning of year	\$ 846,254	\$ 859,726	\$ 3,775,534	\$ 3,847,493	\$ 4,621,788	\$ 4,707,219
Interest credited	8,014	7,910	54,013	49,830	62,027	57,740
Allocation of annual surplus	122,081	131,210	122,081	131,210	244,162	262,420
	976,349	998,846	3,951,628	4,028,533	4,927,977	5,027,379
Interest paid	8,464	6,702	-	-	8,464	6,702
Work done on behalf of the partners	42,248	145,890	73,775	252,999	116,023	398,889
	50,712	152,592	73,775	252,999	124,487	405,591
Balance due at end of year	\$ 925,637	\$ 846,254	\$ 3,877,853	\$ 3,775,534	\$ 4,803,490	\$ 4,621,788

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

5. EMPLOYEE FUTURE BENEFITS

a) Compensated absences and severance benefits

Prior to January 1, 2012, SIBC provided severance benefits to its employees based on years of service, final salary and accumulated sick leave days. This benefit was eliminated as of January 1, 2012 however there are amounts which remain to be paid upon termination.

Accumulating non-vesting sick leave benefits are also provided to the employees of SIBC at a rate of 15 days per year. SIBC recognizes the cost of future sick leave benefits based on the probability of usage by groups of employees which ranges from 0 % to 100 %. The probability of usage is determined based on historical usage by group of employees as well as taking into accounting the health of individual employees.

The employee future benefits liability includes the following components:

	<u>2020</u>	<u>2019</u>
Accrued benefit obligation, beginning of year	\$ 190,553	\$ 210,180
Current service cost	58,924	17,750
Benefits paid	<u>(32,830)</u>	<u>(37,377)</u>
Accrued benefit obligation, end of year	<u>\$ 216,647</u>	<u>\$ 190,553</u>

b) Pension benefits

Under the public service pension plan, the President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The employer matches employee contributions, resulting in SIBC contributing \$100,583 (\$102,846 for the year ended March 31, 2019).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

6. TANGIBLE CAPITAL ASSETS

<i>Cost</i>	Vehicles & Equipment	Buildings	Work in Progress	Total
Opening balance, at April 1, 2018	1,088,530	976,369	13,560	2,078,459
Acquisitions	18,272	-	-	18,272
Write-offs	(22,715)	-	-	(22,715)
Ending balance, at March 31, 2019	\$ 1,084,087	\$ 976,369	\$ 13,560	\$ 2,074,016
Acquisitions	107,035	-	17,345	124,380
Write-offs	(154,793)	-	-	(154,793)
Transfers	30,905	-	(30,905)	-
Ending balance, at March 31, 2020	\$ 1,067,234	\$ 976,369	\$ -	\$ 2,043,603
<i>Amortization</i>				
Opening balance, at April 1, 2018	858,798	768,825	-	1,627,623
Amortization	67,890	11,320	-	79,210
Write-offs	(22,715)	-	-	(22,715)
Ending balance, at March 31, 2019	\$ 903,973	\$ 780,145	\$ -	\$ 1,684,118
Amortization	75,575	11,321	-	86,896
Write-offs	(154,793)	-	-	(154,793)
Ending balance, at March 31, 2020	\$ 824,755	\$ 791,466	\$ -	\$ 1,616,221
Net Book Value at March 31, 2020	\$ 242,479	\$ 184,903	\$ -	\$ 427,382
Net Book Value at March 31, 2019	\$ 180,114	\$ 196,224	\$ 13,560	\$ 389,898

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

7. BRIDGE USAGE

SIBC provides free usage of the bridge system to North American First Nations persons, to individuals qualifying under the First Nations economic free passage incentive programs and to some government agencies. This represents approximately 71% of the bridge traffic for the year ended March 31, 2020 (approximately 70% for the year ended March 31, 2019).

8. CONTRACTUAL OBLIGATIONS

SIBC has commitments for an operating lease, internal audit services, waste disposal and bridge inspections for a total of \$1,891,867 (\$1,640,262 as at March 31, 2019). The contractual amounts outstanding for the next five years and beyond are as follows:

<i>Fiscal Year</i>	<i>Contractual amounts outstanding</i>
2020-21	\$ 229,822
2021-22	\$ 229,220
2022-23	\$ 232,825
2023-24	\$ 100,000
2024-25	\$ 100,000
Beyond 2024-25	\$ 1,000,000

9. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

SIBC has lease agreements with utility companies. The lease relating to the Canadian land commenced in December 2011 and is for a 20 year term ending November 2031. The base rent established in 2011 is subject to CPI indexation on an annual basis and the payment is due up front. The current annual lease is \$80,455 for the period starting December 2019 and ending November 2020 (\$78,955 for period starting December 2018 and ending November 2019). Under the agreement, the utility company or SIBC may terminate the agreement by providing not less than 18 months' prior notice in writing. As at March 31, 2020, no written notices were provided.

A similar lease relating to the American land was renewed in June 2018 and is for a five year term ending June 2023. The base rent is also subject to CPI indexation on an annual basis and the payment is due up front. The current annual lease is US\$65,364 for the period starting July 2019 and ending June 2020 (US\$64,717 for the period starting July 2018 and ending June 2019). Under the agreement, the utility company or SIBC may terminate the agreement by providing not less than 12 months' prior notice in writing. As at March 31, 2020, no written notices were provided.

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Notes to the Financial Statements

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10. CONTINGENCIES

FBCL is named as a defendant jointly and severally with its subsidiary corporation SIBC and Her Majesty in regards to its mandate at the Seaway International Crossing. The amount of the claim is \$50 million, subject to accounting for bridge tolls and revenues. Transport Canada has assumed responsibility to defend against the claim. FBCL and its subsidiary corporation SIBC are agent Crown corporations in their own rights and, with respect to this claim, they are being sued for taking actions that they are mandated to take as agents of Her Majesty. The outcome, timing and amount of any settlement of this claim cannot be determined at this time due to uncertainties primarily related to the resolution of a separate land claim by the same party against Her Majesty that must first be considered and decided. The parties involved in the claim are actively proceeding with negotiations that if accepted, may reduce the remaining useful lives of certain Tangible capital assets.

In the normal course of its activities, SIBC may become a claimant or defendant or may be involved in certain pending claims or lawsuits. At March 31, 2020, there are no claims against SIBC.

11. RELATED PARTY TRANSACTIONS

SIBC is related to FBCL and SLSDC as these two entities have shared control of SIBC. Consequently, SIBC is related to the federal governments of both Canada and the United States as these governments ultimately control FBCL and SLSDC. SIBC enters into transactions with these entities in the normal course of business. All related party transactions, with the exception of the transactions listed below, are measured at fair value in the financial statements.

SIBC provides free usage of the bridge system to some government agencies. SIBC also receives audit services free of charge from the Office of the Auditor General of Canada. These services are provided without charge are not recorded in the financial statements.

Key management personnel consists of the Bridge Director, Board of Director members and immediate family. There are no significant related party transactions with these individuals.

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12. CLASSIFICATION OF EXPENSES BY TYPE

	<u>2020</u>	<u>2019</u>
Salaries and Benefits	\$ 1,869,438	\$ 1,798,481
Materials and Other Services	566,128	537,846
Professional Services	302,250	379,116
Insurance	150,990	135,897
Lease of tolling facilities	100,000	100,000
Amortization	86,895	79,210
Interest Expense	61,932	57,740
Foreign currency loss	4,404	-
Recovered Expenses	(1,778)	(4,306)
	<hr/>	<hr/>
Total Expenses	\$ 3,140,259	\$ 3,083,984

13. FINANCIAL INSTRUMENTS

SIBC's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, client deposits, and due to partners. Unless otherwise disclosed, the fair value of the financial instruments approximates their respective carrying values due to their impending maturity. Investments have been classified at fair market value and have been classified at level 1.

It is management's opinion that SIBC is not exposed to significant credit, interest rate, currency or liquidity risks arising from these financial instruments.

Credit risk - Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

SIBC is subject to credit risk on cash and cash equivalents and investments. The carrying value reported on the Corporation's Statement of Financial Position represents the maximum amount exposed to credit risk. In order to reduce this risk, SIBC deals only with members of Payments Canada and invests in highly liquid investments.

SIBC is also subject to credit risk on the accounts receivable from non-related parties. SIBC's maximum exposure to credit risk as at March 31, 2020 was \$58,345 (\$38,863 as at March 31, 2019). In total, \$558 (\$3,844 as at March 31, 2019) of accounts receivable are past due but not impaired. Accounts that have exceeded 30 days are considered past due.

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Notes to the Financial Statements

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13. FINANCIAL INSTRUMENTS (Continued)

Based on a specific analysis of accounts receivable, and considering the Corporation's knowledge of the financial condition of its customers, no allowance for doubtful accounts was recorded at year-end (nil at March 31, 2019). In order to further reduce this risk, SIBC's credit policy requires customers to provide a non-interest bearing security deposit ranging between one to two months of transits, or a minimum of \$300. As at March 31, 2020, the security deposit balance was \$46,780 (\$52,930 as at March 31, 2019).

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

SIBC is exposed to interest rate risk from its investments and its obligation to pay interest on outstanding balances due to partners. SIBC manages this risk by basing the interest paid to the partners on actual interest earned on investments or cash equivalents. The cash equivalents and investments (2019 – cash equivalents) that the Corporation holds as of March 31, 2020, yield an average of 1.60% (1.27% for the year ended March 31, 2019).

Currency risk - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

SIBC operates internationally and is exposed to foreign exchange risks mainly arising as a result of tolls collected in US dollars. SIBC manages this risk by periodically adjusting the US toll rates with the Canadian rates and by converting US bank account balances to Canadian dollars on a regular basis.

During the fiscal year, SIBC recorded US\$499,440 in total revenue (US\$481,949 for the year ended March 31, 2019) and paid out US\$4,807 in expenses (US\$22,412 for the year ended March 31, 2019). A 5% change in the average exchange rate during the year would not be material.

At the end of the fiscal year, SIBC held \$46,880 in US funds (US\$584,447 as at March 31, 2019). A 5% change in the exchange rate in effect on March 31, 2020 would not be material.

Liquidity risk - Liquidity risk is the risk that SIBC will not be able to meet its obligations as they fall due.

As summarized in Note 4, FBCL has requested that \$1,372,920 (\$882,000 as at March 31, 2019) be reinvested in capital improvements in the upcoming year in which FBCL will invest the difference between its Due to Partner balance adjusted by the working capital retained in SIBC and the capital improvements. SLSDC has requested that \$2,788,080 be re-invested in capital improvements for the upcoming year (\$1,788,000 was requested as at March 31, 2019).

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Notes to the Financial Statements

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13. FINANCIAL INSTRUMENTS (Continued)

The maturities of SIBC's financial liabilities as at March 31, 2020 are estimated by management to be as follows:

	Less than 3 months	3 months to 1 year	Over 1 year	Total
Accounts payable and accrued liabilities ¹	\$ 231,819	\$ 62,253	\$ -	\$ 294,072
Client deposits	46,780	-	-	46,780
Due to partners ²	1,785	3,461,932	1,339,773	4,803,490

¹ Included in accounts payable and accrued liabilities is an amount of \$21,155 owing to FBCL for the March 2020 management fee and operating lease (2019 - \$25,999).

² The liquidity risk for SIBC relates to the fact that the due to partners is payable on demand. SIBC manages this risk by requesting a letter of intention from the partners, on the amounts they expect to withdraw or re-invest in the short-term.

14. REORGANIZATION

In December 2013 the Government of Canada passed legislation, *Economic Action Plan Act, No.2* authorizing the re-organization of certain Crown corporations involved in the management of international bridges crossing waterways between the Province of Ontario and the States of New York and Michigan. The effects of the re-organization on SIBC would be an amalgamation of SIBC with FBCL. There is no current date for SIBC's amalgamation with FBCL as the amalgamation is pending as discussions continue between Transport Canada and the American counterpart, SLSDC. Therefore, SIBC at this time continues its operations as a subsidiary of FBCL.

15. COVID-19 AND SUBSEQUENT EVENTS

As a result of Covid-19, the Canadian government enforced strict rules eliminating substantially all personal cross-border travelling. While the ban on personal travel commenced in the latter half of March 2020, there was little impact to the traffic volumes for the 2019-20 fiscal year. SIBC has considered the impact of this event on the valuation of its assets and has determined that assets are appropriately valued and that no impairments are required as at March 31, 2020.

As the restriction continues in fiscal 2020-21, SIBC has experienced a significant decrease in toll revenues as personal travel accounts for the majority of SIBC's toll revenues. The duration and impact of the COVID-19 pandemic remains unclear. It is not possible to reliably estimate the full effect of the outbreak on SIBC's operations. However, management is working with its owners to find additional sources of revenue to compensate for the limited toll revenues.

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16. COMPARATIVE FIGURES

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