

SAULT STE. MARIE BRIDGE AUTHORITY

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2019

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Year Ended December 31, 2019

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SAULT STE. MARIE BRIDGE AUTHORITY

INDEPENDENT AUDITOR'S REPORT



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To:
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, 2019, 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.

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.

To:
Sault Ste. Marie Bridge Authority
Members and Representatives

and

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

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

Opinions

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, 2019, 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, analysis and budgetary comparison schedule, and State Employee's Retirement System on pages 4 through 13, pages 39 through 42, and page 43 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.

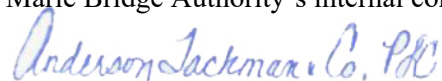
Other Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2020 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 solely 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 effectiveness of the Sault Ste Marie Bridge Authority's 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

February 21, 2020

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Year Ended December 31, 2019

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, 2019. 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 2019 with over 1.3 million crossings, ending the year with a total of 1,353,149 crossings on December 31, 2019. This is a decrease of 102,871 crossings, or 7.1% in traffic, as compared to the year ending December 31, 2018.
- In comparison to total traffic, commercial traffic decreased to 88,909 crossings in 2019, a decrease of 3.3%. Commuter crossings utilizing the IQ Prox Card decreased by 7.1% for 2019. Total commuter crossings for 2019 were 676,030. Full fare passenger auto crossings decreased 7.1% to 541,928 crossings on December 31, 2019.
- More than 101 million vehicles have crossed the International Bridge since it opened in 1962.

REVENUE & TOLL RATES

- Revaluations of Canadian currency net position on the Authority's year end balance sheet resulted in an unrealized exchange gain of \$87,824.
- The American toll rates are the established benchmark for all bridge tolls. Toll currency equity adjustments to the Canadian rates occurred on April 1, 2019 and October 1, 2019 due to fluctuations in the Canadian dollar.
- Toll revenues were \$7,018,893, an increase of 5% for the year ending December 31, 2019, as compared the year ended December 31, 2018. This was an increase of \$305,338. An April 1st, 2019 toll rate increase contributed to the increase in toll revenue as compared to 2018.

EXPENDITURES

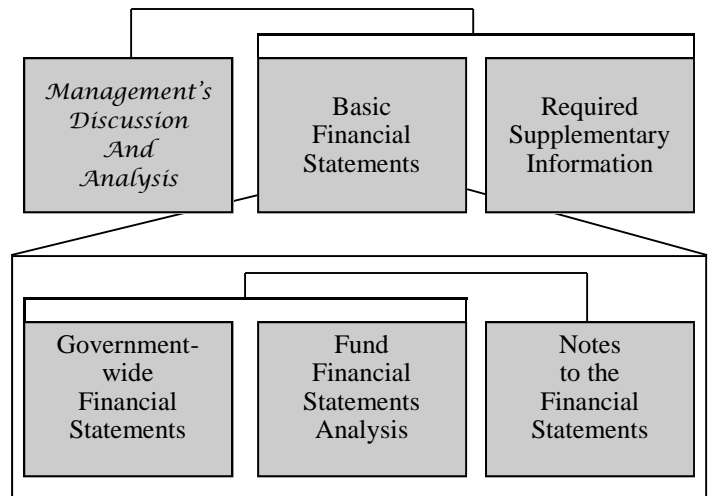
- Actual operational expenditures in the Revenue Fund were \$6.89 million, \$15,731 or 1% under the final budget.
- Toll department was 2% under approved budgetary amounts. Maintenance costs were 2% under approved budgetary amounts. Administration expenditures were 3% under final budget amounts. Other expenditures were 1% under final budget amounts.
- Capital Assets decreased by 5.7% to \$18 million due to depreciation.
- Bridge maintenance expenditures in the Capital Fund included abutment repairs, planned annual equipment capital outlay, and annual bridge inspection expenditures.
- The engineering inspections of the bridge in 2019 indicated the overall condition of the bridge is good and the structure is well maintained.

Year Ended December 31, 2019

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



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 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, 2019

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"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance |
| 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, 2019

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, 2019

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position. The Authority's combined assets increased to \$25.7 million for the year ended December 31, 2019. (See Table A-1.)

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

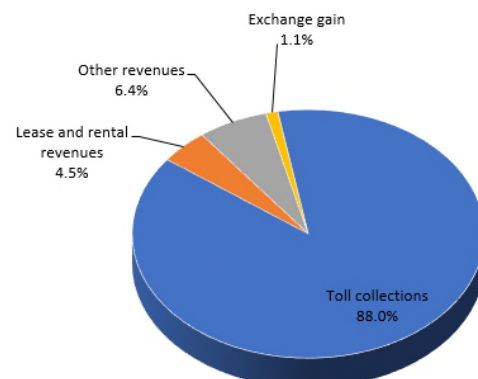
| | <u>Governmental Activities</u> | | Total Percentage Change |
|----------------------------------|--------------------------------|------------------------|-------------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018-2019</u> |
| Current assets | \$ 4,160.1 | \$ 4,905.5 | 76.1% |
| Capital assets | <u>19,457.3</u> | <u>18,342.1</u> | <u>(5.7)%</u> |
| Total assets | 23,617.4 | 23,247.6 | 8.8% |
| Deferred outflows | 994.8 | 1,442.8 | 45% |
| Current liabilities | 1,470.9 | 513.6 | 99.6% |
| Long-term liabilities | 234.2 | 251.1 | 7.2% |
| Net pension liability | 3,661.8 | 4,325.1 | 18.1% |
| Net OPEB Liability | <u>5,841.5</u> | <u>5,690.4</u> | <u>(2.6)%</u> |
| Total liabilities | <u>11,208.5</u> | <u>10,780.2</u> | <u>17.8%</u> |
| Deferred inflows | 130.0 | 1,098.9 | |
| Net position | | | |
| Net investment in capital assets | 19,457.3 | 18,342.1 | (5.7)% |
| Restricted | 1,695.8 | 2,573.6 | 51.8% |
| Unrestricted | <u>(7,879.4)</u> | <u>(8,554.6)</u> | <u>4.7%</u> |
| Total net position | <u>13,273.7</u> | <u>12,811.2</u> | <u>(3.5)%</u> |

Net position of the Authority's governmental activities decreased 3.5 percent to \$12.8 million. Restricted assets are \$2.5 million and \$18.3 million are invested in capital assets (buildings, bridge, and so on). Unrestricted is \$ million due to the change in accounting principle and restatement for net pension liability in 2015 and OPEB changes in 2018.

Changes in net position. The Authority's total revenues increased to \$7.9 million. (See Table A-2.) A majority of the Authority's revenue (88%) comes from toll collections. Interest, lease and rental revenues accounted for 12% of the Authority's revenue (See Figure A-3).

The total cost of all primary activities decreased 15.1 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, 2019



SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

Governmental Activities

Revenues for the Authority's governmental activities increased 10.9%, while total expenses increased 13.0% for the year ended December 31, 2019.

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

| | <u>Governmental Activities</u> | | Total Percentage Change 2018-2019 |
|---------------------------------|--------------------------------|------------------------|--|
| | <u>2018</u> | <u>2019</u> | |
| Revenues | | | |
| Charges for services | \$ <u>7,117.7</u> | <u>7,890.6</u> | <u>10.9%</u> |
| Total Revenues | <u>7,117.7</u> | <u>7,890.6</u> | <u>10.9%</u> |
| Expenses | | | |
| Toll collections | 1,796.8 | 2,157.0 | 20.0% |
| Bridge maintenance | 4,487.2 | 5,038.3 | 12.3% |
| Administration | 560.1 | 619.6 | 10.6% |
| Other expense | <u>664.4</u> | <u>670.6</u> | <u>0.01%</u> |
| Total Expenses | <u>7,508.5</u> | <u>8,485.5</u> | <u>13.0%</u> |
| Excess (deficiency) | <u>(390.9)</u> | <u>(594.9)</u> | <u>52.2%</u> |
| General revenue: | | | |
| Exchange gain (loss) | (125.2) | 87.8 | 170.1% |
| Interest revenue | <u>11.3</u> | <u>44.6</u> | <u>294.7%</u> |
| Change in net position | <u>(504.8)</u> | <u>(462.5)</u> | <u>(8.4)%</u> |
| Beginning net position | <u>19,269.8</u> | <u>13,273.7</u> | <u>(31.0)%</u> |
| Restatement of beginning equity | <u>(5,491.4)</u> | - | <u>(0.0)%</u> |
| Ending net position | <u>13,273.7</u> | <u>12,811.2</u> | <u>(3.5)%</u> |

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

Year Ended December 31, 2019

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

As the Authority completed the year ended December 31, 2019 its governmental funds reported an increase in the change in fund balance from \$1.06 to \$1.7 million, a combined fund balance increase of 60%. 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, 2019**

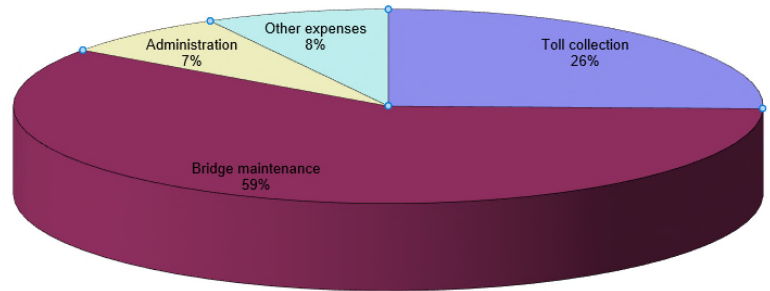


Table A-3
Changes in Authority's Fund Balance
(in thousands of dollars)

| | <u>Governmental Funds</u> | | Total Percentage Change |
|--|---------------------------|-----------------------|-------------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018-2019</u> |
| Revenues | | | |
| Toll collections | 6,713.6 | 7,018.9 | 4.5% |
| Lease and rental revenues | 352.7 | 357.5 | 1.4% |
| Interest revenues | 11.3 | 44.6 | 294.7% |
| Other revenues | 51.4 | 514.2 | 900.4% |
| Exchange gain (loss) | <u>(125.2)</u> | <u>87.8</u> | <u>(170.1)%</u> |
| Total Revenues | <u>7,003.8</u> | <u>8,023.0</u> | <u>14.6%</u> |
| Expenditures | | | |
| Toll collections | 1,769.7 | 1,823.7 | 3.1% |
| Bridge maintenance | 2,984.3 | 3,401.9 | 14.0% |
| Administration | 539.9 | 524.8 | (2.8)% |
| Other expenditures | <u>646.8</u> | <u>569.9</u> | <u>(11.9)%</u> |
| Total Expenditures | <u>5,940.7</u> | <u>6,320.3</u> | <u>6.4%</u> |
| Increase (decrease) in fund balance | <u>1,063.1</u> | <u>1,702.7</u> | <u>60.2%</u> |

Year Ended December 31, 2019

Governmental Fund Revenues and Expenditures

Revenues for the bridge increased by 14.6% and expenditures for the Authority's governmental funds increased by 6.4%. In 2019 the Authority saw an overall increase in the change in fund balance of 60.1%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority made one change to the original revenue budget. An error, due to a calculation issue, was discovered in the 2019 payroll budget. The error was corrected and the amended budget was presented to the board for approval November of 2019. Final budgets were approved for the year ending December 31, 2018.

CAPITAL FUNDS

- Capital fund, after budget amendments, resulted in expenditures of \$948,095, which was \$18,652 or 2.01% over the final approved budget for the year ending December 31, 2019.

The detailed budgetary comparison schedules for the revenue and capital fund are found in the required supplementary information on page 39-42.

LONG-TERM DEBT

At year-end, the Authority had \$251,061 in outstanding long-term liabilities. This represents an increase of 7.2% percent over the year ending December 31, 2018. More detailed information about the Authority's long-term liabilities is presented in compensated absences, Note H in the notes to financial statements.

REVENUE FUND

- Revenue fund, after budget amendments, resulted in actual revenues of \$7,586,221 which is \$725,728 or 10.5% more than the final approved budget, including inter-fund transfers.
- Toll revenues in the revenue fund were \$7,018,893 million and \$649,848, or 10.2% above the budget year toll revenue.
- Toll collection expenditures of \$1,823,755 at year end were \$19,807, or 1.07% below approved budgetary amounts.
- Maintenance costs of \$2,453,721 were \$40,239, or 1.61% below approved budgetary amounts.
- Administration expenditures of \$524,885 were \$22,477 or 4.11% below final budget amounts.
- Other expenditures of \$2,089,431 were \$66,792, or 3.3% over approved budgetary amounts, including inter-fund transfers.

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2019

CAPITAL ASSETS

At the year ending December 31, 2019, the Authority had invested \$18.3 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 decrease (including additions, deductions, and accumulated depreciation) of \$1,115,192 for the year ended December 31, 2019. 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 |
|-------------------------|---------------------------|---------------------------|-------------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018-2019</u> |
| Bridge | 6,544.4 | 5,731.8 | (12.4)% |
| Bridge lights | 29.0 | 26.6 | (8.3)% |
| Buildings | 9,422.6 | 9,119.0 | (3.2)% |
| Machinery and equipment | 391.2 | 272.4 | (30.3)% |
| Land | 1,965.5 | 1,965.5 | 0% |
| Land improvements | - | - | - |
| Office equipment | 906.1 | 883.1 | (2.5)% |
| Vehicles | 86.7 | 302.3 | 248.7% |
| Security system | <u>111.8</u> | <u>41.4</u> | <u>(63.0)%</u> |
| Totals | <u>\$ 19,457.3</u> | <u>\$ 18,342.1</u> | <u>(5.7)%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Sault Ste. Marie, Ontario had a population of 73,368 (based upon 2016 data), as compared to Sault Ste. Marie, Michigan with a population of 14,144 (based upon 2010 census data). 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 50. Combined with weakening of the buying power of the Canadian dollar in the United States for most of 2019, there has been a negative impact on 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, on average, 6.6% of total bridge traffic, but provides 41.6% of bridge toll revenue. These indicators were taken into account when adopting budgetary amendments in the Revenue (General) fund budget for 2019.

Year Ended December 31, 2019

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

BASIC FINANCIAL STATEMENTS

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SAULT STE. MARIE BRIDGE AUTHORITY**STATEMENT OF NET POSITION**

For the Year Ending December 31, 2019

| | Primary Government Governmental Activities 2019 |
|--|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 2,522,897 |
| Investments | 2,000,564 |
| Receivables (net) | 330,177 |
| Prepaid expense | 13,404 |
| Inventory | 38,472 |
| Total current assets | 4,905,514 |
| Non-current assets: | |
| Capital assets (Note D): | |
| International bridge (net) | 5,731,835 |
| Bridge lights (net) | 26,624 |
| Buildings (net) | 9,119,025 |
| Machinery and equipment (net) | 272,435 |
| Land | 1,965,530 |
| Office equipment (net) | 883,054 |
| Vehicles (net) | 302,250 |
| Security system (net) | 41,389 |
| Total non-current assets | 18,342,143 |
| Total assets | \$ 23,247,657 |
| Deferred Outflows of Resources - Deferred outflows related to pensions (Note L) | \$ 412,313 |
| Deferred Outflows of Resources - Deferred outflows related to OPEB (Note M) | \$ 1,030,452 |
| Total assets and deferred outflows of resources | \$ 24,690,422 |

SAULT STE. MARIE BRIDGE AUTHORITY**STATEMENT OF NET POSITION**

For the Year Ending December 31, 2019

| | Primary Government Governmental Activities 2019 |
|--|---|
| LIABILITIES | |
| Current liabilities: | |
| Accounts Payable | \$ 148,948 |
| Accrued payroll and related liabilities | 33,066 |
| Unearned revenue | 331,632 |
| | |
| Total current liabilities | 513,646 |
| | |
| Non-current liabilities: | |
| Accrued compensated absences | 251,061 |
| Net Pension Liability | 4,325,148 |
| Net OPEB Liability | 5,690,396 |
| | |
| Total non-current liabilities | 10,266,605 |
| | |
| Total liabilities | 10,780,251 |
| | |
| Deferred Inflows of Resources - Deferred inflows related to pensions (Note L) | 369,521 |
| | |
| Deferred Inflows of Resources - Deferred inflows related to OPEB (Note L) | 729,454 |
| NET POSITION | |
| | 18,342,143 |
| Net investment in capital assets | |
| Restricted for: | |
| Restricted | 2,723,691 |
| Unrestricted | (8,254,638) |
| | |
| Total net position | 12,811,196 |
| | |
| Total liabilities and net position | \$ 24,690,422 |

SAULT STE. MARIE BRIDGE AUTHORITY

STATEMENT OF ACTIVITIES

For the Year Ending December 31, 2019

| | Primary Government Governmental Activities 2019 |
|---|---|
| EXPENSES | |
| Toll collection | \$ 2,157,093 |
| Bridge maintenance | 5,038,282 |
| Administration | 619,600 |
| Other expenses | 670,601 |
| | |
| Total operating expenses | 8,485,576 |
| REVENUES | |
| Charges for services: | |
| Toll collection | \$ 2,365,518 |
| Bridge maintenance | 5,525,096 |
| | |
| Total charges for services | 7,890,614 |
| | |
| Total revenues | 7,890,614 |
| | |
| Income from operations | (594,962) |
| General revenues and other changes in net position: | |
| Interest revenues | 44,588 |
| Exchange gain (loss) | 87,824 |
| | |
| Total general revenues and other changes in net position | 132,412 |
| | |
| Change in net position | (462,550) |
| | |
| Net position - beginning | 13,273,746 |
| | |
| Net position - ending | \$ 12,811,196 |

BALANCE SHEET
GOVERNMENTAL FUNDS

For the Year Ending December 31, 2019

| | Revenue Fund | Capital Fund | MDOT Capital Fund | FBCL Capital Fund | Total |
|---|---------------------|-------------------|----------------------|----------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,377,816 | \$ 145,081 | \$ - | \$ - | \$ 2,522,897 |
| Investments | 1,999,289 | 1,275 | - | - | 2,000,564 |
| Receivables (net) | 54,436 | 275,741 | - | - | 330,177 |
| Due from other funds | - | 389,885 | 1,799,629 | 232,759 | 2,422,273 |
| Prepaid expense | 1,588 | 11,816 | - | - | 13,404 |
| Inventory | 7,808 | 30,664 | - | - | 38,472 |
| | | | | | |
| TOTAL ASSETS | <u>\$ 4,440,937</u> | <u>\$ 854,462</u> | <u>\$ 1,799,629</u> | <u>\$ 232,759</u> | <u>\$ 7,327,787</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 28,268 | \$ 120,679 | \$ - | \$ - | \$ 148,947 |
| Accrued payroll and related liabilities | \$ 33,066 | - | - | - | 33,066 |
| Due to other funds | 2,422,273 | - | - | - | 2,422,273 |
| Unearned revenue | 331,632 | - | - | - | 331,632 |
| | | | | | |
| TOTAL LIABILITIES | <u>2,815,239</u> | <u>120,679</u> | <u>-</u> | <u>-</u> | <u>2,935,918</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 9,396 | 42,480 | - | - | 51,876 |
| Restricted | - | 541,303 | 1,799,629 | 232,759 | 2,573,691 |
| Assigned | - | 150,000 | - | - | 150,000 |
| Unassigned | 1,616,302 | - | - | - | 1,616,302 |
| | | | | | |
| TOTAL FUND BALANCES | <u>1,625,698</u> | <u>733,783</u> | <u>1,799,629</u> | <u>232,759</u> | <u>4,391,869</u> |
| | | | | | |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 4,440,937</u> | <u>\$ 854,462</u> | <u>\$ 1,799,629</u> | <u>\$ 232,759</u> | <u>\$ 7,327,787</u> |

SAULT STE. MARIE BRIDGE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ending December 31, 2019

| | | |
|--|----|-----------|
| Total fund balances - governmental funds | \$ | 4,391,869 |
|--|----|-----------|

Amount reported for governmental activities in the statement of net assets 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 | |
| Infrastructure assets - bridge | | 27,104,313 | |
| Other capital assets (net) | | 17,048,009 | |
| Accumulated depreciation | | <u>(27,775,710)</u> | |
| Total capital assets | \$ | | 18,342,142 |

Deferred outflows of resources not reported in the funds:

| | | | |
|-----------------------------|--|----------------|-----------|
| Deferred Outflows (OPEB) | | 1,030,452 | |
| Deferred Outflows (Pension) | | <u>412,313</u> | |
| | | | 1,442,765 |

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 | | (251,061) | |
| Net OPEB Liability | | (5,690,396) | |
| Net Pension Liability | | <u>(4,325,148)</u> | |
| Total long-term liabilities | | | (10,266,605) |

Deferred inflows of resources not reported in the funds:

| | | | |
|----------------------------|--|------------------|--------------------|
| Deferred Inflows (Pension) | | (369,521) | |
| Deferred Inflows (OPEB) | | <u>(729,454)</u> | |
| Total other items | | | <u>(1,098,975)</u> |

| | | |
|---------------------------------------|----|--------------------------|
| Net assets of governmental activities | \$ | <u><u>12,811,196</u></u> |
|---------------------------------------|----|--------------------------|

SAULT STE. MARIE BRIDGE AUTHORITY

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

For the Year Ending December 31, 2019

| | Revenue Fund | Capital Fund | MDOT Capital Fund | FBCL Capital Fund | Total |
|--|-----------------|-----------------|----------------------|----------------------|--------------|
| REVENUES: | | | | | |
| Toll collections | \$ 7,018,893 | \$ - | \$ - | \$ - | \$ 7,018,893 |
| Lease and rental revenues | 357,524 | - | - | - | 357,524 |
| Interest revenues | 44,419 | 169 | - | - | 44,588 |
| Other revenues | 80,114 | 434,083 | - | - | 514,197 |
| Exchange gain | 85,271 | 2,553 | - | - | 87,824 |
| Total Revenues | 7,586,221 | 436,805 | - | - | 8,023,026 |
| EXPENDITURES: | | | | | |
| Current operations | | | | | |
| Toll collection | 1,823,755 | - | - | - | 1,823,755 |
| Bridge maintenance | 2,453,721 | 948,211 | - | - | 3,401,932 |
| Administration | 524,885 | (116) | - | - | 524,769 |
| Other expenditures | 569,889 | - | - | - | 569,889 |
| Total Expenditures | 5,372,250 | 948,095 | - | - | 6,320,345 |
| Excess (deficiency) of revenues over expenditures | 2,213,971 | (511,290) | - | - | 1,702,681 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 919,542 | 449,609 | 377,946 | 1,747,097 |
| Transfers out | (1,519,542) | - | (77,946) | (149,609) | (1,747,097) |
| Total other financing sources (uses) | (1,519,542) | 919,542 | 371,663 | 228,337 | - |
| Net change in fund balances | 694,429 | 408,252 | 371,663 | 228,337 | 1,702,681 |
| Fund Balance-Beginning | 931,269 | 325,531 | 1,427,966 | 4,422 | 2,689,188 |
| Fund Balance-Ending | \$ 1,625,698 | \$ 733,783 | \$ 1,799,629 | \$ 232,759 | \$ 4,391,869 |

SAULT STE. MARIE BRIDGE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ending December 31, 2019

| | | |
|--|----|-----------|
| Total net change in fund balances - governmental funds | \$ | 1,702,681 |
|--|----|-----------|

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 allocated over their estimated useful lives, as depreciation expense.

| | | |
|-----------------------------------|----|-------------|
| Depreciation and loss on disposal | \$ | (1,589,120) |
| Capital Outlay | | 473,928 |

| | | |
|---|--|-------------|
| This is the amount by which depreciation expense exceeds capital outlays in the period. | | (1,115,192) |
|---|--|-------------|

| | | |
|---|--|-------------|
| Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | (1,033,197) |
|---|--|-------------|

| | | |
|---|--|----------|
| 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. | | (16,842) |
|---|--|----------|

| | | |
|---|----|-----------|
| Change in net assets of governmental activities | \$ | (462,550) |
|---|----|-----------|

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SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2019

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 Federal Bridge Corporation Ltd. ("FBCL"). 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 renewed on 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 FBCL.

Year Ended December 31, 2019

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 non-exchange 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 type is used by the Authority:

Governmental Fund

The focus of the governmental fund 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, 2019

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The MDOT and FBCL 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. Non major 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 MDOT Capital Fund and FBCL Capital Fund as Major Funds.

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.

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 capital 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 |

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. There were deferred outflows related to pensions in the amount of \$412,313. There were also deferred outflows related to OPEB in the amount of \$1,030,452.

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. There were deferred inflows related to pensions in the amount of \$369,521 and the deferred inflows related to OPEB were in the amount of \$729,454.

Year Ended December 31, 2019

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 deferred inflows of resources on its governmental funds balance sheet. A governmental fund recognizes revenues in the accounting period the revenues become both measurable and available to finance expenditures of the fiscal period. Per GASB 65, paragraph 30, when an asset is recorded in a governmental fund but the revenue is not available, deferred inflows of resources are reported in the governmental fund financial statements until such time the revenue becomes available. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for the deferred inflow is removed from the 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 services that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will not benefit future periods are recorded as expenditures. These payments do not have a material effect 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, deferred outflows, liabilities, and deferred inflows 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, 2019

NOTE B CASH & CASH EQUIVALENTS

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

| | |
|--|---------------------|
| Cash and cash equivalents - unrestricted | 2,522,897 |
| TOTALS | \$ 2,522,897 |
| Imprest | \$139 |
| Change Fund | \$8,265 |
| Savings and checking | \$2,514,493 |
| TOTALS | \$ 2,522,897 |

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:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- 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).
- 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.
- Repurchase agreements consisting of instruments listed in subdivision (a).
- Bankers' acceptances of United States banks.
- Obligations of this state or any of its political subdivisions that at the time of purchase are rated as invest-

ment grade by not less than one standard rating service.

- 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:
 - The purchase of securities on a when-issued or delayed delivery basis.
 - 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.
 - The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- 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.
- Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Year Ended December 31, 2019

NOTE C INVESTMENTS (continued)

| | Fair Value | Less Than 1 Year | Years 1 - 5 | Years 6 - 10 | More Than 10 Years |
|--|--------------|---------------------|----------------|-----------------|-----------------------|
| Investments | | | | | |
| RBC Guaranteed Investment Certificate (GIC) | \$ 2,000,564 | \$ 2,000,564 | \$ - | \$ - | \$ - |
| Total Investments | \$ 2,000,564 | \$ 2,000,564 | \$ - | \$ - | \$ - |

As reported on the Statement
of Net Position

| | |
|-------------------|--------------|
| Investments | \$ 2,000,564 |
| Total Investments | \$ 2,000,564 |

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 \$2,000,564 investments, \$2,000,564 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 require and the Authority does not have a policy for deposit custodial credit risk. As of December 31, \$2,128,363 of the Authority's bank balance of \$2,231,692 was exposed to credit risk because it was uninsured and uncollateralized.

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 \$2,188,435 (CAN) (\$1,659,396 U.S.) in its Canadian account and \$1,602,787 in its American account at the year ended December 31, 2019. These deposits are covered by Canadian depository insurance in the amount of \$76,990 (U.S.) (\$100,000 CAN), and Federal depository insurance in the amount of \$26,339.

Fair value measurement. The authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

Year Ended December 31, 2019

NOTE C INVESTMENTS (continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

The Authority has the following fair value measurements as of December 31, 2019:

| Investments by Fair Value Level | Balance at 12/31/2019 | Fair Value Measurements Using | | |
|---|-----------------------|-------------------------------|---|---|
| | | Quoted Prices (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| RBC Guaranteed Investment Certificate (GIC) | \$ 2,000,564 | \$ 2,000,564 | \$ - | \$ - |
| Total Investments | \$ 2,000,564 | \$ 2,000,564 | \$ - | \$ - |

Securities classified in Level 1 are valued using prices quoted in active markets for those funds.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE D CAPITAL ASSETS

A summary of capital assets is as follows:

| | Beginning Balance | Increases | Decreases/ Adjustments | Ending Balance |
|-------------------------------|-------------------|-------------|---------------------------|----------------|
| Assets not being depreciated: | | | | |
| Land | \$ 1,965,530 | \$ - | \$ - | \$ 1,965,530 |
| Other Capital Assets: | | | | |
| Bridge | 26,425,744 | - | - | 26,425,744 |
| Bridge Lights | 678,570 | - | - | 678,570 |
| Buildings | 11,439,354 | 226,938 | (88,951) | 11,577,341 |
| Equipment | 1,116,416 | - | - | 1,116,416 |
| Maintenance Equipment | 30,740 | - | - | 30,740 |
| Office Equipment | 1,109,982 | - | - | 1,109,982 |
| Vehicles | 593,391 | 246,990 | - | 840,381 |
| Security System | 2,373,150 | - | - | 2,373,150 |
| Subtotal | 43,767,347 | 473,928 | (88,951) | 44,152,324 |
| Accumulated depreciation: | | | | |
| Bridge | (19,881,389) | (812,520) | - | (20,693,909) |
| Bridge Lights | (649,526) | (2,420) | - | (651,946) |
| Buildings | (2,016,723) | (446,722) | 5,129 | (2,458,316) |
| Equipment | (740,126) | (113,347) | - | (853,473) |
| Maintenance Equipment | (15,843) | (5,407) | - | (21,250) |
| Office Equipment | (203,932) | (22,995) | - | (226,927) |
| Vehicles | (506,698) | (31,432) | - | (538,130) |
| Security System | (2,261,306) | (70,455) | - | (2,331,761) |
| Subtotal | (26,275,543) | (1,505,298) | 5,129 | (27,775,712) |
| Net Other Capital Assets | 17,491,804 | (1,031,370) | (83,822) | 16,376,612 |
| Net Capital Assets | \$ 19,457,334 | (1,031,370) | (83,822) | 18,342,142 |

Note: Depreciation was entirely allocated to bridge maintenance expense.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE E RESTRICTED NET POSITION

Restricted net position at year ended December 31, 2019 consist of \$2,723,691 in investments, for the purpose of bridge repair, maintenance, and bridge owner projects, as required by the Intergovernmental Agreement.

NOTE F FUND BALANCES

At December 31, 2019 the combined fund balances included a non-spendable \$51,876 fund balance, a restricted fund balance of \$2,573,691 and an assigned fund balance of \$150,000. Fund balance of \$1,616,302 was unassigned for operational expenditures.

The combined owner reserve fund balances at December 31, 2019 were:

| Owner Reserve Fund Balances | | | | |
|-----------------------------|--------------|--------------|-------------------|-------------------|
| | Revenue Fund | Capital Fund | MDOT Capital Fund | FBCL Capital Fund |
| MDOT | - | - | \$ 1,799,629 | - |
| FBCL | - | - | - | \$ 232,759 |
| Total | \$ 1,625,698 | \$ 733,782 | \$ 1,799,629 | \$ 232,759 |

The IBA has entered into a project for the development of a Request for Proposal for the development and implementation of a new toll software. This project is in conjunction with 3 other crossings. We have committed a fund balance of \$150,000 for the partial cost of this project.

NOTE G LEASE 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.

A summary of the lease revenue earned for the year ended December 31, 2019 is as follows:

| | |
|------------------------|-----------|
| American lease revenue | \$228,362 |
| Canadian lease revenue | \$129,162 |
| Total lease revenue | \$357,524 |

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, 2019 was \$251,061. This amount is reflected as a liability in the Statement of Net Position.

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

| Changes in Long-Term Debt | | | | |
|---------------------------|------------|-----------|------------|-----------|
| | 12/31/18 | Additions | Deductions | 12/31/19 |
| Compensated Absences | \$ 234,219 | \$16,842 | \$ (-) | \$251,061 |
| Total | \$ 234,219 | \$16,842 | \$ (-) | \$251,061 |

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

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

**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, 2019 consisted of

| <u>Fund</u> | <u>Due To</u> | <u>Due From</u> |
|-------------------|---------------------|---------------------|
| Revenue Fund | \$2,422,273 | \$ - |
| Capital Fund | - | 389,885 |
| MDOT Capital Fund | - | 1,799,629 |
| FBCL Capital Fund | - | 232,759 |
| TOTALS | \$ 2,422,273 | \$ 2,422,273 |

the following:

All balances resulted from the time lag between dates that (1) inter fund goods and services are provided or reimbursable expenditures occur, (2) transactions are received in the accounting system, and (3) payments between funds are made. Inter fund transfers for the year ended December 31, 2019 consisted of the following:

| <u>Fund</u> | <u>Transfers Out</u> | <u>Transfers In</u> |
|-------------------|--------------------------|-------------------------|
| Revenue Fund | \$ 1,519,542 | \$ - |
| Capital Fund | - | 919,542 |
| MDOT Capital Fund | 77,946 | 449,609 |
| FBCL Capital Fund | 149,609 | 377,946 |
| TOTALS | \$ 1,747,097 | \$ 1,747,097 |

**NOTE J 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, 2019. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2019, due to asset revaluation, revenues increased in the amount of \$87,824 due to the difference in U.S. and Canadian dollar currency rates at the fiscal year end.

NOTE K 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, 2019, are as follows:

| | |
|----------------------------|-------------------|
| Sault Ste. Marie, Ontario | 78,846 |
| Sault Ste. Marie, Michigan | 85,331 |
| Total tax payments | \$ 164,177 |

NOTE L PENSION PLAN

Defined Contribution Plan Description – The Authority participates in the State of Michigan’s defined contribution plan that covers most state employees, as well as related entities such as the International Bridge Administration. The defined contribution plan provides retirement, disability, death benefits, and the annual cost of living adjustment to plan members. The Plan 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 December 31, 2019

NOTE L PENSION PLAN (continued)

| Year Ended Dec 31 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------------|---------------------------------|-------------------------------------|------------------------------|
| 2015 | \$ 1,059,992 | 100% | 0 |
| 2016 | 981,360 | 100% | 0 |
| 2017 | 1,055,779 | 100% | 0 |
| 2018 | 1,080,196 | 100% | 0 |
| 2019 | 1,116,943 | 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 70.0, 79.1, 82.1, 23.1% percent of payroll for the years ended September 30 2014, 2015, 2016 and 2017 respectively. The contribution rate for 2018 was 20.9%. 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, 2017, 2018, 2019, 2016, and 2015. 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.

Defined Benefit Public Employee Retirement Plan

Description – The Michigan State Employees Retirement System (System) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. The board consists of nine members – four appointed by the Governor which consist of two employee members and two retiree members, the insurance commissioner, attorney general, state treasurer, deputy legislative auditor general, and state personnel director, who serves as an ex-officio member. The System's pension plan was established by the State to provide retirement, survivor and disability benefits to the State's government employees.

The Michigan State Employees' Retirement System is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

Membership

At September 30, 2019, the Plan's membership

| | |
|---|---------------|
| Inactive plan members or their beneficiaries currently receiving benefits | 59,684 |
| Inactive plan members not yet receiving benefits | 3,986 |
| Active plan members | 10,459 |
| Total plan members | 74,129 |

Benefits Provided**Introduction**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, non-duty disability and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Year Ended December 31, 2019

as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

NOTE L PENSION PLAN (continued)

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and members who left State employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

Public Act 185 of 2010, established a pension supplement. Members who retired under the retirement incentive of the legislation agreed to forfeit accumulated leave balances, excluding banked leave time; in exchange they receive a pension supplement for 60 months to their retirement allowance payments equal to 1/60 of the amount forfeited from funds, beginning January 1, 2011.

Pension Reform of 2012

On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate state employment. The 4% contribution began on April 1, 2012.

Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's DC plan. The 4% contribution began April 1, 2012, and continues until they switch to the DC plan or terminate employment, whichever comes first.

Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012, become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to 401(k) or 457 accounts earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be \$2,000 for participants who are at least 60 years old or \$1,000 for participants who are less than 60 years old at termination.

Regular Retirement

The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5% of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime – for the six-year period ending on the FAC calculation date – will be added to that initial FAC calculation to get the final FAC number.

Year Ended December 31, 2019

NOTE L PENSION PLAN (continued)

For members who switch to the DC plan for future service, the pension calculation (FAC times 1.5% times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining:

- age 60 with 10 or more years of credited service; or
- age 55 with 30 or more years of credited service; or
- age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5% for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

- age 51 with 25 or more years in a covered position; or
- age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position. Employees in covered positions are responsible for the custody and supervision of inmates.

Deferred Retirement

Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive and legislative branches and certain Department of Community Health employees subject to reduction in force lay-offs by reason of deinstitutionalization.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a non-duty disability pension. The non-duty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

Duty Disability Benefit

A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension, is eligible for a duty disability pension. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of \$6,000 payable annually. At age 60 the benefit is recomputed under service retirement.

Survivor Benefit

Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of Duty Death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to \$6,000.

Year Ended December 31, 2019

NOTE L PENSION PLAN (continued)Pension Payment Options

When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100%, 75% or 50% of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows.

Regular Pension - The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

100% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

75% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 75% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

50% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% or 75% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

Equated Pension - An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with Regular, 100%, 75% or 50% option. At age 65 the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of social security benefits at age 65, provided by the Social Security Administration Office. In order to calculate this benefit, members choosing this option must provide ORS with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

Post Retirement Adjustments

One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977 and 1987. Beginning October 1, 1988, a 3% non-compounding increase, up to a maximum of \$25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8% annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3% increase in benefits. These adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987, are not eligible for the supplemental payment.

ContributionsMember Contributions

Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4% of compensation to the retirement system. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Year Ended December 31, 2019

NOTE L PENSION PLAN (continued)Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2019, the Authority's contribution rate was 24.6% of the defined benefit employee wages and 22.4% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2019 was \$441,650.

Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--------|
| Wage Inflation Rate | 2.75% |
| | 2.75— |
| Projected Salary Increases | 11.75% |
| including wage inflation at | 2.75% |
| Investment Rate of Return | 6.7% |
| Cost-of-Living Pension Adjustment | 2.25% |
| (Annual Non-Compounded with Maximum Annual Increase of \$300 for those eligible) | |

Mortality rates were based on RP-2014 Male and Female Combined Healthy Annuitant Mortality Tables, adjusted for mortality improvements to 2019 projections scale BB. For retirees, 93% of the table rates were used for males and 98% for females. For active members, 100% of the table rates were used for males and females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (Expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Allocation

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|--------------------------------------|-------------------|--|
| Domestic Equity Pools | 28% | 5.7% |
| Private Equity Pools | 18 | 9.2 |
| International Equity Pools | 16 | 7.2 |
| Fixed Income Pools | 10.5 | 0.5 |
| Real Estate and Infrastructure Pools | 10.0 | 3.9 |
| Absolute Return Pools | 15.5 | 5.2 |
| Short Term Investment Pools | 2.0 | 0.0 |
| Total | 100% | |

Year Ended December 31, 2019

NOTE L PENSION PLAN (continued)**Discount Rate**

A discount rate of 7.0% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 7.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MSERS Plan Net Pension Liability (in thousands)

| | |
|-----------------------------|---------------------------|
| Total Pension Liability | \$13,193,051 |
| Plan Fiduciary Net Position | <u>\$8,867,903</u> |
| Net Pension Liability | <u><u>\$4,325,148</u></u> |

| | |
|--|--------|
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 67.22% |
|--|--------|

| | |
|---|---------|
| Net Pension Liability as a Percentage of Covered Employee Payroll | 194.11% |
|---|---------|

Net Pension Liability

At December 31, 2018, the Authority reported a liability of \$3,661,849 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement period October 1, 2017, through September 30, 2018, relative to the total required

employer contributions from all of SERS's participating employers. At September 30, 2018, the Authority's proportion was less than 1% percent.

Assumption changes, based on the adoption of the findings of the experience study covering the period October 1, 2007 through September 30, 2012, increased the computed liabilities.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, in thousands, calculated using the discount rate of 7 % as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Authority's proportionate share
of the net pension liability

| | |
|-------------|------------------------|
| \$5,657,232 | 1% Decrease 6% |
| \$4,325,148 | Current Discount 7% |
| \$3,190,687 | 1% Increase 8% |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the SERS Comprehensive Annual Financial Report that may be obtained by visiting (www.michigan.gov/ors).

Year Ended December 31, 2019

NOTE L PENSION PLAN (continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2019, the Authority recognized pension expense of \$211,012. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Amounts reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | | | Year Ended September 30: Pension Expense Amount |
|--|-----------------------------------|----------------------------------|--|
| | | | 2020 |
| | | | 2021 |
| | | | 2022 |
| | | | 2023 |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | |
| Difference between expected and actual experience | - | - | (41,035) |
| Changes in assumptions | - | - | (130,675) |
| Net difference between projected and actual earnings on investments | - | \$369,521 | (138,682) |
| Changes in proportion and differences between actual contributions and proportionate share of contribution | - | - | (59,129) |
| Authority contributions subsequent to the measurement date | 412,313 | = | |
| Total | <u>\$412,313</u> | <u>\$369,521</u> | |

Year Ended December 31, 2019

NOTE M OTHER POST-EMPLOYMENT BENEFITS**Plan Description**

The Michigan State Employees Retirement System (System) is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2016 established the State of Michigan Retirement Board. The board consists of nine members – five appointed by the Governor, which consist of two members of the State Employees' Retirement System at least one of whom is a retirant; one member of the Judges Retirement System; one current or former officer or enlisted person in the Michigan military Establishment who is a member or retirant under the Military Retirement Provisions; and one member of the general public; and the attorney general, state treasurer, legislative auditor general, and state personnel director, who serves as an ex-officio member. The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act

The Michigan State Employees' Retirement System is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information. That reports may be obtained by visiting www.michigan.gov/ors or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111.

Benefits Provided

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan.

Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit

under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earnings a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund.

This plan is closed to new hires.

Year Ended December 31, 2019

NOTE M OTHER POST-EMPLOYMENT BENEFITS (continued)

Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles so the contribution rates do not have to increase over time. For fiscal year 2019, the Authority's contribution rate was 22.14% of the defined benefit employee wages and 22.14% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2019 was \$531,309. Active employees are not required to contribute to SERS OPEB.

Actuarial Assumptions

The Authority's net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|--|
| Wage Inflation Rate | 3.5% |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases | 3.5 – 12.5% |
| Health Care Cost Trend Rate | 9.0% Year 1 graded to 3.5% Year 10 RP-2000 |
| Mortality | |

Combined Healthy Life Mortality Table, adjusted for mortality improvements
For active members, 50% of the male tables rates were used. For women, 50% of the female table rates were used.

The actuarial assumptions were based upon the results of an experience study covering the period October 1, 2007 through September 30, 2012.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

| Asset Allocation | | |
|--------------------------------------|-------------------|---|
| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
| Domestic Equity Pools | 28.0 % | 5.6 % |
| International Equity Pools | 18.0 | 8.7 |
| Alternative Investment Pools | 16.0 | 7.2 |
| Real Estate and Infrastructure Pools | 10.5 | (0.1) |
| Fixed Income Pools | 10.0 | 4.2 |
| Absolute Return Pools | 15.5 | 5.0 |
| Short Term Investment Pools | 2.0 | (0.9) |
| TOTAL | 100.0 % | |

* Long-term rates of return are net of administrative expenses and 2.3% inflation

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 13.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Year Ended December 31, 2019

NOTE M OTHER POST-EMPLOYMENT BENEFITS (continued)**Discount Rate**

A Single Discount Rate of 7.0% was used to measure the total OPEB liability. This Single Discount Rate was based on the expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this Single Discount Rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Net OPEB Liability

At September 30, 2019, the Authority reported a liability of \$5,690,396 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on the Authority's required OPEB contributions received by SERS during the measurement period October 1, 2017, through September 30, 2018, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2019, the Authority's proportion was 0.0007 percent.

The investment return assumption was updated beginning with the September 30, 2016 valuation to reflect reductions in capital market assumptions for the asset classes in which the System invests. The investment return assumption was updated again beginning with the September 30, 2017 valuation in accordance with the Dedicated Gains Policy adopted by the Board of Trustees. This assumption change will increase the computed liabilities.

Sensitivity of the NET OPEB Liability to Changes in the Discount Rate

As required by GASB Statement No. 75 we have determined the sensitivity of the net OPEB liability in thousands to changes in the Single Discount Rate. The following table presents the Authority's net OPEB liability, calculated using a Single Discount Rate of 7.5%, as well as what the Authority's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

| | 6% | 7% | 8% |
|--|-------------|-------------|-------------|
| Entity's proportionate share of the net OPEB liability | \$6,571,455 | \$5,690,396 | \$4,951,431 |

Sensitivity of the NET OPEB Liability to Healthcare Cost Trend Rates

As required by GASB Statement No. 75, we have determined the sensitivity of the net OPEB liability in thousands to changes in the healthcare cost trend rates. The following table presents the Authority's net OPEB liability, calculated using the assumed trend rates as well as what the Authority's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| | 6% | 7% | 8% |
|--|-------------|-------------|-------------|
| Entity's proportionate share of the net OPEB liability | \$4,906,475 | \$5,690,396 | \$6,601,236 |

Year Ended December 31, 2019

**NOTE M OTHER POST-EMPLOYMENT
BENEFITS (continued)****OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the SERS Comprehensive Annual Financial Report that may be obtained by visiting (www.michigan.gov/ors).

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the Authority recognized OPEB expense of \$407,922.

At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience | \$0 | \$653,608 |
| Changes of assumptions | \$474,657 | \$0 |
| Net difference between projected and actual earnings on investments | \$0 | \$75,846 |
| Changes in proportion and differences between actual contributions and proportionate share of contributions | \$59,756 | \$0 |
| Authority contributions subsequent to the measurement date | \$496,039 | \$0 |
| Total | \$1,030,452 | \$729,454 |

Amounts reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended September 30: | OPEB Expense Amount |
|--------------------------|---------------------|
| 2019 | (\$48,282) |
| 2020 | (\$48,282) |
| 2021 | (\$48,282) |
| 2022 | (\$39,308) |
| 2023 | (\$10,887) |
| Thereafter | - |

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2019

NOTE M OTHER POST-EMPLOYMENT BENEFITS (continued)

Schedule of Authority's Contributions for OPEB State Employees' Retirement Plan

Schedules of Required Supplementary Information

Schedule of the Authority's Proportionate Share of Net OPEB Liability State Employees' Retirement System

Last 10 years*
(Amounts in thousands)

| | 2018 |
|---|-------------|
| Authority's Proportion of the Net OPEB Liability | 0.0007% |
| Authority's Proportionate Share of the Net OPEB Liability | \$5,841,494 |
| Authority's Covered-Employee Payroll | \$963,829 |
| Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 0.5288% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 19.89% |

| | 2018 |
|--|-------------|
| Statutorily Required Contribution | \$455,654 |
| Contributions in relation to the statutorily required contribution | \$455,654 |
| Contribution deficiency (excess) | \$0 |
| Authority's covered-employee payroll | \$963,829 |
| Contributions as a percentage of covered-employee payroll | 0.5288% |

Last 10 Fiscal Years*
(Amounts in thousands)

- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

The amounts presented for each fiscal year were determined as of the prior fiscal year.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

NOTE L SUBSEQUENT EVENT

On March 23, 2020 the Governor of the State of Michigan enacted Executive Order No. 2020-21 (the Order) in reaction to the COVID-19 pandemic impacting the nation. The Order was issued as a shelter in place directive to slow the spread of the COVID-19 virus as a broad directive "to prohibit in-person work that is not necessary to sustain or protect life." Under the order the International Bridge Administration is deemed as a necessary governmental activity and is able to continue necessary operations. In light of the Order, the infrastructure of the International Bridge Administration was reviewed to determine what services could be suspended or activities the Administration was not legally obligated to perform, that could be performed remotely to adhere to the Order in every way essentially possible.

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SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|-------------------------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance December 31, 2018 | \$ 931,269 | \$ 931,269 | \$ 931,269 | \$ - |
| Resources (inflows): | | | | |
| Toll collections | 6,369,045 | 6,369,045 | 7,018,893 | 649,848 |
| Lease and rental revenues | 400,000 | 400,000 | 357,524 | (42,476) |
| Interest revenues | 47,768 | 47,768 | 44,419 | (3,349) |
| Other revenues | 43,680 | 43,680 | 80,114 | 36,434 |
| Exchange gain | - | - | 85,271 | 85,271 |
| Amounts available for appropriation | 6,860,493 | 6,860,493 | 7,586,221 | 725,728 |
| Charges to appropriation (outflows): | | | | |
| Salaries | 3,972,223 | 3,972,223 | 3,990,969 | (18,746) |
| Insurance | 334,301 | 334,301 | 319,113 | 15,188 |
| Supplies | 36,232 | 36,232 | 32,010 | 4,222 |
| Accounting and audit fees | 30,915 | 30,915 | 28,352 | 2,563 |
| Periodicals and memberships | 429 | 429 | 8,095 | (7,666) |
| Printing and postage | 4,700 | 4,700 | 1,851 | 2,849 |
| Advertising | 6,800 | 6,800 | 2,046 | 4,754 |
| Uniforms | 16,239 | 16,239 | 16,790 | (551) |
| Medical exam | 5,500 | 5,500 | 4,386 | 1,114 |
| Salary administration | 34,379 | 68,500 | 66,592 | 1,908 |
| Cash transportation services | 12,000 | 12,000 | 13,210 | (1,210) |
| Commutation debit accounts | 4,677 | 4,677 | 7,282 | (2,605) |
| Vehicle gas and oil | 30,000 | 30,000 | 32,805 | (2,805) |
| Travel & meeting expense | 41,350 | 41,350 | 28,029 | 13,321 |
| Utilities | 197,122 | 197,122 | 252,365 | (55,243) |
| Service contract purchased | 25,428 | 25,428 | 26,506 | (1,078) |
| Computers, software and support | 169,102 | 169,102 | 47,203 | 121,899 |
| Training | 1,250 | 1,250 | 942 | 308 |
| Building maintenance | 18,951 | 18,951 | 27,426 | (8,475) |
| Building improvements and equipment | 64,154 | 64,154 | 46,063 | 18,091 |
| Heating and plumbing repair | 8,000 | 8,000 | 17,715 | (9,715) |
| Ground maintenance | 2,000 | 2,000 | 1,820 | 180 |
| Equipment repair | 28,891 | 28,891 | 30,445 | (1,554) |
| Vehicle maintenance | 12,360 | 12,360 | 11,967 | 393 |
| Leases and rentals | 16,500 | 16,500 | 20,187 | (3,687) |
| Paint and sandblast materials | 8,500 | 8,500 | 7,341 | 1,159 |
| Sand and ice melter | 37,848 | 37,848 | 11,659 | 26,189 |
| Small tools purchase | 4,017 | 4,017 | 7,760 | (3,743) |
| Bridge and road maintenance and repair | 34,500 | 34,500 | 46,542 | (12,042) |
| Commuter bus expenditures | 92,000 | 92,000 | 94,015 | (2,015) |
| Property tax and payment in lieu of taxes | 100,000 | 100,000 | 164,177 | (64,177) |
| Miscellaneous | 3,492 | 3,492 | 2,878 | 614 |
| Commuter rate adjustments | - | - | 3,709 | (3,709) |
| Transfers (in) out | | 1,519,542 | 1,519,542 | - |
| Total charges to appropriations | 5,353,860 | 6,907,523 | 6,891,792 | 15,731 |
| Budgetary fund balance, For the Year Ending December 31, 2019 | \$ 2,437,902 | \$ 884,239 | \$ 1,625,698 | \$ 741,459 |

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
CAPITAL FUND

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|------------|-------------------|---------------|
| | Original | Final | (Budgetary Basis) | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance December 31, 2018 | \$ 325,531 | \$ 325,531 | \$ 325,531 | \$ - |
| Resources (inflows): | | | | |
| Interest revenues | - | - | 169 | 169 |
| Other revenue | - | - | 434,083 | 434,083 |
| Exchange gain (loss) | - | - | 2,553 | 2,553 |
| Transfers in | 919,542 | 919,542 | 919,542 | - |
| Amounts available for appropriation | 919,542 | 919,542 | 1,356,347 | 436,805 |
| Charges to appropriations (outflows): | | | | |
| Professional services | 348,760 | 348,760 | 254,706 | 94,054 |
| Capital outlay | 390,266 | 433,266 | 689,418 | (256,152) |
| Administration | 147,417 | 147,417 | (116) | 147,533 |
| Total charges to appropriations | 886,443 | 929,443 | 948,095 | (18,652) |
| Budgetary fund balance, For the Year Ending December 31, 2019 | \$ 358,630 | \$ 315,630 | \$ 733,783 | \$ 418,153 |

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
MDOT CAPITAL FUND

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|--------------|-------------------|--|
| | Original | Final | (Budgetary Basis) | Final Budget Positive (Negative) |
| Budgetary Fund Balance December 31, 2018 | \$ 1,427,966 | \$ 1,427,966 | \$ 1,427,966 | \$ - |
| Resources (inflows): | | | | |
| Transfers in | 449,609 | 449,609 | 449,609 | - |
| Amounts available for appropriation | 449,609 | 449,609 | 449,609 | - |
| Charges to appropriations (outflows): | | | | |
| Transfers out | 77,946 | 77,946 | 77,946 | - |
| Total charges to appropriations | 77,946 | 77,946 | 77,946 | - |
| Budgetary fund balance, For the Year Ending December 31, 2019 | \$ 1,799,629 | \$ 1,799,629 | \$ 1,799,629 | \$ - |

SAULT STE. MARIE BRIDGE AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
FBCL CAPITAL FUND**

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|------------|-------------------|--|
| | Original | Final | (Budgetary Basis) | Final Budget Positive (Negative) |
| Budgetary Fund Balance December 31, 2018 | \$ 4,422 | \$ 4,422 | \$ 4,422 | \$ - |
| Resources (inflows): | | | | |
| Transfers in | 377,946 | 377,946 | 377,946 | - |
| Amounts available for appropriation | 377,946 | 377,946 | 377,946 | - |
| Charges to appropriations (outflows): | | | | |
| Transfers out | 149,609 | 149,609 | 149,609 | - |
| Total charges to appropriations | 149,609 | 149,609 | 149,609 | - |
| Budgetary fund balance, For the Year Ending December 31, 2019 | \$ 232,759 | \$ 232,759 | \$ 232,759 | \$ - |

SAULT STE. MARIE BRIDGE AUTHORITY**STATE EMPLOYEE'S RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2019

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The Schedule of Contributions is presented in the Michigan State Employees Retirement System Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2019, and is used to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis. The Michigan State Employees Retirement System Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2019 is available at www.michigan.gov.

The Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions are schedules that are required in implementing GASB Statement No. 68. The Schedule of the Proportionate Share of the Net Pension Liability represents in actuarial terms, the accrued liability less the market value of assets. The Schedule of Contributions is a comparison of the employer's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

Valuation

Actuarially determined contribution amounts are calculated as of September 30, each year, which is 1 day prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution For Fiscal Year 2019

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age, Normal |
| Amortization Method | Level Dollar, Closed |
| Remaining Amortization Period | 21 years |
| Asset Valuation Method | Five-year smoothed fair value |
| Wage Inflation Rate | 2.5% |
| Projected Salary Increases | 3.5 wage inflation |
| Investment Rate of Return | 8.00% net of investment and administrative expenses |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. |
| Mortality | RP-2000 Combined Health Life Mortality Table, adjusted for mortality improvements to 2016 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 50% of the table rates were used for males and females. |

SAULT STE. MARIE BRIDGE AUTHORITY**POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2019

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the other postemployment benefit obligations as a factor.

The Schedule of Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

The Schedule of the Proportionate Share of the Net OPEB Liability and Schedule of Contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The Schedule of Contributions is a comparison of the employer's contributions to the actuarially determined contributions.

The information presented in the Schedule of Contributions was used in the actuarial valuation for purposes of determining actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the OPEB plan follows.

Valuation:

Actuarially determined contribution amounts are calculated as of September 30, 2016.

Methods and Assumptions Used to Determine Contributions for Fiscal Year Ending September 30, 2019

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age, Normal |
| Amortization Method | Level– Percent of Payroll |
| Remaining Amortization Period | 18 Years |
| Asset Valuation Method | Fair Value |
| Salary Increases | 3.5% |
| Investment Rate of Return | 7.5% Per Year |
| Health Care Cost Trend Rate | 9.0% Year 1 Graded to 3.5% Year 10 |
| Mortality | RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For men and women, 50% of the male table rates were used. |

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

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:
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, 2019, 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 February 21, 2020.

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:
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

February 21, 2020

SAULT STE. MARIE BRIDGE AUTHORITY

UNAUDITED SUPPLEMENTAL INFORMATION

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SAULT STE. MARIE BRIDGE AUTHORITY
SCHEDULE OF TRAFFIC & TOLL REVENUE - UNAUDITED

For the Year Ending December 31, 2019

| | | AMERICAN | | CANADIAN | |
|--|---|---------------------|---------------------|----------------|---------------------|
| | | VEHICLES | REVENUE | VEHICLES | REVENUE |
| | | ACTUAL | ACTUAL | ACTUAL | ACTUAL |
| CLASS 1 & 12 | Passenger Car, 2 Axle Truck, Motorcycle | 266,332 | \$ 1,063,475 | 275,596 | \$ 1,073,131 |
| CLASS 2 | Class 1 + 1 Axle Trailer | 16,755 | 99,964 | 5,552 | 32,702 |
| CLASS 3 | Class 1 + 2 Axle Trailer | 10,773 | 85,957 | 7,222 | 57,531 |
| | | Commuter Cards Sold | | | |
| | | American | Canadian | | |
| CLASS 29 | Commuter | 12,727 | 82,201 | 137,484 | 393,369 |
| CLASS 5 & 11 | Bus, 2 Axle-6Tire Commercial | 5,178 | 51,765 | 1,222 | 14,350 |
| CLASS 7 | 3 Axle Commercial | 1,077 | 15,701 | 357 | 5,183 |
| CLASS 8 | 4 Axle Commercial | 1,208 | 23,592 | 126 | 2,480 |
| CLASS 9 | 5 Axle Commercial | 30,931 | 754,888 | 15,301 | 370,536 |
| CLASS 16 | 6 Axle Commercial | 3,358 | 97,965 | 2,889 | 82,522 |
| CLASS 17 | 7 Axle Commercial | 1,947 | 66,178 | 1,556 | 48,686 |
| CLASS 18 | 8 Axle Commercial | 1,663 | 64,444 | 1,912 | 76,823 |
| CLASS 19 | 9 Axle Commercial | 4,307 | 188,325 | 3,403 | 151,118 |
| CLASS 20 | 10 Axle Commercial | 6,530 | 318,315 | 3,949 | 198,577 |
| CLASS 21 | 11 Axle Commercial | 1,614 | 86,625 | 381 | 164 |
| CLASS 13 | Non Revenue | | | 5,980 | |
| TOTAL VEHICLES | | <u>489,157</u> | | <u>863,992</u> | |
| TOTAL REVENUE | | | <u>\$ 3,310,561</u> | | <u>\$ 3,708,328</u> |
| TOTAL AMERICAN & CANADIAN TRAFFIC | | <u>1,353,149</u> | | | |
| TOTAL AMERICAN & CANADIAN REVENUE | | <u>\$ 7,018,889</u> | | | |

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|------------|-------------------|---------------|
| | Original | Final | (Budgetary Basis) | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary Fund Balance December 31, 2018 | \$ 931,269 | \$ 931,269 | \$ 931,269 | \$ - |
| Resources (inflows): | | | | |
| Toll collections | 6,369,045 | 6,369,045 | 7,018,893 | 649,848 |
| Lease and rental revenues | 400,000 | 400,000 | 357,524 | (42,476) |
| Interest revenue | 47,768 | 47,768 | 44,419 | (3,349) |
| Other revenue | 43,680 | 43,680 | 80,114 | 36,434 |
| Amounts available for appropriation | 6,860,493 | 6,860,493 | 7,586,221 | 725,728 |
| Charges to appropriation (outflows): | | | | |
| Toll collection | | | | |
| Salaries | 1,654,330 | 1,654,330 | 1,706,840 | (52,510) |
| Insurance | 11,607 | 11,607 | 10,480 | 1,127 |
| Supplies | 4,500 | 4,500 | 6,041 | (1,541) |
| Printing and postage | 400 | 400 | 219 | 181 |
| Advertising | 2,500 | 2,500 | 170 | 2,330 |
| Uniforms | 5,250 | 5,250 | 7,187 | (1,937) |
| Medical exam | 1,000 | 1,000 | 482 | 518 |
| Salary administration | 14,463 | 29,000 | 28,309 | 691 |
| Cash transportation services | 12,000 | 12,000 | 13,210 | (1,210) |
| Commutation debit accounts | 2,650 | 2,650 | 3,629 | (979) |
| Travel & meeting expense | 850 | 850 | 2,197 | (1,347) |
| Service contract purchased | 5,250 | 5,250 | 9,748 | (4,498) |
| Computers, software and support | 84,023 | 84,023 | 27,582 | 56,441 |
| Training | - | - | 216 | (216) |
| Building maintenance | 2,100 | 2,100 | 1,558 | 542 |
| Building improvements and equipment | 17,017 | 17,017 | 3,632 | 13,385 |
| Equipment repair | 6,525 | 6,525 | 572 | 5,953 |
| Miscellaneous | 2,060 | 2,060 | 39 | 2,021 |
| Total toll collection | 1,829,025 | 1,843,562 | 1,823,755 | 19,807 |

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-------------------------------------|---|
| | Original | Final | | |
| Bridge maintenance | | | | |
| Salaries | 1,869,701 | 1,869,701 | 1,855,938 | 13,763 |
| Insurance | 37,565 | 37,565 | 13,322 | 24,243 |
| Supplies | 25,200 | 25,200 | 21,323 | 3,877 |
| Printing and postage | 400 | 400 | 108 | 292 |
| Advertising | 800 | 800 | 126 | 674 |
| Uniforms | 8,144 | 8,144 | 9,603 | (1,459) |
| Medical exam | 4,500 | 4,500 | 3,904 | 596 |
| Salary administration | 15,865 | 29,000 | 28,309 | 691 |
| Commutation debit accounts | 1,500 | 1,500 | 2,841 | (1,341) |
| Vehicle gas and oil | 30,000 | 30,000 | 32,805 | (2,805) |
| Travel & meeting expense | 6,000 | 6,000 | 5,654 | 346 |
| Utilities | 184,872 | 184,872 | 240,207 | (55,335) |
| Service contract purchased | 10,455 | 10,455 | 5,923 | 4,532 |
| Computers, software and support | 76,070 | 76,070 | 9,100 | 66,970 |
| Training | 1,250 | 1,250 | 726 | 524 |
| Building maintenance | 16,851 | 16,851 | 25,868 | (9,017) |
| Building improvements and equipment | 46,020 | 46,020 | 41,732 | 4,288 |
| Heating and plumbing repair | 8,000 | 8,000 | 17,715 | (9,715) |
| Ground maintenance | 2,000 | 2,000 | 1,820 | 180 |
| Equipment repair | 22,366 | 22,366 | 29,873 | (7,507) |
| Vehicle maintenance | 12,360 | 12,360 | 11,967 | 393 |
| Leases and rentals | 15,500 | 15,500 | 19,245 | (3,745) |
| Paint and sandblast materials | 8,500 | 8,500 | 7,341 | 1,159 |
| Sand and ice melter | 37,848 | 37,848 | 11,659 | 26,189 |
| Small tools purchase | 4,017 | 4,017 | 7,760 | (3,743) |
| Bridge and road maintenance and repair | 34,500 | 34,500 | 46,542 | (12,042) |
| Miscellaneous | 541 | 541 | 2,310 | (1,769) |
| Total maintenance | 2,480,825 | 2,493,960 | 2,453,721 | 40,239 |

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ending December 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|------------------|------------|-------------------|---------------|
| | Original | Final | (Budgetary Basis) | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Administration | | | | |
| Salaries | 448,192 | 448,192 | 428,191 | 20,001 |
| Insurance | 5,129 | 5,129 | 1,428 | 3,701 |
| Supplies | 6,532 | 6,532 | 4,646 | 1,886 |
| Accounting and audit fees | 28,515 | 28,515 | 28,352 | 163 |
| Periodicals and memberships | 429 | 429 | 8,095 | (7,666) |
| Printing and postage | 3,900 | 3,900 | 1,524 | 2,376 |
| Advertising | 3,500 | 3,500 | 1,750 | 1,750 |
| Salary administration | 4,051 | 10,500 | 9,974 | 526 |
| Commutation debit accounts | 330 | 330 | 812 | (482) |
| Travel & meeting expense | 7,000 | 7,000 | 9,453 | (2,453) |
| Utilities | 9,750 | 9,750 | 10,514 | (764) |
| Service contract purchased | 9,723 | 9,723 | 8,435 | 1,288 |
| Computers, software and support | 9,009 | 9,009 | 10,521 | (1,512) |
| Building improvements and equipment | 1,117 | 1,117 | 699 | 418 |
| Miscellaneous | 891 | 891 | 491 | 400 |
| Total administration | 540,913 | 547,362 | 524,885 | 22,477 |
| Other expenditures | | | | |
| Insurance | 280,000 | 280,000 | 293,883 | (13,883) |
| Accounting and audit fees | 2,400 | 2,400 | - | 2,400 |
| Commutation debit accounts | 197 | 197 | - | 197 |
| Travel & meeting expense | 27,500 | 27,500 | 10,725 | 16,775 |
| Service contract purchased | - | - | 2,400 | (2,400) |
| Leases and rentals | 1,000 | 1,000 | 942 | 58 |
| Commuter bus expenditures | 92,000 | 92,000 | 94,015 | (2,015) |
| Property tax and payment in lieu of taxes | 100,000 | 100,000 | 164,177 | (64,177) |
| Miscellaneous | - | - | 38 | (38) |
| Commuter rate adjustments | - | - | 3,709 | (3,709) |
| Transfers (in) out | 1,519,542 | 1,519,542 | 1,519,542 | - |
| Total other expenditures | 503,097 | 2,022,639 | 2,089,431 | (66,792) |
| Total charges to appropriations | 5,353,860 | 6,907,523 | 6,891,792 | 15,731 |
| Budgetary fund balance, For the Year Ending December 31, 2019 | \$ 2,437,902 | \$ 884,239 | \$ 1,625,698 | \$ 741,459 |

SAULT STE. MARIE BRIDGE AUTHORITY

SCHEDULE OF INSURANCE - UNAUDITED

For the Year Ended December 31, 2019

| Policy Number and Insurer | | Coverage 2019 | Premium/Deposit 2019 |
|---|---|----------------|-------------------------|
| <u>BRIDGE USE AND OCCUPANCY & COMMERCIAL BUILDING CONTENTS</u> | | | |
| 14012 | Bridge physical damage | \$ 137,615,757 | \$ 133,679 usd |
| | 3% if Total Insurable Values subject to minimum deductible of \$500,000 for Earthquake | | |
| (35% Liberty Mutual Ins. Co.) | \$500,000 deductible for Flood | | |
| (10% Zurich Ins. Co.) | \$500,000 All Other Perils | | |
| (Royal & Sun Alliance 27.5%) | Bridge use and occupancy insurance | \$ 14,471,904 | |
| (Allianz global Risks 27.5%) | Property of every description, Contractors equipment, Building - 139 Huron St | \$ 31,011,935 | |
| | Gross Rentals | \$ 400,000 | |
| | Extra Expense | \$ 1,000,000 | |
| | Bridge Use & Occupancy Earthquake - 3% of TIV -min. deductible \$500,000 | | |
| | Bridge Use & Occupancy - Flood deductible \$500,000 | | |
| | Property of Every Description - Earthquake - 3% of TIV min. deductible \$250,000 | | |
| | Property of Every Description - Flood deductible \$50,000 | | |
| | All Other Losses - deductible \$50,000 | | |
| <u>BOILER & MACHINERY</u> | | | |
| | Combined Limit, Property Damage, Business Interruption & Extra Expense (USD/CAD) | \$ 25,000,000 | \$ 4,314 cdn |
| 76427331 | Sublimits - Business Interruption \$5,000,000 | \$ 8,135,952 | |
| (Chubb Insurance Company of Canada) | Water Damage, Ammonia Contamination & Haz. Substance | \$ 250,000 | |
| | Errors & Omissions | \$ 1,000,000 | |
| | Data & Media | \$ 100,000 | |
| | Fungus Cleanup/Removal - Annual Aggregate | \$ 50,000 | |
| | Property Damage & Extra Expense / deductibles 1,000 | | |
| | Waiting Period / Time Element 48 hours | | \$ 1,186 us |
| <u>COMMERCIAL GENERAL LIABILITY</u> | | | |
| RMGL 3824416 | Commercial general liability with \$50,000 deductible for Bodily and property damage, Personal Injury and Advertising Liability | \$ 1,000,000 | \$ 31,324 US |
| (AIG of Canada) | \$1,000 deductible for Employee benefits liability | | |
| | \$1,000 deductible for Legal liability and damage to hired vehicles (All Perils) | | |
| | \$1,000 deductible for Tenants legal liability | | |
| | \$1,000 deductible for Forest fire fighting expenses | | |
| | Legal and auditing expenses included in deductible | | |
| | \$50,000 deductible Terrorism Coverage | | |

SAULT STE. MARIE BRIDGE AUTHORITY

SCHEDULE OF INSURANCE - UNAUDITED

For the Year Ended December 31, 2019

| Policy Number and Insurer | | Coverage 2019 | Premium/Deposit 2019 |
|---|---|----------------|-------------------------|
| <u>PRIMARY UMBRELLA LIABILITY</u> | | | |
| UM1360101 (100% Caitlin) | Bodily injury and property damage liability-umbrella in excess of \$1,000,000 Self-Insured Retention - Any One Occurrence \$10,000 | \$ 15,000,000 | \$ 33,957 usd |
| <u>EXCESS UMBRELLA LIABILITY</u> | | | |
| 7974 7813 (100% Chubb) | Bodily injury and property damage liability-umbrella in excess of primary umbrella | \$ 9,000,000 | \$ 10,000 usd |
| <u>WORKERS COMPENSATION</u> | | | |
| WCV6138057 (100% Accident Fund) | Worker's compensation and employer's liability insurance | \$ 1,000,000 | \$ 31,605 us |
| <u>COMMERCIAL CRIME</u> | | | |
| CR00000013729Z (100% Harleysville) | Theft of Money and Securities - inside the premises \$1,000 deductible | \$ 100,000 | \$ 850 us |
| <u>VEHICLE INSURANCE</u> | | | |
| BA00000013366Z (100% Harleysville) | Bodily injury and property damage liability and comprehensive collision, etc. on owned autos and trucks (8) \$500 deductible Comp./\$500 deductible Collision (3) \$2,500 deductible Comp./\$2,500 deductible Collision | \$ 1,000,000 | \$ 28,974 us |
| <u>PUBLIC OFFICIALS AND EMPLOYMENT PRACTICES LIABILITY</u> | | | |
| 06-112-71-86 (100% AIG) | Professional Services as Public Officials of Int'l Bridge, SMRBC and MDOT \$25,000 deductible per claim / Each Employment Practices Violation Defense costs over and above the limits of insurance | \$ 1,000,000 | \$ 15,588 us |
| <u>Terrorism Policy</u> | | | |
| CMCTR1702133 (100% London/Lloyds) | Full coverage in the event of an act of terrorism Property Damage (100%) USD 148,040,032 Business Interruption (100%) USD 15,875,904 (24 months) Total Insurabel Value (100%) USD 163,915,936 | 184,499,596.00 | 12,775.00 cdn |