

**SAULT STE. MARIE BRIDGE AUTHORITY**

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BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2014

Year Ended December 31, 2014

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**SAULT STE. MARIE BRIDGE AUTHORITY**

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**INDEPENDENT AUDITORS' REPORT**



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL  

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ROBERT L. HASKE, CPA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT**

To the Sault Ste. Marie Bridge Authority  
Members and Representatives  
Sault Ste. Marie Bridge Authority  
Sault Ste. Marie, Michigan  
  
and

Mr. Doug A. Ringler, CPA, CIA  
Auditor General  
State of Michigan  
Lansing, Michigan

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority as of and for the year ended December 31, 2014, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Sault Ste. Marie Bridge Authority  
Members and Representatives

and

Mr. Doug A. Ringler, CPA, CIA  
Auditor General

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, as of December 31, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 4 through 13 and pages 31 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sault Ste. Marie Bridge Authority's financial statements. The unaudited supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The unaudited supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Sault Ste. Marie Bridge Authority  
Members and Representatives

and

Mr. Doug A. Ringler, CPA, CIA  
Auditor General

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2015 on our consideration of the Sault Ste. Marie Bridge Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sault Ste. Marie Bridge Authority's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

April 27, 2015

**SAULT STE. MARIE BRIDGE AUTHORITY**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

Year Ended December 31, 2014

This section of the Authority's financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2014. Please read it in conjunction with the Authority's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

The Sault Ste. Marie Bridge Authority (SSMBA) is the international contractual entity created by the Intergovernmental Agreement to set policy and oversee bridge operations. The SSMBA Agreement became effective September 1, 2009.

### **TRAFFIC**

- Total bridge traffic finished just short of 2 million crossings in 2014, to end with the year with 1,980,841 crossings on December 31, 2014. This is a decrease of 123,617 crossings, or 5.9% in traffic, as compared to the year ending December 31, 2013. This is 63,933 crossings, or 3.1% , below expected traffic volumes for 2014.
- In comparison to total traffic, commercial traffic increased by 296 crossings in 2014, a marginal increase of 0.3%, but 1.7% greater than expected commercial traffic.
- Commuter crossings utilizing the IQ Prox Card decreased by 2.5% for 2014, a decrease of 26,378 crossings. Total commuter crossings for 2014 were 1,039,969.
- Full fare passenger auto crossings decreased 10.6% to 802,448 crossings on December 31, 2014.

### **REVENUE & TOLL RATES**

- The Canadian dollar depreciated 8.3% from December 31, 2013 to December 31, 2014. Revaluations of Canadian currency net position on the Authority's year end balance sheet resulted in an unrealized exchange loss of \$827,429.
- The American toll rates are the established benchmark for all bridge tolls. Toll currency adjustments to the Canadian rates occur on April 1 and October 1 when fluctuations occur in the Canadian dollar. The equity between the American and Canadian exchange rates required two equity rate adjustments in 2014.

- Toll revenues were \$7,779,489, an increase of 6.6% for the year ending December 31, 2014, as compared the year ended December 31, 2013. This was an increase of \$480,863. The combined effects of a decreasing Canadian dollar through 2014, as compared to the U.S. dollar, decreased auto traffic, increased commercial traffic, increased toll rates, and Canadian toll rate equity adjustments, resulted in total toll revenue above 2013.

### **EXPENDITURES**

- Actual operational expenditures in the Revenue Fund were 0.4% higher than the final budget.
- Toll department was 0.3% under approved budgetary amounts. Maintenance costs were 3.6% over approved budgetary amounts. Administration expenditures were 5.8% above final budget amounts. Other expenditures were 6.9% under final budgets.
- Total operational expenditures were \$69,309 or 0.9% over approved budgets.
- Bridge maintenance expenditures in the Capital Fund for the year ending December 31, 2014, included owner reserve account distributions, planned annual equipment capital outlay, and annual bridge inspection expenditures.
- Capital Assets increased by 62.1% to \$16.6 million due to the first year of construction for the Toll Plaza Redevelopment and Xerox Vector 4 toll software replacement capital projects.
- Toll plaza redevelopment included capitalization of \$1.2 million in prior year toll plaza design expenditures.
- The engineering inspections of the bridge in 2014 indicated the overall condition of the bridge is good and the structure is well maintained.

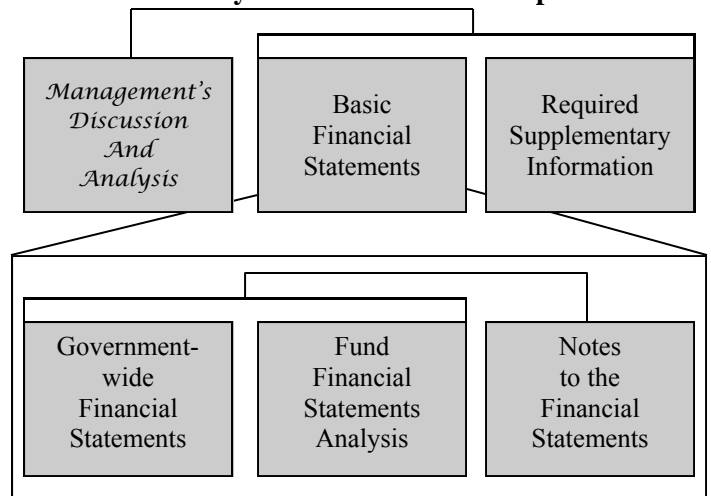
Year Ended December 31, 2014

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority.

**Figure A-1**  
**Required Components of the**  
**Authority's Annual Financial Report**

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority's government, reporting the Authority's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like toll collection were financed in the short-term as well as what remains for future spending.



Summary

Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our governmental funds each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Authority's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Year Ended December 31, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Figure A-2**  
**Major Features of Authority's Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire Authority government (except fiduciary funds) and the Authority's component units	The activities of the Authority that are not proprietary or fiduciary, such as toll collection, bridge maintenance, and administration
Required financial	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>
Accounting basis and Measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

**Government-wide Statements**

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how they have changed. Net position – the difference between the Authority's assets and liabilities – is one way to measure the Authority's financial health, or position.

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the bridge traffic and the condition of the International Bridge.

The government-wide financial statements of the Authority are:

- Governmental activities – Most of the Authority's basic services are included here, such as toll collection, bridge maintenance and general administration. Toll collection, lease and rental revenues finance most of these activities.

Year Ended December 31, 2014

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's most significant funds-not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Sault Ste. Marie Bridge Authority Board establishes other funds to control and manage money for particular purposes (like the Capital Fund).
- Governmental funds – All of the Authority's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**SAULT STE. MARIE BRIDGE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

**Net position.** The Authority's combined assets increased to \$26.9 million for the year ended December 31, 2014. (See Table A-1.)

Table A-1  
 Authority's Net Position  
*(in thousands of dollars)*

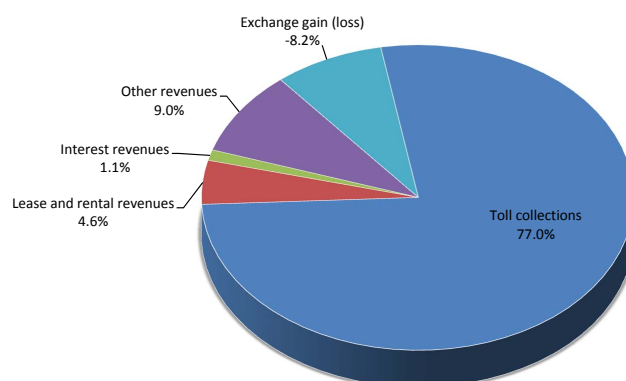
	Governmental Activities		Total Percentage Change
	2013	2014	2013-2014
Current assets	\$ 12,949.8	\$ 10,351.4	(20.1)%
Capital assets	10,235.5	16,588.6	62.1%
<b>Total assets</b>	<b>23,185.3</b>	<b>26,940.0</b>	<b>16.2%</b>
Current liabilities	1,332.4	2,379.7	78.6%
Long-term debt outstanding	239.8	254.6	6.2%
<b>Total liabilities</b>	<b>1,572.2</b>	<b>2,634.3</b>	<b>67.6%</b>
Net position			
Net investment in capital assets	10,235.5	16,588.5	62.1%
Restricted	467.7	5,287.2	1,030.5%
Unrestricted	10,909.9	2,430.0	(77.7)%
<b>Total net position</b>	<b>\$ 21,613.1</b>	<b>\$ 24,305.7</b>	<b>12.5%</b>

Net position of the Authority's governmental activities increased 12.5 percent to \$24.3 million. \$2.4 million of net position is unrestricted. Restricted assets are \$5.3 million and \$16.6 million are invested in capital assets (buildings, bridge, and so on).

**Changes in net position.** The Authority's total revenues increased by 16.1 percent to \$9.2 million. (See Table A-2.) A majority of the Authority's revenue (92.1%) comes from toll collections. Interest, lease and rental revenues accounted for 5.6% of the Authority's revenue (See Figure A-3).

The total cost of all primary activities decreased 11.8 percent for the year of activity. The Authority's expenses cover toll collection, bridge maintenance, administration and other expenses. (See Figure A-4.)

**Figure A-3**  
**Authority**  
**Revenue for the Year Ended**  
**December 31, 2014**



**SAULT STE. MARIE BRIDGE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**Governmental Activities**

Revenues for the Authority's governmental activities increased 16.1%, while total expenses decreased 11.8% for the year ending December 31, 2014.

Table A-2  
Changes in Authority's Net Position  
*(in thousands of dollars)*

	Governmental Activities		Total Percentage Change 2013-2014
	2013	2014	
<b>Revenues</b>			
Charges for services	\$ 7,884.3	\$ 9,155.6	16.1%
<b>Total Revenues</b>	<b>7,884.3</b>	<b>9,155.6</b>	<b>16.1%</b>
<b>Expenses</b>			
Toll collections	1,727.2	1,775.2	2.8%
Bridge maintenance	3,287.1	2,540.5	(22.7)%
Administration	541.2	552.7	2.1%
Other expense	966.7	881.3	(8.8)%
<b>Total Expenses</b>	<b>6,522.2</b>	<b>5,749.7</b>	<b>(11.8)%</b>
Excess (deficiency) before Special items	1,362.1	3,405.9	150.0%
Special item:			
Exchange gain (loss)	(675.1)	(827.4)	22.6%
Interest	96.1	114.1	18.7%
<b>Change in net position</b>	<b>783.1</b>	<b>2,692.6</b>	<b>243.8%</b>
<b>Beginning net position</b>	<b>\$ 20,830.0</b>	<b>\$ 21,613.1</b>	<b>3.8%</b>
<b>Ending net position</b>	<b>\$ 21,613.1</b>	<b>\$ 24,305.7</b>	<b>12.5%</b>

**SAULT STE. MARIE BRIDGE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2014

**FINANCIAL ANALYSIS OF THE  
AUTHORITY'S FUNDS**

As the Authority completed the year ended December 31, its governmental funds reported a decrease in combined fund balance from \$11.6 to \$7.97 million, a combined fund balance decrease of 31.4%. The primary reason for the increase in fund balance is highlighted in the financial analysis of the Authority.

Functional Revenues are comprised of toll collections, leases, and rental revenues. These revenues are then allocated proportionally by bridge maintenance and toll collection expenses.

Table A-3 and the narrative that follows consider the operations of governmental-type activities.

**Figure A-4  
Authority  
Functional Expenses for the Year Ended  
December 31, 2014**

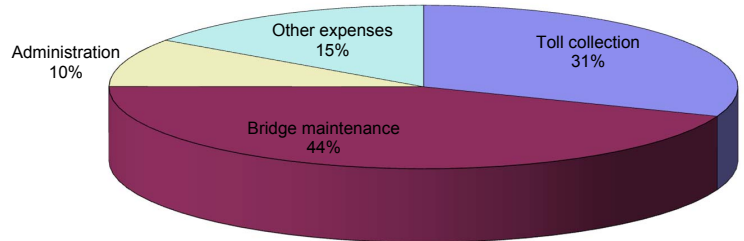


Table A-3  
Changes in Authority's Fund Balance  
(in thousands of dollars)

	Governmental Funds		Total Percentage Change
	2013	2014	2013-2014
<b>Revenues</b>			
Toll collections	\$ 7,298.6	\$ 7,779.5	6.6%
Lease and rental revenues	503.9	468.7	(7.0)%
Interest revenues	96.1	114.1	18.7%
Other revenues	81.8	907.4	1009.3%
Exchange gain (loss)	(675.0)	(827.4)	22.6%
<b>Total Revenues</b>	<b>7,305.4</b>	<b>8,442.3</b>	<b>15.6%</b>
<b>Expenditures</b>			
Toll collections	1,728.5	1,784.5	3.2%
Bridge maintenance	2,629.6	8,870.4	237.3%
Administration	536.2	551.8	2.9%
Other expenditures	966.7	881.3	(8.8)%
<b>Total Expenditures</b>	<b>5,861.0</b>	<b>12,088.0</b>	<b>106.2%</b>
<b>Increase (decrease) in fund balance</b>	<b>\$ 1,444.4</b>	<b>\$ (3,645.7)</b>	<b>(352.4)%</b>

Year Ended December 31, 2014

**Governmental Fund Revenues and Expenditures**

Revenues for the bridge increased by 15.6% and expenditures for the Authority's governmental funds increased 106.2%. A depreciation of the Canadian dollar at fiscal year end contributed an additional 22.6% in unrealized exchange loss due to asset revaluation. Total revenues also reflect an increase of 9.2% due to a one time Michigan Department of Transportation funding of \$774,847, allocated for Toll Plaza construction. The net result, including the increased realized revenue for 2014, exchange adjustments, but due to capital construction and work in progress, there was an overall decrease in the change in fund balance of 352.4%.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Authority made changes to the original 2014 capital budget. Budgets were approved for the year ending December 31, 2014.

**REVENUE FUND**

- Revenue fund, after budget amendments, resulted in actual expenditures of \$8,181,238 which is \$31,481, or 3.9% greater than the final approved budget, including interfund transfers.
- Toll revenues in the revenue fund were \$7.8 million and \$757,364 or 8.9% below the budget year toll revenue.
- Toll collection expenditures of \$1,784,519 at year end were \$6,149 or 0.3% under approved budgetary amounts.
- Maintenance costs of \$2,044,024 were \$71,368 or 3.6% above approved budgetary amounts.
- Administration expenditures of \$551,309 were \$30,379, or 5.8% above final budget amounts.
- Other expenditures of \$3,801,359 were \$26,318, or 0.7% under final budgets, including interfund transfers.

**CAPITAL FUNDS**

- Capital fund, after budget amendments, resulted in expenditures of \$7,156,751, which was \$147,071 or 2.0% below the final approved budget for the year ending December 31, 2014.

The detailed budgetary comparison schedules for the revenue and capital fund are found in the required supplementary information on page 31-34.

**LONG-TERM DEBT**

At year-end, the Authority had \$254,612 in outstanding long-term liabilities – an increase of 6.2% percent over the year ending December 31, 2013. More detailed information about the Authority's long-term liabilities is presented in compensated absences, Note H in the notes to financial statements.

# SAULT STE. MARIE BRIDGE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

### CAPITAL ASSETS

At the year ending December 31, 2014, the Authority had invested \$16.6 million in a broad range of capital assets, including land, machinery and equipment, buildings, bridge, vehicles, and bridge security enhancements. (See Table A-4.) This amount presents a net increase (including additions, deductions, and accumulated depreciation) of \$6,353,082 or 62.1 percent, for the year ended December 31, 2014. More detailed information about the Authority's capital assets is presented in Note D to the financial statements.

Table A-4  
Authority's Capital Assets  
(net of depreciation, in thousands of dollars)

	Governmental Activities		Total Percentage Change
	2013	2014	2013-2014
Bridge	\$ 5,839.5	\$ 5,237.5	(10.3)%
Bridge lights	17.1	-	(100.0)%
Buildings	1,127.1	1,016.3	(9.8)%
Machinery and equipment	202.1	283.7	40.4%
Land	1,965.5	1,965.5	- %
Land improvements	40.6	36.9	(9.1)%
Vehicles	91.6	181.8	98.5%
Security system	951.9	707.1	(25.7)%
Construction in progress	-	7,159.7	100%
<b>Totals</b>	<b>\$ 10,235.4</b>	<b>\$ 16,588.5</b>	<b>62.1%</b>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The value of the Canadian dollar has depreciated against the U.S. dollar during the fiscal year ending December 31, 2014. A depreciation at the Authority's fiscal year end resulted in an unrealized exchange loss at December 31, 2014. Sault Ste. Marie, Ontario had a population of 75,141 in 2014, as compared to Sault Ste. Marie, Michigan with a population of 14,000. The disproportionate population in the Sault Ste. Marie communities contribute more than two times more Canadian bridge traffic as compared to U.S. traffic, as can be viewed in the supplemental information provided on page 37. Combined with the weaker buying power of the Canadian dollar in the United States for most of 2014, Canadian consumers continue to impact the earned toll revenue, as recorded by the Authority. The changes in Canadian dollar valuation also impact the equity of Canadian held funds.

Fluctuations in commercial traffic also result in significant changes to toll revenue, as commercial traffic represents 4.8% of total bridge traffic, but provides 32.2% of bridge toll revenue.

These indicators were taken into account when adopting the Revenue (General) fund budget for 2015.

Year Ended December 31, 2014

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, bridge users, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the International Bridge Administration Office, 934 Bridge Plaza, Sault Ste. Marie, MI. 49783, or International Bridge Administration, 121 Huron St., Sault Ste. Marie, ON P6A 1R3.

**SAULT STE. MARIE BRIDGE AUTHORITY**

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**BASIC FINANCIAL STATEMENTS**

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**SAULT STE. MARIE BRIDGE AUTHORITY**

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**STATEMENT OF NET POSITION**

December 31, 2014

	Primary Government Governmental Activities 2014
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 514,439
Investments	8,578,650
Receivables (net)	983,217
Prepaid expense	239,172
Inventory	35,971
Total current assets	10,351,449
Non-current assets:	
Capital assets (Note D):	
International bridge (net)	5,237,453
Buildings (net)	1,016,327
Machinery and equipment (net)	283,716
Land	1,965,530
Land improvements (net)	36,859
Vehicles (net)	181,801
Security system (net)	707,138
Construction in progress	7,159,729
Total non-current assets	16,588,553
Total assets	\$ 26,940,002

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**SAULT STE. MARIE BRIDGE AUTHORITY**

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**STATEMENT OF NET POSITION**

December 31, 2014

	Primary Government Governmental Activities 2014
LIABILITIES	
Current liabilities:	
Accounts Payable	\$ 1,053,637
Accrued payroll and related liabilities	949,782
Unearned revenue	376,249
Total current liabilities	2,379,668
Non-current liabilities:	
Accrued compensated absences	254,612
Total non-current liabilities	254,612
Total liabilities	2,634,280
NET POSITION	
Net investment in capital assets	16,588,553
Restricted for:	
Restricted	5,287,150
Unrestricted	2,430,019
Total net position	24,305,722
Total liabilities and net position	\$ 26,940,002

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**SAULT STE. MARIE BRIDGE AUTHORITY**

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**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2014

	Primary Government Governmental Activities 2014
EXPENSES	
Toll collection	\$ 1,775,200
Bridge maintenance	2,540,537
Administration	552,688
Other expenses	881,263
Total operating expenses	5,749,688
REVENUES	
Charges for services:	
Toll collection	\$ 3,765,995
Bridge maintenance	5,389,620
Total charges for services	9,155,615
Income from operations	3,405,927
General revenues and other changes in net position:	
Interest revenues	114,088
Exchange gain (loss)	(827,429)
Total general revenues and other changes in net position	(713,341)
Change in net position	2,692,586
Net position - beginning	21,613,136
Net position - ending	\$ 24,305,722

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2014

	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 276,815	\$ 237,624	\$ -	\$ -	\$ 514,439
Investments	7,717,491	861,159	-	-	8,578,650
Receivables (net)	981,369	1,848	-	-	983,217
Due from other funds	-	-	3,277,966	1,854,422	5,132,388
Prepaid expense	234,172	5,000	-	-	239,172
Inventory	35,971	-	-	-	35,971
<b>TOTAL ASSETS</b>	<b>\$ 9,245,818</b>	<b>\$ 1,105,631</b>	<b>\$ 3,277,966</b>	<b>\$ 1,854,422</b>	<b>\$ 15,483,837</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 107,768	\$ 945,869	\$ -	\$ -	\$ 1,053,637
Accrued payroll and related liabilities	949,782	-	-	-	949,782
Due to other funds	5,132,388	-	-	-	5,132,388
Unearned revenue	376,249	-	-	-	376,249
<b>TOTAL LIABILITIES</b>	<b>6,566,187</b>	<b>945,869</b>	<b>-</b>	<b>-</b>	<b>7,512,056</b>
<b>FUND BALANCES</b>					
Nonspendable	270,143	5,000	-	-	275,143
Committed	226,096	-	-	-	226,096
Restricted	-	154,762	3,277,966	1,854,422	5,287,150
Assigned	2,183,392	-	-	-	2,183,392
<b>TOTAL FUND BALANCES</b>	<b>2,679,631</b>	<b>159,762</b>	<b>3,277,966</b>	<b>1,854,422</b>	<b>7,971,781</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,245,818</b>	<b>\$ 1,105,631</b>	<b>\$ 3,277,966</b>	<b>\$ 1,854,422</b>	<b>\$ 15,483,837</b>

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**SAULT STE. MARIE BRIDGE AUTHORITY****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

December 31, 2014

Total fund balances – governmental funds	\$	7,971,781
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	1,965,530
Construction in progress		7,159,729
Infrastructure assets – bridge		22,451,968
Other capital assets		7,210,077
Accumulated depreciation		<u>(22,198,751)</u>
Total capital assets	\$	16,588,553

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences		<u>(254,612)</u>
Total long-term liabilities		<u>(254,612)</u>
Net position of governmental activities	\$	<u><u>24,305,722</u></u>

See accompanying notes to basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund	Total
<b>REVENUES:</b>					
Toll collections	\$ 7,779,489	\$ -	\$ -	\$ -	\$ 7,779,489
Lease and rental revenues	468,689	-	-	-	468,689
Interest revenues	112,698	1,390	-	-	114,088
Other revenues	907,437	-	-	-	907,437
Exchange gain (loss)	(807,884)	(19,545)	-	-	(827,429)
Total Revenues	8,460,429	(18,155)	-	-	8,442,274
<b>EXPENDITURES:</b>					
Current operations					
Toll collection	1,784,519	-	-	-	1,784,519
Bridge maintenance	2,044,024	6,826,407	-	-	8,870,431
Administration	551,309	468	-	-	551,777
Other expenditures	551,359	329,876	-	-	881,235
Total Expenditures	4,931,211	7,156,751	-	-	12,087,962
Excess (deficiency) of revenues over expenditures	3,529,218	(7,174,906)	-	-	(3,645,688)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	6,250,000	-	-	6,250,000
Transfers out	(3,250,000)	-	(1,500,000)	(1,500,000)	(6,250,000)
Total other financing sources (uses)	(3,250,000)	6,250,000	(1,500,000)	(1,500,000)	-
Net change in fund balances	279,218	(924,906)	(1,500,000)	(1,500,000)	(3,645,688)
Fund Balance-Beginning	2,400,413	1,084,668	4,777,966	3,354,422	11,617,469
Fund Balance-Ending	\$ 2,679,631	\$ 159,762	\$ 3,277,966	\$ 1,854,422	\$ 7,971,781

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**SAULT STE. MARIE BRIDGE AUTHORITY**

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

December 31, 2014

Total net change in fund balances – governmental funds	\$	(3,645,688)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported in governmental funds as expenditures.  
However, in the statement of activities, the cost of those assets is allo-  
cated over their estimated useful lives, as depreciation expense.

Capital outlay	\$	7,375,733
Depreciation expense		<u>(1,022,651)</u>

This is the amount by which depreciation expense exceeds capital outlays in the period.		6,353,082
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In the statement of activities, certain operating expenses, compensated  
absences (sick pay and vacations) are measured by the amounts earned  
during the year. In the governmental funds, however, expenditures for  
these items are measured by the amount of financial resources used  
(essentially, the amounts actually paid). This year the net of the sick  
and vacation earned and used which must be added from the net fund  
balance of the governmental funds.

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(14,808)

Change in net position of governmental activities	\$	<u>2,692,586</u>
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See accompanying notes to basic financial statements.

**SAULT STE. MARIE BRIDGE AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2014

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Sault Ste. Marie Bridge Authority, Michigan (the “Authority”) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority’s activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

**1. Reporting Entity**

An agency and instrumentality of the State of Michigan created in 1935 by Section 2, Act No. 237, P.A. of 1935 (Section 254, 202, Compiled Laws of 1948). By virtue of Act No. 99, P.A. 1954, as amended, the Authority is empowered to construct, maintain and operate a bridge project from the Upper Peninsula of Michigan to the Province of Ontario, Canada, to acquire necessary real and personal property, to exercise power of condemnation, to issue revenue bonds, payable solely from tolls and other revenues, and to charge and collect tolls and other charges for use of such projects. Congressional authority is provided by an Act of Congress as reenacted and approved September 21, 1959. Canadian authorization derives from an assignment and agreement dated January 15, 1960 between the Authority and St. Mary’s River Bridge Co., a Canadian corporation, whereby the Authority succeeded to all the rights, powers, etc. of the corporation.

The International Bridge Authority tendered the last payment on its 1960 Series B 6% Secondary Pledge Revenue Bonds on September 1, 2000. Previous agreements and legislation mandated that upon this last payment ownership of the respective sides of the

International Bridge would revert to the Michigan Department of Transportation (“MDOT”) and the St. Mary’s River Bridge Company (“SMRBC”). As a result, the International Bridge Authority ceased to exist as an entity on September 1, 2000. To effectuate a seamless transition in bridge operation and maintenance, these parties entered into an intergovernmental agreement that created the Sault Ste. Marie Bridge Authority (“SSMBA”) and International Bridge Administration (“IBA”) and established the powers and responsibilities of each. The agreement was authorized by Michigan legislation passed in May 2000 that amends original legislation passed by Michigan Public Act 99 of 1954.

The SSMBA is the international contractual entity created by the agreement to set policy and oversee bridge operations. It has eight members, four from Michigan (appointed by the Governor) and four from Canada. The IBA is an administrative entity within the MDOT created to carry out the policy decisions of the SSMBA, and, under the direction and supervision of the MDOT, to enter into contracts and manage and operate the bridge on a daily basis.

The Agreement became effective September 1, 2009 and shall remain in effect until September 30, 2017, and is automatically renewed for successive ten-year periods thereafter unless, one (1) year prior to the renewal date, an Owner gives written notice to the other Owner that it elects not to renew the Agreement. The Agreement is subject to written notice of cancellation upon one (1) year written notice by MDOT or the SMRBC.

Year Ended December 31, 2014

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2. Basis of Presentation – Government-Wide Financial Statements**

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

The statement of net position and the statement of activities display information about the Authority as a whole. The statements include all funds of the primary government.

The statement of net position and the statement of activities are presented to distinguish between governmental and business type activities of the Authority. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are reported in governmental funds. Business type activities are financed by fees charged to external parties for goods or services. The Authority does not have business type activities.

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net position. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

**3. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Authority:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the Authority.

The Revenue fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund (Capital Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Year Ended December 31, 2014

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The MDOT and SMRBC Capital Funds are used to account for the equity for the “Owner’s Reserve Account”, as defined by the Intergovernmental Agreement Article IV, section 9

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, equity, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The Authority selected the Revenue, Capital, and Owner Capital Funds as Major Funds.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Bridge	60 years
Bridge enhancements	20 years
Bridge lights	5-25 years
Buildings	20-60 years
Machinery and equipment	5-20 years
Land improvements	20 years

**4. Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as needed.

**Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the Authority as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance****Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

Year Ended December 31, 2014

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Compensated Absences**

The Authority accrues vested or accumulated sick and vacation leave when earned by the employee. The non-current portion (that is the amount not expected to be liquidated with expendable available financial resources) for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The Authority reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. All deposits and investments are carried at cost. Investments are reported at fair value, based on quoted market prices. Deposits are reported at cost.

**Interfund Transfers**

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

**Prepaid Items**

Payments made to vendors for insurance that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material affect on the financial statements.

**Annual Budget**

The Authority adopts an annual budget each year for expenditures applicable to the Revenue (General) Fund and the Capital Fund. The operating budget includes proposed expenditures and the means of financing them is stated on a basis consistent with U.S. generally accepted accounting principles (GAAP). Budgets lapse at fiscal year end.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Year Ended December 31, 2014

**NOTE B CASH & CASH EQUIVALENTS**

The balance sheet accounts and types of cash items are presented below:

Cash and cash equivalents - unrestricted	\$ 514,439
<b>TOTALS</b>	<b>\$ 514,439</b>
Imprest	\$ 144
Change Fund	8,679
Savings and checking	505,616
<b>TOTALS</b>	<b>\$ 514,439</b>

**NOTE C INVESTMENTS**

Statutory Authority: An act (PA 152) to amend 1943 PA 20, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i) The purchase of securities on a when-issued or delayed delivery basis.
  - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Year Ended December 31, 2014

**NOTE C INVESTMENTS (continued)**

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Investments					
CIBC Guaranteed Investment Certificate (GIC)	\$ 8,578,650	\$ 6,375,251	\$ 2,203,399	\$ -	\$ -
Total Investments	<u>\$ 8,578,650</u>	<u>\$ 6,375,251</u>	<u>\$ 2,203,399</u>	<u>\$ -</u>	<u>\$ -</u>

As reported on the Statement  
of Net Position

Investments	<u>\$ 8,578,650</u>
Total Investments	<u>\$ 8,578,650</u>

*Interest rate risk.* The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has an investment policy that further limits its investment choices.

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the Authority's \$8,578,650 investments, \$8,578,650 are in the name of the Authority.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not re-

quire and the Authority does not have a policy for deposit custodial credit risk. As of December 31, \$933,951 of the Authority's bank balance of \$1,023,950 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

*Foreign Currency Risk.* These deposits are in a financial institution located in Ontario, Canada in varying amounts. All accounts are in the name of the Authority and specific funds. Interest is recorded in the month in which it is earned.

Cash and cash equivalents include cash deposited in a foreign (Canadian) financial institution. These deposits amount to \$589,693 (CAN) (\$522,999 U.S.) in its Canadian account and \$500,951 in its American account at the year ended December 31, 2014. These deposits are covered by Canadian depository insurance in the amount of \$89,999 (U.S.) (\$100,000 CAN), and Federal depository insurance in the amount of \$1,309.

# SAULT STE. MARIE BRIDGE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2014

### NOTE D CAPITAL ASSETS

A summary of capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Construction in progress – building	\$ -	\$ 6,215,875	\$ -	\$ 6,215,875
Construction in progress – toll system	-	943,854	-	943,854
Land	1,965,530	-	-	1,965,530
Subtotal	1,965,530	7,159,729	-	9,125,259
Other capital assets:				
Bridge	22,451,968	-	-	22,451,968
Bridge lights	677,420	-	-	677,420
Buildings	3,006,423	-	(111,551)	2,894,872
Machinery & equipment	655,825	107,577	(85,810)	677,592
Land improvements	75,614	-	-	75,614
Office equipment	135,550	-	-	135,550
Vehicles	457,194	118,289	(21,500)	553,983
Security System	2,195,046	-	-	2,195,046
Subtotal	29,655,040	225,866	(218,861)	29,662,045
Accumulated depreciation:				
Bridge	(16,612,453)	(602,062)	-	(17,214,515)
Bridge lights	(660,299)	(17,121)	-	(677,420)
Buildings	(1,880,880)	(99,354)	101,689	(1,878,545)
Machinery & equipment	(452,208)	(27,478)	85,810	(393,876)
Land improvements	(34,974)	(3,781)	-	(38,755)
Office equipment	(135,550)	-	-	(135,550)
Vehicles	(365,605)	(28,077)	21,500	(372,182)
Security system	(1,243,130)	(244,778)	-	(1,487,908)
Subtotal	(21,385,099)	(1,022,651)	208,999	(22,198,751)
Net Other Capital Assets	8,269,941	(796,785)	(9,862)	7,463,294
Net Capital Assets	\$ 10,235,471	\$ 6,362,944	\$ (9,862)	\$ 16,588,553

Note: Depreciation was entirely allocated to bridge maintenance expense.

**SAULT STE. MARIE BRIDGE AUTHORITY****NOTES TO FINANCIAL STATEMENTS**

Year Ended December 31, 2014

**NOTE E RESTRICTED NET POSITION**

Restricted net position at year ended December 31, 2014 consist of \$5,287,150 in investments, for the purpose of bridge repair, maintenance, and bridge owner projects, as required by the Intergovernmental Agreement.

A summary of the lease revenue earned for the year ended December 31, 2014 is as follows:

American lease revenue	\$	375,966
Canadian lease revenue		<u>92,723</u>
Total lease revenue	\$	<u>468,689</u>

**NOTE F FUND BALANCES**

At December 31, 2014 the combined fund balances included a nonspendable \$275,143 fund balance, a committed fund balance for \$226,096 in state specified projects, and a combined restricted fund balance of \$5,287,150. Combined fund balance of \$2,183,392 was assigned for operational expenditures.

The combined owner reserve fund balance at December 31, 2014 were:

Owner Reserve Fund Balances				
	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund
MDOT	\$ -	\$ 77,381	\$ 3,277,966	\$ -
SMRBC	-	77,381	-	1,854,422
Total	<u>\$ -</u>	<u>\$ 154,762</u>	<u>\$ 3,277,966</u>	<u>\$ 1,854,422</u>

Lease revenue for future periods is based on a percentage of duty free shop annual gross sales. Lease rates vary based on actual gross sales. Five year future lease income is not available.

**NOTE H COMPENSATED ABSENCES**

All permanent employees of the Authority are employed through the State of Michigan and receive sick and vacation benefits in accordance with State guidelines. All employees are allowed to accumulate any unused sick and vacation hours up to specified limits. Upon termination of employment, the employee is entitled to compensation for the accumulated annual leave hours. State guidelines differ regarding payment for the accumulated sick leave hours depending on the date of hire.

The total amount that would be payable at the year ended December 31, 2014 was \$254,612. This amount is reflected as a liability in the Statement of Net Position.

**NOTE G LEASES REVENUE**

The Authority has entered into rental agreements that call for the Authority to receive a percentage of revenues from duty free shops on the American and Canadian plazas of the bridge. Also, the Authority receives fixed monthly and annual revenue for the use of land and right of ways owned by the Authority.

The following is a summary of pertinent information concerning the Authority's long-term debt.

Changes in Long-Term Debt				
	12/31/13	Additions	Deductions	12/31/14
Compensated Absences	\$ 239,804	\$ 14,808	\$ -	\$ 254,612
Total	<u>\$ 239,804</u>	<u>\$ 14,808</u>	<u>\$ -</u>	<u>\$ 254,612</u>

(1) The change in compensated absences is shown as a net increase.

Year Ended December 31, 2014

**NOTE I INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Authority reports interfund balances between its funds. The total of all balances agrees with the sum of interfund balances presented in the balance sheet for governmental funds.

Interfund balances at December 31, 2014 consisted of the following:

Fund	Due To	Due From
Revenue Fund	\$ -	\$ 5,132,388
Capital Fund	-	-
MDOT Capital Fund	3,277,966	-
SMRBC Capital Fund	1,854,422	-
<b>TOTALS</b>	<b>\$ 5,132,388</b>	<b>\$ 5,132,388</b>

All balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended December 31, 2014 consisted of the following:

Fund	Transfers Out	Transfers In
Revenue Fund	\$ 3,250,000	\$ -
Capital Fund	-	6,250,000
MDOT Capital Fund	1,500,000	-
SMRBC Capital Fund	1,500,000	-
<b>TOTALS</b>	<b>\$ 6,250,000</b>	<b>\$ 6,250,000</b>

**NOTE J PENSION PLAN**

**Plan Descriptions** – The Authority participates in the State of Michigan’s defined benefit and defined contribution plans that covers most state employees, as well as related component units such as the International Bridge Administration. The defined benefit plan provides retirement, disability, death benefits, and the annual cost of living adjustment to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 322-5103 or 1-800-381-5111.

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 373,842	100%	0
2011	\$ 571,439	100%	0
2012	\$ 466,379	100%	0
2013	\$ 969,625	100%	0
2014	\$ 1,070,639	100%	0

**Funding Policy** – Plan members are required to contribute based on the changes made to the plan via Public Act 264 of 2011, effective April 1, 2012. Participants who elected to remain in the plan are required to contribute 4% of their compensation; the Authority is required to contribute at an actuarially determined rate for the defined benefit plan of 19.8, 22.8, 3.3, 36.3% percent of payroll for the years ended September 30 2009, 2010, 2011, and 2012 respectively. The contribution rate for 2013 was 55.9%. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent for the years ended September 30, 2014, 2013, 2012, 2011, and 2010. The contribution requirements of plan members and the Authority are established and may be amended by the state legislature. The state legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan. Post employment benefits are described in Note M.

Year Ended December 31, 2014

**NOTE K FOREIGN CURRENCY VALUATION**

The Authority engages in Canadian currency transactions for bridge toll collections and Canadian purchases. All financial statement amounts are restated as American funds at the time of toll collection and/or payment of Canadian purchases utilizing the average monthly exchange rate. The balance sheet is valued at the daily exchange rate as of the year ended December 31, 2014. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2014, due to asset revaluation, revenue decreased in the amount of \$827,429 due to the difference in U.S. and Canadian dollar currency rates at the fiscal year end.

**NOTE N SUBSEQUENT EVENTS**

The St Mary's River Bridge Company was consolidated with the Federal Bridge Corporation Ltd on February 1, 2015 and ceased to exist.

**NOTE P COMMITMENTS**

The Authority has committed \$4,910,046 to complete the toll plaza redevelopment capital project in 2015.

**NOTE L PROPERTY TAX PAYMENTS**

The Authority pays property taxes in the City of Sault Ste. Marie, Ontario and payment in lieu of taxes, less Ontario tax rebates and refunds, to the City of Sault Ste. Marie, Michigan. The amounts paid to each respective unit, net of property tax rebates, for the year ended December 31, 2014, are as follows:

Sault Ste. Marie, Ontario	\$ 102,459
Sault Ste. Marie, Michigan	102,663
Total tax payments	<u>\$ 205,122</u>

**NOTE M POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note J, the Authority provides post retirement health care benefits, in accordance with State statutes, to all employees who retire from the government with age and years of service amounting to 80 or more. The government reimburses the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the State of Michigan. Post employment benefits is included within the State of Michigan financial reporting, and specific information relating to bridge administration employees is not available.



**SAULT STE. MARIE BRIDGE AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
REVENUE FUND**

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balance, December 31, 2013	\$ 2,400,413	\$ 2,400,413	\$ 2,400,413	\$ -
Resources (inflows):				
Toll collections	8,536,853	8,536,853	7,779,489	(757,364)
Lease and rental revenues	451,146	451,146	468,689	17,543
Interest revenues	260,373	260,373	112,698	(147,675)
Other revenues	87,043	87,043	907,437	820,394
Exchange gain	-	-	(807,884)	(807,884)
Amounts available for appropriation	9,335,415	9,335,415	8,460,429	(874,986)
Charges to appropriation (outflows):				
Salaries	3,508,520	3,508,520	3,647,657	(139,137)
Insurance	317,683	317,683	341,568	(23,885)
Supplies	29,032	29,032	27,236	1,796
Accounting and audit fees	28,515	28,515	25,993	2,522
Periodicals and memberships	3,274	3,274	7,740	(4,466)
Printing and postage	4,341	4,341	2,119	2,222
Advertising	4,587	4,587	6,329	(1,742)
Uniforms	12,616	12,616	13,490	(874)
Medical exam	1,371	1,371	1,554	(183)
Salary administration	33,965	33,965	33,945	20
Cash transportation services	12,000	12,000	15,055	(3,055)
Commutation debit accounts	26,080	26,080	27,195	(1,115)
Vehicle gas and oil	11,038	11,038	4,849	6,189
Travel & meeting expense	70,631	70,631	36,753	33,878
Utilities	50,203	50,203	64,024	(13,821)
Service contract purchased	8,795	8,795	9,224	(429)
Computers, software and support	135,412	135,412	108,711	26,701
Training	27,671	27,671	30,131	(2,460)
Building maintenance	36,363	36,363	40,027	(3,664)
Building improvements and equipment	38,838	38,838	20,660	18,178
Heating and plumbing repair	17,201	17,201	18,036	(835)
Ground maintenance	1,906	1,906	694	1,212
Equipment repair	117,132	117,132	96,060	21,072
Vehicle maintenance	14,935	14,935	7,683	7,252
Leases and rentals	1,346	1,346	3,231	(1,885)
Sand and ice melter	1,545	1,545	-	1,545
Small tools purchase	4,635	4,635	2,201	2,434
Bridge and road maintenance and repair	25,750	63,577	63,577	-
Commuter bus expenditures	75,080	75,080	89,552	(14,472)
Property tax and payment in lieu of taxes	238,000	238,000	205,122	32,878
Miscellaneous	3,466	3,466	2,968	498
Commuter rate adjustments	-	-	(22,173)	22,173
Transfers (in) out	-	3,250,000	3,250,000	-
Total charges to appropriations	4,861,931	8,149,757	8,181,211	(31,453)
Budgetary fund balance, December 31, 2014	\$ 6,873,897	\$ 3,586,070	\$ 2,679,631	\$ (906,439)

**SAULT STE. MARIE BRIDGE AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL FUND**

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balance, December 31, 2013	\$ 1,084,668	\$ 1,084,668	\$ 1,084,668	\$ -
Resources inflows:				
Interest revenues	46,000	46,000	1,390	(44,610)
Exchange gain (loss)	-	-	(19,545)	(19,545)
Transfers in	-	6,250,000	6,250,000	-
Amounts available for appropriation	46,000	6,296,000	6,231,845	(64,155)
Charges to appropriations (outflows):				
Professional services	455,147	455,147	520,431	(65,284)
Capital outlay	2,593,468	6,503,836	6,279,950	223,886
Administration	-	-	468	(468)
Repairs and maintenance (owner)	344,839	344,839	355,902	(11,063)
Total charges to appropriations	3,393,454	7,303,822	7,156,751	147,071
Budgetary fund balance, December 31, 2014	\$ (2,262,786)	\$ 76,846	\$ 159,762	\$ 82,916

**SAULT STE. MARIE BRIDGE AUTHORITY****BUDGETARY COMPARISON SCHEDULE  
MDOT CAPITAL FUND**

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2013	\$ 4,777,966	\$ 4,777,966	\$ 4,777,966	\$ -
Charges to appropriations (outflows):				
Transfers out	-	1,500,000	1,500,000	-
Total charges to appropriations	-	1,500,000	1,500,000	-
Budgetary fund balance, December 31, 2014	<u>\$ 4,777,966</u>	<u>\$ 3,277,966</u>	<u>\$ 3,277,966</u>	<u>\$ -</u>

**SAULT STE. MARIE BRIDGE AUTHORITY****BUDGETARY COMPARISON SCHEDULE  
SMRBC CAPITAL FUND**

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2013	\$ 3,354,422	\$ 3,354,422	\$ 3,354,422	\$ -
Charges to appropriations (outflows):				
Transfers out	-	1,500,000	1,500,000	-
Total charges to appropriations	-	1,500,000	1,500,000	-
Budgetary fund balance, December 31, 2014	<u>\$ 3,354,422</u>	<u>\$ 1,854,422</u>	<u>\$ 1,854,422</u>	<u>\$ -</u>





**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

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**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Sault Ste. Marie Bridge Authority  
Members and Representatives  
Sault Ste. Marie Bridge Authority  
Sault Ste. Marie, Michigan

and

Mr. Doug A. Ringler, CPA, CIA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Sault Ste. Marie Bridge Authority's basic financial statements and have issued our report thereon dated April 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sault Ste. Marie Bridge Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sault Ste. Marie Bridge Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sault Ste. Marie Bridge Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Sault Ste. Marie Bridge Authority  
Members and Representatives

and

Mr. Doug A. Ringler, CPA, CIA  
Auditor General

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sault Ste. Marie Bridge Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

April 27, 2015

**SAULT STE. MARIE BRIDGE AUTHORITY**

**UNAUDITED SUPPLEMENTAL INFORMATION**

**SAULT STE. MARIE BRIDGE AUTHORITY**

**SCHEDULE OF TRAFFIC & TOLL REVENUE - UNAUDITED**

For the Year Ended December 31, 2014

		December 31, 2014			
		AMERICAN		CANADIAN	
		VEHICLES	REVENUE	VEHICLES	REVENUE
		ACTUAL	ACTUAL	ACTUAL	ACTUAL
CLASS 1 & 12					
Passenger Car, 2 Axle Truck, Motorcycle		273,600	\$ 950,219	528,848	\$ 1,708,267
CLASS 2					
Class 1 + 1 Axle Trailer		15,428	80,500	8,051	39,726
CLASS 3					
Class 1 + 2 Axle Trailer		8,908	62,312	8,113	54,418
	Commuter Deposits Sold				
CLASS 29	American      Canadian				
Commuter	18,816      111,414	159,727	377,940	880,242	2,001,820
CLASS 5 & 11					
Bus, 2 Axle-6 Tire Commercial		7,836	70,300	1,485	13,502
CLASS 7					
3 Axle Commercial		1,760	23,195	920	11,333
CLASS 8					
4 Axle Commercial		980	17,172	355	5,791
CLASS 9					
5 Axle Commercial		31,302	684,140	13,234	277,417
CLASS 16					
6 Axle Commercial		4,143	108,225	1,878	47,151
CLASS 17					
7 Axle Commercial		3,994	122,147	1,040	29,959
CLASS 18					
8 Axle Commercial		2,006	68,736	1,885	62,685
CLASS 19					
9 Axle Commercial		7,754	300,749	1,879	69,631
CLASS 20					
10 Axle Commercial		4,369	188,135	3,749	156,140
CLASS 21					
11 Axle Commercial		5,269	247,597	6	283
CLASS 13					
Non Revenue		-	-	2,080	-
TOTAL VEHICLES		527,076		1,453,765	
TOTAL REVENUE			\$ 3,301,366		\$ 4,478,123
TOTAL AMERICAN & CANADIAN TRAFFIC			1,980,841		
TOTAL AMERICAN & CANADIAN REVENUE			\$ 7,779,489		

**SAULT STE. MARIE BRIDGE AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
REVENUE FUND BY DEPARTMENT - UNAUDITED**

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary fund balance, December 31, 2013	\$ 2,400,413	\$ 2,400,413	\$ 2,400,413	\$ -
Resources (inflows):				
Toll collections	8,536,853	8,536,853	7,779,489	(757,364)
Lease and rental revenues	451,146	451,146	468,689	17,543
Interest revenue	260,373	260,373	112,698	(147,675)
Other revenue	87,043	87,043	907,437	820,394
Exchange gain (loss)	-	-	(807,884)	(807,884)
Amounts available for appropriation	9,335,415	9,335,415	8,460,429	(874,986)
Charges to appropriation (outflows):				
Toll collection				
Salaries	1,597,783	1,597,783	1,621,787	(24,004)
Insurance	23,273	23,273	24,970	(1,697)
Supplies	3,708	3,708	5,488	(1,780)
Printing and postage	268	268	93	175
Advertising	2,500	2,500	1,558	942
Uniforms	4,700	4,700	4,152	548
Medical exam	1,000	1,000	400	600
Salary administration	26,360	26,360	26,922	(562)
Cash transportation services	12,000	12,000	15,055	(3,055)
Commutation debit accounts	1,500	1,500	2,208	(708)
Travel & meeting expense	850	850	843	7
Computers, software and support	85,040	85,040	75,788	9,252
Building maintenance	2,100	2,100	665	1,435
Building improvements and equipment	21,000	21,000	3,044	17,956
Equipment repair	6,525	6,525	1,450	5,075
Miscellaneous	2,060	2,060	96	1,964
Total toll collection	1,790,668	1,790,668	1,784,519	6,148

**SAULT STE. MARIE BRIDGE AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
REVENUE FUND BY DEPARTMENT - UNAUDITED**

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Bridge maintenance				
Salaries	1,472,637	1,472,637	1,564,597	(91,960)
Insurance	54,208	54,208	67,724	(13,516)
Supplies	18,792	18,792	19,664	(872)
Printing and postage	464	464	311	153
Advertising	824	824	-	824
Uniforms	7,916	7,916	9,338	(1,422)
Medical exam	371	371	1,154	(783)
Commutation debit accounts	24,170	24,170	24,581	(411)
Vehicle gas and oil	11,038	11,038	4,849	6,189
Travel & meeting expense	37,008	37,008	1,347	35,661
Utilities	42,024	42,024	53,997	(11,973)
Service contract purchased	4,244	4,244	4,509	(265)
Computers, software and support	41,865	41,865	14,981	26,885
Training	27,671	27,671	30,131	(2,460)
Building maintenance	34,263	34,263	39,362	(5,099)
Building improvements and equipment	16,721	16,721	15,838	883
Heating and plumbing repair	17,201	17,201	18,036	(835)
Ground maintenance	1,906	1,906	694	1,212
Equipment repair	110,607	110,607	94,610	15,997
Vehicle maintenance	14,935	14,935	7,683	7,252
Sand and ice melter	1,545	1,545	-	1,545
Small tools purchase	4,635	4,635	2,201	2,434
Bridge and road maintenance and repair	25,750	25,750	63,577	(37,827)
Miscellaneous	515	515	2,761	(2,246)
Total maintenance	1,972,656	1,972,656	2,044,024	(71,368)

**SAULT STE. MARIE BRIDGE AUTHORITY**

BUDGETARY COMPARISON SCHEDULE  
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Administration				
Salaries	438,100	438,100	461,273	(23,173)
Insurance	3,301	3,301	3,645	(344)
Supplies	6,532	6,532	2,084	4,448
Accounting and audit fees	28,515	28,515	25,993	2,522
Periodicals and memberships	3,274	3,274	7,740	(4,466)
Printing and postage	3,609	3,609	1,714	1,895
Advertising	1,263	1,263	4,703	(3,440)
Salary administration	7,605	7,605	7,023	582
Commutation debit accounts	213	213	279	(66)
Travel & meeting expense	5,273	5,273	4,607	666
Utilities	8,179	8,179	10,027	(1,848)
Service contract purchased	4,551	4,551	2,390	2,161
Computers, software and support	8,507	8,507	17,942	(9,435)
Building improvements and equipment	1,117	1,117	1,778	(661)
Miscellaneous	891	891	110	781
Total administration	520,930	520,930	551,309	(30,379)
Other expenditures				
Insurance	236,900	236,900	245,228	(8,328)
Advertising	-	-	68	(68)
Commutation debit accounts	197	197	127	70
Travel & meeting expense	27,500	27,500	29,956	(2,456)
Service contract purchased	-	-	2,325	(2,325)
Leases and rentals	-	-	1,151	(1,151)
Commuter bus expenditures	75,080	75,080	89,552	(14,472)
Property tax and payment in lieu of taxes	238,000	238,000	205,122	32,878
Miscellaneous	-	-	3	(3)
Commuter rate adjustments	-	-	(22,173)	22,173
Transfers (in) out	-	3,250,000	3,250,000	-
Total other expenditures	577,677	3,827,677	3,801,359	26,318
Total charges to appropriations	4,861,931	8,111,931	8,181,211	(69,309)
Budgetary fund balance, December 31, 2014	\$ 6,873,896	\$ 3,623,896	\$ 2,679,631	\$ (944,264)



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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ROBERT L. HASKE, CPA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

To the Sault Ste. Marie Bridge Authority  
Members and Representatives  
Sault Ste. Marie Bridge Authority  
Sault Ste. Marie, Michigan

and

Mr. Doug A. Ringler, CPA, CIA  
Auditor General  
State of Michigan  
Lansing, Michigan 48913

We have audited the financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, of Michigan, for the year ended December 31, 2014, and have issued our report thereon dated April 27, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated August 25, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Sault Ste. Marie Bridge Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Sault Ste. Marie Bridge Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have not been engaged to report on the unaudited supplemental information, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on August 25, 2014.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Sault Ste. Marie Bridge Authority, of Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

The financial statement disclosures are neutral, consistent and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreement with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated April 27, 2015.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Comments and Recommendations***

#### **Pension Reporting**

In June 2012, the Governmental Accounting Standards Board (GASB) approved a pair of related Statements that implement substantial changes to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements. These requirements include a provision for reporting net pension liabilities on the accrual based statement of net position and measuring investments at fair value as well as additional footnote and required supplementary information disclosures.

The Board and Management should review the procedures for implementation of these new standards effective in fiscal 2014 and assess the impact on the local unit of government's financial reporting.

## **Uniform Administrative Requirements**

During December 2013, the Office of Management and Budget released its final version of the “*Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.” The guidance is applicable to federal grants and cooperative agreements and provides a comprehensive consolidation and revision of OMB Circulars which currently govern Federal and some non-Federal entities. The guidance combines A-110 and A-102 into a single set of administrative rules, combines A-21, A-87 and A-122 into a single set of consolidated cost principles and revises the language of A-133. This publication is designed to provide a single document which will serve as a “one-stop shop” for financial assistance regulatory requirements for all awarding agencies. The new requirements will be effective and applicable for audits of years beginning on or after December 26, 2014.

## **Revisions Related to Single Audit Requirements**

The Office of Management and Budget set forth new consolidated audit standards for entities receiving Federal financial assistance awards and replaces OMB Circular A-133. The changes within the final guidance primarily combine the guidance in OMB A-133 and A-50 on audit follow-up. The guidance reflects a movement to focus these audits and oversight efforts on higher dollar, higher risk awards and focus oversight on improper payments, waste, fraud, and abuse.

Most significantly, the threshold triggering a single audit or program-specific audit requirements is increased to \$750,000 or more in annual Federal awards. These requirements apply equally to recipients and sub-recipients under Federal programs. The final guidelines incorporate an exception to these audit requirements for non-U.S.-based entities expending Federal awards.

Further, the final guidance increases the minimum threshold for reporting questioned costs from \$10,000 to \$25,000 to focus on the audit findings presenting the greatest risk. OMB believes this will eliminate smaller-dollar audit findings, which require utilization of resources for follow-up audits that are unlikely to indicate significant weaknesses in internal controls.

These changes necessitate a careful review and analysis of an organization’s current business practices. Although OMB has raised certain thresholds for audit and materiality, it has also improved mechanisms of oversight related to mandatory disclosures, pre-award review of risks, standards for financial and program management, sub-recipient monitoring, and remedies for noncompliance. The revisions are effective for audits of years beginning on or after December 26, 2014.

## **Fair Value of Investments**

The Governmental Accounting Standards Board has issued final guidance on accounting and financial reporting issues related to fair value measurements, which primarily apply to investments made by state and local governments. GASB Statement No. 72 – *Fair Value Measurement and Application* defines fair value and describes how fair value should be determined and recorded, what assets and liabilities should be measured by fair value and presented in the government’s statement of net position or balance sheet and required disclosures of fair value in the footnotes to the financial statements. Management should be aware of the requirements and valuation techniques as applicable to the governmental entity. The statement is effective for periods beginning after June 15, 2015.

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the unaudited supplemental information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### **Conclusion**

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.

This information is intended solely for the use of state and provincial regulatory agencies and management of the Sault Ste. Marie Bridge Authority and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

April 27, 2015