

The Seaway International Bridge Corporation, Ltd.

Financial Statements

March 31, 2024

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

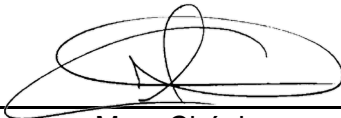
The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards and necessarily include some estimates, which are based on management's best judgements.

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 two 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.



Marc Chénier
Bridge Director



Natalie Kinloch
Board Chair

Cornwall, Ontario
June 4, 2024



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 2024, 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 2024, 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.



Catherine Lapalme, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
4 June 2024

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Financial Position

as at March 31

(in Canadian dollars)

	2024	2023
FINANCIAL ASSETS		
Cash	533,640	593,252
Investments	141,300	692,000
Accounts receivable	51,883	61,039
Government funding receivable (Note 3)	448,443	138,822
TOTAL FINANCIAL ASSETS	1,175,266	1,485,113
LIABILITIES		
Accounts payable and accrued liabilities		
Federal departments and agencies	90,604	83,189
Others	379,030	243,590
Client deposits	50,660	52,309
Due to partners (Note 4)	995,605	1,095,120
Employee future benefits (Note 5)	107,274	240,768
Unearned revenue (Note 6)	238,653	226,770
TOTAL LIABILITIES	1,861,826	1,941,746
NET DEBT	686,560	456,633
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	480,153	445,540
Prepaid expenses	214,407	19,093
TOTAL NON-FINANCIAL ASSETS	694,560	464,633
ACCUMULATED SURPLUS	8,000	8,000

Contractual obligations (Note 9), Contractual rights (Note 10) and Contingencies (Note 11)

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)

	2024 Budget	2024 Actual	2023 Actual
REVENUE			
Tolls	2,365,011	2,724,398	2,168,908
Leases and permits	178,300	185,885	173,970
Interest	22,104	46,735	40,870
Other	8,800	5,983	8,029
TOTAL REVENUE	2,574,215	2,963,001	2,391,777
EXPENSES (Note 13)			
Maintenance	1,295,982	1,679,478	1,273,131
Operations	1,203,588	1,072,564	1,109,611
Administration	1,212,031	1,355,391	1,195,882
TOTAL EXPENSES	3,711,601	4,107,433	3,578,624
Annual Deficit before Government Funding	(1,137,386)	(1,144,432)	(1,186,847)
Government Funding (Note 3)	1,137,386	1,144,432	1,186,847
Annual Surplus	-	-	-
Accumulated Surplus at beginning of year	8,000	8,000	8,000
Allocation of annual operating surplus as per the joint venture agreement (Note 4)			
Great Lakes St. Lawrence Seaway Development Corporation	-	-	-
The Federal Bridge Corporation Limited	-	-	-
Accumulated 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)

	2024	2024	2023
	Budget	Actual	Actual
ANNUAL SURPLUS	-	-	-
Acquisition of tangible capital assets (Note 7)	(330,000)	(136,623)	(170,745)
Amortization of tangible capital assets (Note 7)	94,928	102,010	71,402
	(235,072)	(34,613)	(99,343)
Acquisition of prepaid expenses	(188,499)	(415,960)	(214,954)
Use of prepaid expenses	188,499	220,646	198,288
	-	(195,314)	(16,666)
INCREASE IN NET DEBT	(235,072)	(229,927)	(116,009)
NET DEBT AT BEGINNING OF YEAR	447,368	456,633	340,624
NET DEBT AT END OF YEAR	682,440	686,560	456,633

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

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Statement of Cash Flow

for the year ended March 31

(in Canadian dollars)

	2024	2023
OPERATING TRANSACTIONS		
Annual surplus	-	-
Adjustment for non-cash items		
Amortization of tangible capital assets (Note 7)	102,010	71,402
Foreign exchange loss (gain)	(83)	214
Changes in non-cash working capital items		
(Increase) decrease in accrued interest receivable on investments	14,197	(19,810)
(Increase) decrease in accounts receivable	(5,041)	52,262
(Increase) decrease in government funding receivable	(309,621)	63,432
Increase (decrease) in accounts payable to federal departments and agencies	7,415	27,474
Increase (decrease) in other accounts payable	210,484	(75,581)
Increase (decrease) in client deposits	(1,649)	(8,208)
Increase (decrease) in unearned revenue	11,883	8,986
Increase (decrease) in interest due to partners	12,583	22,536
Increase (decrease) in employee future benefits	(133,494)	(26,442)
(Increase) decrease in prepaid expenses	(195,314)	(16,666)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(286,630)	99,599
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(211,667)	(95,701)
NET CASH USED FOR CAPITAL ACTIVITIES	(211,667)	(95,701)
INVESTING TRANSACTIONS		
Disposal of investments	692,000	-
Acquisition of investments	(141,300)	(692,000)
NET CASH GENERATED BY (USED FOR) INVESTING ACTIVITIES	550,700	(692,000)
FINANCING TRANSACTIONS		
Amounts received from partners	52,752	232,295
Amounts paid for work done on behalf of the partners	(164,850)	(1,345,798)
NET CASH USED FOR FINANCING ACTIVITIES	(112,098)	(1,113,503)
Foreign exchange gain (loss) on cash held in foreign currency	83	(214)
NET DECREASE IN CASH	(59,612)	(1,801,819)
CASH AT BEGINNING OF YEAR	593,252	2,395,071
CASH AT END OF YEAR	533,640	593,252

Interest received during the year was \$59,932 (\$21,060 for the year ended March 31, 2023) and interest paid during the year was nil (nil for the year ended March 31, 2023).

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 Great Lakes St. Lawrence Seaway Development Corporation (GLS). 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; maintenance and administrative facilities and a 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 international toll bridge corridor's assets and liabilities are owned by the partners and are excluded from SIBC's financial statements. The assets and liabilities presented in these financial statements reflect assets and liabilities administered by SIBC in accordance with the joint venture agreement.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Cash

Cash includes cash on hand and bank balances.

Investments

In the course of its normal activities, SIBC invests its excess funds in guaranteed investment certificates of Canadian Financial Institutions. The investments are all due within a one year period.

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 expenses 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 amortized 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 directly 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.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 no delinquent payments can reduce that deposit to one and a half months. After five years of no delinquent payments, the deposit can be reduced to one month, which represents 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 medical leave and long-term disability benefits provided for under conditions of employment. SIBC accounts for the cost of future medical leave and long-term disability benefits over the periods which employees render services to the entity. The liability for these benefits are recognized based on the probability of usage by employees, which are determined from historical data. This benefit plan is not pre-funded and thus has no associated 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 and from time to time employees may receive a separate severance benefit, if applicable. SIBC has eliminated the pre-January 1, 2012, benefit 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.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Pension plan

All eligible employees of SIBC are enrolled in the public service pension plan (Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Both employees and SIBC are required to contribute to cover current service costs. Pursuant to legislation currently in place, SIBC has no legal or constructive obligation to make additional contributions for past service costs or to cover any funding shortfalls of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered services and represents SIBC's total pension obligation.

Contingent liabilities

Contingent liabilities are potential liabilities, which may become actual liabilities if certain 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 potential loss can be made, an estimated liability is recognized, and an expense recorded. If the likelihood of the event is not determinable or if the potential loss cannot be reasonably estimated, the contingency is only to be disclosed in the notes to the financial statements.

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. For SIBC, this includes lease contracts.

Revenue recognition

Tolls revenue is recognized when SIBC provides access to use the bridge to customers in exchange for a fixed fare, as this is when the performance obligation has been satisfied. Where customers prepay tolls, these amounts are included in unearned revenue until the customer crosses the bridge. A receivable is recognized when customers cross the bridge as the performance obligation has been performed and the collectability is reasonably assured. Discounts provided are recognized at the same time the SIBC provides access to the use of the bridge to customers. Discounts are offered on toll debit cards, toll tickets, and customer accounts.

Revenue from leases and permits are recognized on a straight-line basis over the term of the lease.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned revenue represents tolls paid in advance and prepaid lease payment. Revenue from toll debit cards, toll tickets, leases, and permits that have not been rendered are deferred and recognized as revenue once the services are provided. Previously unearned revenue from unused toll debit cards with an inactive period greater than 10 years, are recognized as toll revenue. Proceeds from unredeemed toll tickets at year-end are recognized as toll revenue, based on the average redemption rate of prior year balances.

Interest income is recognized when earned.

Government funding

Government funding is recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Approved government funding drawdowns not received at year-end are presented in Government funding receivable.

Lease

The operating lease payments, in which SIBC is the lessee, are recognized on a straight-line basis over the term of the lease.

Annual surplus

As per the Joint Venture agreement, the annual surplus is to be distributed equally between FBCL and GLS.

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 15, 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.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standard

The Corporation adopted PS 3400 *Revenue*, effective 1 April 2023, which establishes standards on how to account for and report on revenue. The Section sets out general guidance for how entities recognize, measure, present and disclose revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied.

PS 3400 has been applied retroactively without restatement of these financial statements. The implementation of this new Section did not have a material impact on the financial statements.

3. GOVERNMENT FUNDING AND GOVERNMENT FUNDING RECEIVABLE

	<u>2024</u>	<u>2023</u>
Government funding receivable – Canada	\$ 448,443	\$ 1,776
Government funding receivable – USA	-	137,046
Total Government funding receivable	<u>\$ 448,443</u>	<u>\$ 138,822</u>

The Corporation has recognized \$1,144,432 in Government funding (\$1,186,847 for the year ended March 31, 2023), \$1,090,809 to cover its revenue shortfall (\$1,172,057 for the year ended March 31, 2023) and \$53,623 equal to the tangible capital asset amortization (\$14,790 for the year ended March 31, 2023).

Government of Canada funding: As part of the *Appropriation Act No. 2, 2023-24*, FBCL was authorized to receive up to \$7,381,000 in government funding to support the continued requirements of its bridge locations, including SIBC. This government funding is required given the reduction of the Corporation's revenues as a result of the significant reduction in traffic (and associated toll collection) following the prolonged cross-border travel restrictions related to COVID-19 and general reduction in travel. With relation to SIBC, FBCL claimed and transferred \$1,090,809 in funding to SIBC to cover its revenue shortfall and \$136,623 was used to purchase capital assets. The government funding for SIBC tangible capital assets is transferred to SIBC based on the amortization of tangible capital assets, as historically the partners fund tangible capital assets annually based on amortization rates. During the year, \$53,623 (2023 - \$14,790) was recognized.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

(in Canadian dollars)

3. GOVERNMENT FUNDING AND GOVERNMENT FUNDING RECEIVABLE (continued)

In 2022-23, Government of the United States of America Congressional appropriations: The US federal government, through its Consolidated Appropriations Act, 2022, provided access to funding for GLS, of which up to US\$1,500,000 was allocated to SIBC during the 2022-23 fiscal year to address the operating shortfalls brought on as a result of COVID-19. Of this amount, Cdn\$1,172,057 was recognized in the Statement of Operations to cover its revenue shortfall. Funding was provided in USD with cash payments totaling US\$860,139.

In 2022-23, Government of Canada funding: As part of the *Appropriation Act No. 3, 2022-23*, FBCL was authorized to receive up to \$5,303,000 in government funding to support the continued requirements of its bridge locations including SIBC. This government funding was required given the reduction of the Corporation's revenues as a result of the significant reduction in traffic (and associated toll collection) following the prolonged cross-border travel restrictions related to COVID-19. With relation to SIBC, FBCL claimed and transferred \$nil in funding to SIBC to cover its revenue shortfall and \$170,745 was used to purchase capital assets. The government funding for SIBC tangible capital assets is transferred to SIBC based on the amortization of tangible capital assets, as historically the partners fund tangible capital assets annually based on amortization rates.

There is no requirement for either partner to reimburse either government funding received in the current year or in a future year should SIBC incur a positive annual surplus.

4. DUE TO PARTNERS

As per the Joint Venture agreement, the annual surplus is to be distributed equally between FBCL and GLS. In addition, interest earned on funds held in guaranteed investment certificates is credited to FBCL and GLS 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 amount owed to the partners bears interest at a rate which varies between 0.00% and 5.37% (0.00% and 3.87% for the year ended March 31, 2023) and is payable on demand. The carrying amount approximates its fair value. As of March 31, 2024, the partners have requested that \$117,000 be reinvested in capital improvements (included as work done on behalf of the partners) to be undertaken during the next fiscal year (\$1,070,000 as at March 31, 2023). FBCL's share of this work is \$117,000 (\$366,200 as at March 31, 2023), and GLS's share is nil (\$703,800 as at March 31, 2023).

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. As at March 31, 2024, there are no contributions from the partners outstanding (no contribution from the partners outstanding as at March 31, 2023).

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.
Notes to the Financial Statements
(in Canadian dollars)

4. DUE TO PARTNERS (continued)

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

	FBCL		GLS		Total	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance due at beginning of year	\$ 250,000	\$ 250,000	\$ 845,120	\$ 1,316,210	\$ 1,095,120	\$ 1,566,210
Interest credited	-	-	12,583	22,536	12,583	22,536
Allocation of annual surplus	-	-	-	-	-	-
Contributions from the partners	52,752	232,295	-	-	52,752	232,295
	302,752	482,295	857,703	1,338,746	1,160,455	1,821,041
Interest paid	-	-	-	-	-	-
Work done on behalf of the partners	52,752	232,295	112,098	493,626	164,850	725,921
	52,752	232,295	112,098	493,626	164,850	725,921
Balance due at end of year	\$ 250,000	\$ 250,000	\$ 745,605	\$ 845,120	\$ 995,605	\$ 1,095,120

5. EMPLOYEE FUTURE BENEFITS

a) Compensated absences and severance benefits

Accumulating non-vesting medical leave benefits are also provided to the employees of SIBC at a rate of 15 days per year and SIBC employees may also qualify for long-term disability. SIBC recognizes the cost of future medical leave, long-term benefits and other severance 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 account the health of individual employees.

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Notes to the Financial Statements
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5. EMPLOYEE FUTURE BENEFITS (continued)

The employee future benefits liability includes the following components:

	<u>2024</u>	<u>2023</u>
Accrued benefit obligation, beginning of year	\$ 240,768	\$ 267,210
Current service cost	(101,771)	2,388
Benefits paid	(31,723)	(28,830)
	<hr/>	<hr/>
Accrued benefit obligation, end of year	\$ 107,274	\$ 240,768
	<hr/>	<hr/>

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 \$110,382 (\$103,154 for the year ended March 31, 2023).

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% 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.

6. UNEARNED REVENUE

	<u>2024</u>	<u>2023</u>
Prepaid tolls (transit cards and tickets)	\$ 153,044	\$ 144,603
Prepaid leases and permits	85,609	82,167
	<hr/>	<hr/>
Total unearned revenue	\$ 238,653	\$ 226,770
	<hr/>	<hr/>

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.
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7. TANGIBLE CAPITAL ASSETS

<i>Cost</i>	Vehicles & Equipment	Buildings	Work in Progress	Total
Opening balance, at April 1, 2022	1,095,824	976,369	-	2,072,193
Acquisitions	170,745	-	-	170,745
Ending balance, at March 31, 2023	\$ 1,266,569	\$ 976,369	\$ -	\$ 2,242,938
Acquisitions	136,623	-	-	136,623
Ending balance, at March 31, 2024	\$ 1,403,192	\$ 976,369	\$ -	\$ 2,379,561
<i>Amortization</i>				
Opening balance, at April 1, 2022	913,802	812,194	-	1,725,996
Amortization	61,612	9,790	-	71,402
Ending balance, at March 31, 2023	\$ 975,414	\$ 821,984	\$ -	\$ 1,797,398
Amortization	92,221	9,789	-	102,010
Ending balance, at March 31, 2024	\$ 1,067,635	\$ 831,773	\$ -	\$ 1,899,408
Net Book Value at March 31, 2024	\$ 335,557	\$ 144,596	\$ -	\$ 480,153
Net Book Value at March 31, 2023	\$ 291,155	\$ 154,385	\$ -	\$ 445,540

8. BRIDGE USAGE

Free usage of the bridge system to North American First Nations persons is provided to individuals qualifying under the First Nations economic free passage incentive programs and to some government agencies. This represents approximately 76% of the bridge traffic for the year ended March 31, 2024 (approximately 80% for the year ended March 31, 2023). The percentage for the years ending March 31, 2024 and 2023, are considerably higher than historical rates of approximately 70% due to restrictions imposed on travel due to COVID-19 which resulted in significantly lower paid tolls.

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9. CONTRACTUAL OBLIGATIONS

SIBC has commitments for an operating lease, waste disposal, purchase of materials and bridge inspections for a total of \$2,085,313 (\$1,239,544 as at March 31, 2023). The contractual amounts outstanding for the next five years and beyond are as follows:

<i>Fiscal Year</i>	<i>Contractual amounts outstanding</i>
2024-25	\$ 772,106
2025-26	\$ 303,111
2026-27	\$ 210,096
2027-28	\$ 100,000
2028-29	\$ 100,000
Beyond 2028-29	\$ 600,000

10. 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, through FBCL and GLS, has lease agreements with utility companies on both Canadian and American lands. 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 annually in December for the upcoming year. The current annual lease is \$91,866 for the period starting December 2023 and ending November 2024 (\$88,931 for period starting December 2022 and ending November 2023). Under the agreement, either lessor or lessee may terminate the agreement by providing not less than 18 months' prior notice in writing. As at March 31, 2024, 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. A new renewal is being finalized. The base rent is also subject to CPI indexation on an annual basis and the payment is due annually in June for the upcoming year. The current annual lease is US\$73,972 (\$97,462 Cdn) for the period starting July 2023 and ending June 2024 (US\$71,127 or \$91,519 Cdn for the period starting July 2022 and ending June 2023). Under the agreement, either the lessor or lessee may terminate the agreement by providing not less than 12 months' prior notice in writing. As at March 31, 2024, no written notices were provided.

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Notes to the Financial Statements

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11. CONTINGENCIES

FBCL is named as a defendant jointly and severally with its subsidiary corporation SIBC and The Crown 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 The Crown. 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 The Crown that must first be considered and decided.

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, 2024, there is one claim against SIBC for which the outcome is not determinable. There exists also a potential claim relating to an incident causing death. The outcome of this potential claim is not determinable at this time as the investigations are still on-going.

12. RELATED PARTY TRANSACTIONS

SIBC is related to FBCL and GLS 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 GLS. 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 and 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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13. CLASSIFICATION OF EXPENSES BY TYPE

	<u>2024</u>	<u>2023</u>
Salaries and benefits	\$ 2,042,481	\$ 2,019,560
Materials and other services	1,030,948	738,279
Professional services	589,617	381,327
Insurance	232,405	214,954
Amortization	102,010	71,402
Lease of tolling facilities	100,000	100,000
Interest expense	12,583	22,536
Foreign currency loss	181	31,552
Recovered expenses	(2,792)	(986)
	<hr/>	<hr/>
Total expenses	\$ 4,107,433	\$ 3,578,624

14. BUDGET TO ACTUAL VARIANCE

Budgeted toll volumes and associated revenues were based on existing border restrictions in place imposed by the federal governments of Canada and the US, in order to curb the spread of COVID-19, at the time the budget was prepared. As restrictions have been lifted, SIBC has been experiencing an increase in toll revenues. For the full 2022-23 fiscal year, Canadian border restrictions were fully eliminated. On May 12, 2023, the final border restriction in place to enter the U.S. was removed. Toll volumes and revenues, however, continue to be significantly below normal pre-pandemic volumes, thus requiring government funding (as disclosed in Note 3). Additionally, SIBC continually monitors operating expenses to ensure that only required spending is incurred during the year with the expectation to ensure expenses are below budget.

15. FINANCIAL INSTRUMENTS

SIBC's financial instruments consist of cash, accounts receivable, investments, 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.

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

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15. FINANCIAL INSTRUMENTS (continued)

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 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 and investments. SIBC's maximum exposure to credit risk as at March 31, 2024, was \$193,184 (\$753,039 as at March 31, 2023). In total, nil (\$4,814 as at March 31, 2023) accounts receivable are past due but not impaired. Accounts that have exceeded 30 days are considered past due.

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, 2023). 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, 2024, the security deposit balance was \$50,660 (\$52,309 as at March 31, 2023).

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. The investments that the Corporation holds as of March 31, 2024, yields 5.37% and matures July 2024 (the investments yields 3.87% for the year ended March 31, 2023).

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\$454,993 in total revenue (US\$347,495 for the year ended March 31, 2023) and paid out US\$41,635 in expenses (US\$26,803 for the year ended March 31, 2023). A 5% change in the average exchange rate during the year would not be material.

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

Notes to the Financial Statements

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15. FINANCIAL INSTRUMENTS (continued)

At the end of the fiscal year, SIBC held \$36,924 in US funds (US\$20,255 as at March 31, 2023). A 5% change in the exchange rate in effect on March 31, 2024 would not be material.

In 2022-23, the Congressional appropriations received from the US government were paid in US dollars. Any difference between the requested amount and the amount actually received were included in foreign exchange gain or loss and were included in the following month request for appropriations. At March 31, 2023, US\$100,312 or \$137,046 Cdn remained receivable. A 5% change in the exchange rate in effect the current year would not have been 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 \$117,000 (\$366,200 as at March 31, 2023) 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. GLS has requested that nil be re-invested in capital improvements for the upcoming year (\$703,800 was requested as at March 31, 2023).

The maturities of SIBC's financial liabilities as at March 31, 2024, 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	\$ 445,494	\$ 24,140	\$ -	\$ 469,634
Client deposits	50,660	-	-	50,660
Due to partners ²	-	-	995,605	\$ 995,605

¹ Included in accounts payable and accrued liabilities is an amount of \$69,929, payable to one Owner, for operating expenses of SIBC (2023 - \$58,529).

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.

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16. 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. Currently, there are no plans for SIBC to amalgamate with FBCL as the U.S. owner has expressed its concerns regarding any proposed amalgamation. However, there are discussions underway between Transport Canada and the U.S. Department of Transportation regarding possible changes to the responsibilities of the owners and the governance structure of the Seaway International Bridge. SIBC continues its operations as a subsidiary of FBCL.

17. SUBSEQUENT EVENTS

FBCL, through the Government of Canada's 2024-25 Expenditure Plan and Main Estimates, has secured funding of up to \$1,019,000 for 2024-25 to support continued operations and up to \$16,904,000 to support capital asset acquisitions. The operations funding is to be used solely for SIBC operations while the capital funding is for both FBCL and SIBC. The amount allocated to FBCL is expected to be formally authorized through an Appropriation Act in June 2024.