

SAULT STE. MARIE BRIDGE AUTHORITY

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2010

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Year Ended December 31, 2010

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Year Ended December 31, 2010

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SAULT STE. MARIE BRIDGE AUTHORITY

INDEPENDENT AUDITORS' REPORT

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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INDEPENDENT AUDITORS' REPORT

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

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, of Michigan, as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, of Michigan, as of December 31, 2010, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010 on our consideration of the Authority's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 and budgetary comparisons on pages 30 through 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sault Ste. Marie Bridge Authority's basic financial statements. The accompanying schedules listed in the table of contents under the caption unaudited supplemental information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules listed in the table of contents under the caption supplemental information, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 17, 2010

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

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Year Ended December 31, 2010

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, 2010. 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 increased by 154,739 crossings the year ending December 31, 2010, an increase of 9.2% in traffic, as compared to the year ending December 31, 2009.
- In comparison to total traffic, commercial traffic increased by 3,174 crossings in 2010, an increase of 3.3%.
- Commuter crossings utilizing the IQ Prox Card increased by 12.5% for 2010, an increase of 93,318 crossings.

REVENUE & TOLL RATES

- The Canadian dollar appreciated 5.0% from December 31, 2009 to December 31, 2010. Revaluations of Canadian currency net assets on the Authority's year end balance sheet resulted in an exchange gain of \$85,425.
- Toll currency adjustments to the Canadian rates occurred on October 1, 2010. The Canadian rate change maintains equity between the American and Canadian toll rates, due to the fluctuating Canadian dollar. The American toll rates are the established benchmark for all bridge tolls.
- Toll revenues increased 250.8% in the year ending December 31, 2010, as compared to the 4 months ending December 31, 2009. This was an increase of \$4,882,795. The combined effects of the April 1, 2010 toll rate increase, and the appreciation of the Canadian dollar resulted in the increase in toll revenue.

EXPENDITURES

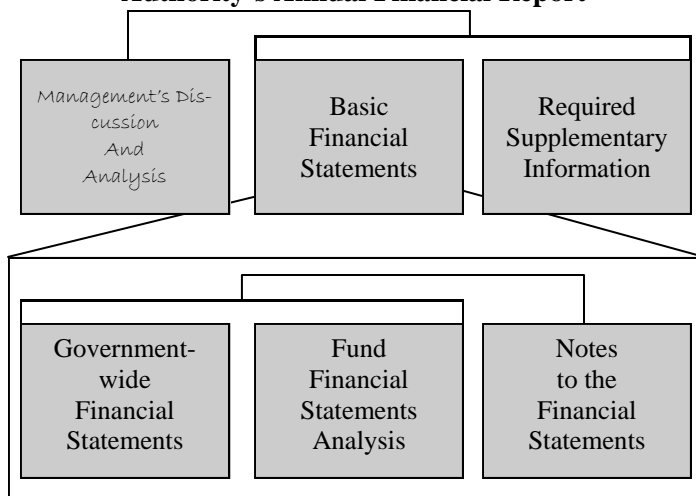
- Actual operational expenditures in the Revenue Fund were \$238,544, or 5.7% less than the final budget.
- Toll department was 1.4% in excess of approved budgetary amounts.
- Maintenance costs were 8.7% below approved budgetary amounts.
- Administration expenditures were 0.8% below final budget amounts.
- Other expenditures remained 19.6% below final budgets.
- Bridge maintenance expenditures in the Capital Fund for the year ending December 31, 2010 included expenditures for the design project for the U.S. plaza reconstruction, annual planned equipment capital outlay, and annual bridge inspection expenditures.
- The engineering inspections of the bridge in 2010 indicated the overall condition of the bridge is good and the structure is well maintained.
- During the short fiscal year transition, a prior year audit adjustment was not reversed. A prior period adjustment increased the net assets of the Governmental Activities in the amount of \$113,483 in expenditures.

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.

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

**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 combining statements that provide details about our governmental funds each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Authority's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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 assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
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 assets 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 assets and how they have changed. Net assets – 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 assets 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, 2010

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, 2010

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net assets. The Authority's combined assets remained unchanged at \$19.3 million for the year ended December 31, 2010. (See Table A-1.)

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

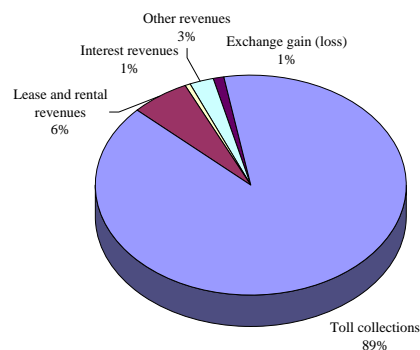
	Governmental Activities		Total Percentage Change
	2009	2010	2009-2010
Current and other assets	\$ 6,162.6	\$ 7,026.1	14.0%
Capital assets	13,232.4	12,283.1	(7.2)%
Total assets	19,395.0	19,309.2	(0.4)%
Current liabilities	2,674.8	1,421.1	(46.9)%
Long-term debt outstanding	270.2	244.8	(9.4)%
Total liabilities	2,945.0	1,665.9	(43.4)%
Net assets			
Invested in capital assets, net of related debt	13,232.5	12,283.1	(7.2)%
Restricted	2,074.7	4,208.9	102.9%
Unrestricted	1,142.9	1,396.0	22.1%
Total net assets	\$ 16,450.1	\$ 17,643.2	7.3%

Net assets of the Authority's governmental activities increased 7.3 percent to \$17.64 million. \$1.4 million of assets are not restricted as to the purposes for which they can be used. Restricted assets are \$4.21 million and \$12.3 million are invested in capital assets (buildings, bridge, and so on).

Changes in net assets. The Authority's total revenues increased by 260.1 percent to \$7.5 million, as compared to the 4 months ended December 31, 2009. (See Table A-2.) A majority of the Authority's revenue (90%) comes from toll collections. Another 10% comes from interest, lease and rental revenues, and gains in currency exchange. See Figure A-3)

The total cost of all primary activities increased 214.3 percent for the year of activity, as compared to the prior 4 months. 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 2010



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

Year Ended December 31, 2010

Governmental Activities

Revenues for the Authority's governmental activities increased 260.1%, while total expenses increased 214.3% for the year ending December 31, 2010, compared to the 4 months of revenues and expenses.

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

	Governmental Activities		Total
	2009	2010	Percentage Change 2009-2010
Revenues			
Charges for services	\$ 2,075.3	\$ 7,472.6	260.1%
Total Revenues	2,075.3	7,472.6	260.1%
Expenses			
Toll collections	513.5	1,591.5	210.0%
Bridge maintenance	1179.0	3,268.7	177.2%
Administration	141.4	424.1	199.8%
Other expense	241.3	1,237.7	413.0%
Total Expenses	2,075.2	6,522.0	214.3%
Excess (deficiency) before			
Special items	0.1	950.6	100.0%
Special item: MDOT parity refunded and exchange gain	160.8	85.4	(46.9)%
Interest	26.7	43.6	63.5%
Increase (decrease) in net assets	\$ 187.8	\$ 1,079.6	474.9%
Beginning net assets	\$ 16,262.2	\$ 16,450.0	1.2%
Prior period adjustment	-	113.5	100%
Ending net assets	\$ 16,450.0	\$ 17,643.1	7.3%

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

Year Ended December 31, 2010

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

As the Authority completed the year ended December 31, its governmental funds reported an increase in combined fund balance from \$3.6 to \$5.6 million, a combined fund balance increase of 55.6%. 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, 2010**

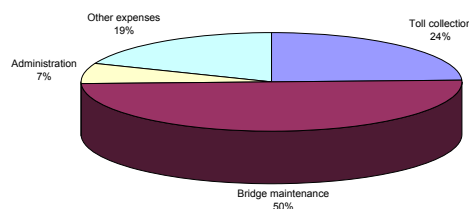


Table A-3
Changes in Authority's Fund Balance
(in thousands of dollars)

	Governmental Funds		Total Percentage Change
	2009	2010	2009-2010
Revenues			
Charges for services	\$ 1,946.6	\$ 6,829.4	250.8%
Lease and rental revenues	113.3	446.3	294.0%
Interest revenues	26.7	43.6	63.5%
Other revenues	15.4	196.8	1175.0%
Exchange gain (loss)	160.8	85.4	(46.9)%
Total Revenues	2,262.8	7,601.5	235.9%
Expenditures			
Toll collections	518.1	1,577.8	204.5%
Bridge maintenance	1,013.9	2,357.6	132.5%
Administration	137.2	424.8	210.0%
Other expense	241.3	1,237.7	412.9%
Total Expenditures	1,910.5	5,597.9	193.0%
Increase (decrease) in fund balance	\$ 352.3	\$ 2,003.6	468.7%

Year Ended December 31, 2010

Governmental Fund Revenues and Expenditures

Revenues for the bridge increased by 235.9% and expenditures for the Authority's governmental funds increased 193.0%, comparing one year of revenues and expenses to the prior 4 months activity. An appreciation of the Canadian dollar contributed to an additional 1.1% increase in total revenues, with a net result of a increase in fund balance of 468.7%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority made changes to the original 2010 capital budget. Budgets were approved for the year ending December 31, 2010.

REVENUE FUND

- Budgets remains unchanged to the revenue fund during the fiscal year, with actual expenditures \$215,622, or 2.9% more than the final approved budget, including interfund transfers.
- Toll revenues in the revenue fund were \$6.8 million and just \$8,893 or 0.1% above the budget year toll revenue.
- Toll department at year end were \$21,538 or 1.3% above approved budgetary amounts.
- Maintenance costs were \$140,821 or 8.7% below approved budgetary amounts.
- Administration expenditures were \$3,433, or 0.8% below final budget amounts.
- Other expenditures were \$338,337, or 9.0% below final budgets, including interfund transfers.

CAPITAL FUND

- Capital fund, after budget amendments, resulted in expenditures \$31,060, or 1.9% below the final approved budget for the year ending December 31, 2010.

The detailed budgetary comparison schedules for the revenue and capital fund are found in the required supplementary information on page 30-31.

LONG-TERM DEBT

At year-end, the Authority had \$244,815 in outstanding long-term liabilities – a decrease of 9.4% percent over the 4 month fiscal period ending December 31, 2009. More detailed information about the Authority's long-term liabilities is presented in compensated absences, Note G in the notes to financial statements.

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2010

CAPITAL ASSETS

At the year ending December 31, 2010, the Authority had invested \$12.3 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 \$949,421 or 7.2 percent, for the final year of 2010. 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
	2009	2010	Percentage
			Change
	2009	2010	2009-2010
Bridge	\$ 8,247.8	\$ 7,645.7	(7.3)%
Bridge lights	119.9	94.2	(21.4)%
Buildings	1,443.4	1,315.3	(8.9)%
Machinery and equipment	138.3	114.6	(17.1)%
Land	1,965.5	1,965.5	- %
Land improvements	55.8	52.0	(6.8)%
Vehicles	128.2	122.6	(4.4)%
Security system	1,133.8	973.2	(14.2)%
Totals	\$ 13,232.7	\$ 12,283.1	(7.2)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The value of the Canadian dollar has appreciated in the year ending December 31, 2010, increasing 4.8%. With two times more Canadian traffic as compared to U.S. traffic, as can be viewed in the supplemental information provided on page 34, the fluctuation of the Canadian dollar continues to impact revenue recorded by the Authority, and the equity of Canadian held funds.

Fluctuations in commercial traffic also result in significant changes to toll revenue, as commercial traffic represents 5.4% of total bridge traffic, but provides 37.8% of bridge toll revenue.

These indicators were taken into account when adopting the Revenue (General) fund budget for 2010.

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2010

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 ASSETS**

December 31, 2010

	Primary Government Governmental Activities 2010	
	<hr/>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$	3,886,822
Investments		2,564,772
Receivables (net)		214,948
Prepaid expense		359,516
		<hr/>
Total current assets		7,026,058
		<hr/>
Non-current assets:		
Capital assets (Note D):		
International bridge (net)		7,645,701
Bridge lights (net)		94,196
Buildings (net)		1,315,283
Machinery and equipment (net)		114,572
Land		1,965,530
Land improvements (net)		51,983
Vehicles (net)		122,589
Security system (net)		973,242
		<hr/>
Total non-current assets		12,283,096
		<hr/>
Total assets	\$	19,309,154
		<hr/> <hr/>

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

December 31, 2010

	Primary Government Governmental Activities 2010
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 478,539
Accrued payroll and related liabilities	587,346
Deferred revenue	355,236
	<hr/>
Total current liabilities	1,421,121
	<hr/>
Non-current liabilities:	
Accrued compensated absences	244,815
	<hr/>
Total non-current liabilities	244,815
	<hr/>
Total liabilities	1,665,936
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	12,283,096
Restricted for:	
Bridge maintenance	4,082,841
State projects	126,096
Unrestricted (deficit)	1,151,185
	<hr/>
Total net assets	17,643,218
	<hr/>
Total liabilities and net assets	\$ 19,309,154
	<hr/> <hr/>

SAULT STE. MARIE BRIDGE AUTHORITY**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2010

	Primary Government Governmental Activities 2010
EXPENSES	
Toll collection	\$ 1,591,520
Bridge maintenance	3,268,697
Administration	424,092
Other expenses	1,237,705
Total operating expenses	<u>6,522,014</u>
REVENUES	
Charges for services:	
Toll collection	2,446,953
Bridge maintenance	5,025,603
Total charges for services	<u>7,472,556</u>
Total revenues	<u>7,472,556</u>
Income from operations	<u>950,542</u>
General revenues and other changes in net assets:	
Interest revenues	43,627
Exchange gain (loss)	85,425
Total general revenues and other changes in net assets	<u>129,052</u>
Change in net assets	1,079,594
Net assets - beginning	16,450,141
Prior period adjustment	<u>113,483</u>
Net assets - ending	<u><u>\$ 17,643,218</u></u>

SAULT STE. MARIE BRIDGE AUTHORITY**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2010

	Revenue Fund	Capital Fund	Total
ASSETS			
Cash and cash equivalents	\$ 3,573,579	\$ 313,243	\$ 3,886,822
Investments	2,313,422	251,350	2,564,772
Receivables (net)	182,777	32,171	214,948
Due from other funds	-	3,542,172	3,542,172
Prepaid expense	354,516	5,000	359,516
	<u>6,424,294</u>	<u>4,143,936</u>	<u>10,568,230</u>
TOTAL ASSETS	\$ 6,424,294	\$ 4,143,936	\$ 10,568,230
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 317,444	\$ 161,095	\$ 478,539
Accrued payroll and related liabilities	587,346	-	587,346
Due to other funds	3,542,172	-	3,542,172
Deferred revenue	355,236	-	355,236
	<u>4,802,198</u>	<u>161,095</u>	<u>4,963,293</u>
TOTAL LIABILITIES	4,802,198	161,095	4,963,293
FUND BALANCES			
Reserved for			
Bridge maintenance	100,000	3,982,841	4,082,841
State projects	126,096	-	126,096
Unreserved	1,396,000	-	1,396,000
	<u>1,622,096</u>	<u>3,982,841</u>	<u>5,604,937</u>
TOTAL FUND BALANCES	1,622,096	3,982,841	5,604,937
	<u>\$ 6,424,294</u>	<u>\$ 4,143,936</u>	<u>\$ 10,568,230</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,424,294	\$ 4,143,936	\$ 10,568,230

SAULT STE. MARIE BRIDGE AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

December 31, 2010

Total fund balances – governmental funds \$ 5,604,937

Amounts 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	22,451,968
Other capital assets (net)	6,235,286
Accumulated depreciation	<u>(18,407,478)</u>
Total capital assets	\$ 12,283,096

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

Compensated absences	<u>(244,815)</u>
Total long-term liabilities	<u>(244,815)</u>
Net assets of governmental activities	<u>\$ 17,643,218</u>

See accompanying notes to basic financial statements.

SAULT STE. MARIE BRIDGE AUTHORITY**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2010

	Revenue Fund	Capital Fund	Total
REVENUES:			
Toll collections	\$ 6,829,435	\$ -	\$ 6,829,435
Federal grants	-	-	-
Lease and rental revenues	446,334	-	446,334
MDOT parity refunded	-	-	-
Interest revenues	30,542	13,085	43,627
Other revenues	196,787	-	196,787
Exchange gain (loss)	58,672	26,753	85,425
	<hr/>	<hr/>	<hr/>
Total Revenues	7,561,770	39,838	7,601,608
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current operations			
Toll collection	1,577,792	-	1,577,792
Bridge maintenance	1,481,696	875,940	2,357,636
Administration	424,625	188	424,813
Other expenditures	473,962	763,743	1,237,705
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,958,075	1,639,871	5,597,946
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	3,603,695	(1,600,033)	2,003,662
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,620,764	3,620,764
Transfers out	(3,620,764)	-	(3,620,764)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(3,620,764)	3,620,764	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(17,069)	2,020,731	2,003,662
	<hr/>	<hr/>	<hr/>
Fund Balance-Beginning	1,639,165	1,962,110	3,601,275
	<hr/>	<hr/>	<hr/>
Fund Balance-Ending	\$ 1,622,096	\$ 3,982,841	\$ 5,604,937
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SAULT STE. MARIE BRIDGE AUTHORITY

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

December 31, 2010

Total net change in fund balances – governmental funds \$ 2,003,662

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.

Capital outlay	\$	37,791
Depreciation expense		<u>(987,212)</u>

This is the amount by which depreciation expense exceeds capital outlays in the period. (949,421)

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.

25,353

Change in net assets of governmental activities \$ 1,079,594

See accompanying notes to basic financial statements.

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SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2010

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Reporting Entity

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

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

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

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

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

Year Ended December 31, 2010

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

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

The statement of net assets 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 assets 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 assets. 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 assets 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 comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Authority:

Governmental Funds

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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

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

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

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.

Year Ended December 31, 2010

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash, Cash Equivalents and Investments

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

Interfund Transfers

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

Prepaid Items

Payments made to vendors for insurance that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Year Ended December 31, 2010

NOTE B CASH

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

Cash and equivalents - unrestricted	<u>\$ 3,886,822</u>
TOTALS	<u><u>\$ 3,886,822</u></u>
Imprest	\$ 149
Change Fund	9,025
Savings and checking	<u>3,877,648</u>
TOTALS	<u><u>\$ 3,886,822</u></u>

NOTE C INVESTMENTS

Act 217, PA 1982 authorized the Authority to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States and its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the state under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- d. United States government of federal agency obligation repurchase agreements.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- h. Obligation described in a. through f. if purchased through an interlocal agreement under the urban cooperations act of 1967. 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 219.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2010

NOTE C INVESTMENTS (continued)

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Investments					
U.S. Treasury	\$ 289,947	\$ 289,947	\$ -	\$ -	\$ -
CIBC Guaranteed Investment Certificate (GIC)	2,274,825	1,005,577	1,269,248	-	-
Total Investments	\$ 2,564,772	\$ 1,295,524	\$ 1,269,248	\$ -	\$ -
 <u>As reported on the Statement of Net Assets</u>					
Investments	\$ 2,564,772				
Total Investments	\$ 2,564,772				

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 \$2,564,772 investments, \$2,564,772 are in the name of the Authority.

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

quire and the Authority does not have a policy for deposit custodial credit risk. As of December 31, \$3,737,329 of the Authority's bank balance of \$3,921,410 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

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

Cash and equivalents include cash deposited in a foreign (Canadian) financial institution. These deposits amount to \$2,513,147 (CAN) (\$2,526,718 U.S.) in its Canadian account and \$939,103 in its American account at the year ended December 31, 2010. These deposits are covered by Canadian depository insurance in the amount of \$100,540 (U.S.) (\$100,000 CAN), and Federal depository insurance in the amount of \$83,541.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2010

NOTE D CAPITAL ASSETS

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 1,965,530	\$ -	\$ -	\$ 1,965,530
Other capital assets:				
Bridge	22,451,968	-	-	22,451,968
Bridge lights	677,420	-	-	677,420
Buildings	2,854,012	-	-	2,854,012
Machinery & equipment	487,857	8,526	-	496,383
Land improvements	75,614	-	-	75,614
Office equipment	135,550	-	-	135,550
Vehicles	399,497	29,265	-	428,762
Security System	1,605,335	-	-	1,605,335
Subtotal	<u>28,687,253</u>	<u>37,791</u>	<u>-</u>	<u>28,725,044</u>
Accumulated depreciation:				
Bridge	(14,204,205)	(602,062)	-	(14,806,267)
Bridge lights	(557,533)	(25,691)	-	(583,224)
Buildings	(1,410,631)	(128,098)	-	(1,538,729)
Machinery & equipment	(349,662)	(32,147)	-	(381,811)
Land improvements	(19,850)	(3,781)	-	(23,631)
Office equipment	(135,550)	-	-	(135,550)
Vehicles	(271,274)	(34,899)	-	(306,173)
Security system	(471,559)	(160,534)	-	(632,093)
Subtotal	<u>(17,420,266)</u>	<u>(987,214)</u>	<u>-</u>	<u>(18,407,478)</u>
Net Other Capital Assets	<u>11,266,987</u>	<u>(949,423)</u>	<u>-</u>	<u>10,317,566</u>
Net Capital Assets	<u>\$ 13,232,517</u>	<u>\$ (949,423)</u>	<u>\$ -</u>	<u>\$ 12,283,096</u>

Note: Depreciation was entirely allocated to bridge maintenance expense.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2010

NOTE E RESTRICTED NET ASSETS

Restricted net assets at year ended December 31, 2010 consist of \$4,208,937 in investments, for the purpose of bridge repair, maintenance, and bridge owner projects, as required by the Intergovernmental Agreement. Restricted net assets include \$126,096 in state specified projects, \$642,983 in joint owner repair and maintenance, \$2,127,548 in MDOT restricted net assets and \$1,312,310 SMRBC restricted net assets.

NOTE F LEASES REVENUE

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

A summary of the lease revenue earned for the year ended December 31, 2010 is as follows:

American lease revenue	\$ 351,270
Canadian lease revenue	<u>95,064</u>
Total lease revenue	<u><u>\$ 446,334</u></u>

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

NOTE G 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, 2010 was \$244,815. This amount is reflected as a liability in the Statement of Net Assets.

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

Changes in Long-Term Debt				
	12/31/09	Additions	Deductions	12/31/10
Compensated Absences	\$ 270,168	\$ -	\$ (25,353)	\$ 244,815
Total	<u>\$ 270,168</u>	<u>\$ -</u>	<u>\$ (25,353)</u>	<u>\$ 244,815</u>

(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, 2010

NOTE H 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 statement of net assets/balance sheet for governmental funds.

Interfund balances at December 31, 2010 consisted of the following:

Fund	<u>Due To</u>	<u>Due From</u>
Revenue Fund	\$ -	\$ 3,542,172
Capital Fund	<u>3,542,172</u>	<u>-</u>
TOTALS	<u>\$ 3,542,172</u>	<u>\$ 3,542,172</u>

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

Interfund transfers for the year ended December 31, 2010 consisted of the following:

Fund	<u>Transfers Out</u>	<u>Transfers In</u>
Revenue Fund	\$ 3,620,764	\$ -
Capital Fund	<u>-</u>	<u>3,620,764</u>
TOTALS	<u>\$ 3,620,764</u>	<u>\$ 3,620,764</u>

NOTE I PENSION PLAN

Plan Descriptions – The Authority participates in the State of Michigan’s defined benefit and defined contribution plans that covers most state employees, as well as related component units such as the International Bridge Administration. The defined benefit plan provides retirement, disability, death benefits, and the annual cost of living adjustment to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 445,464	100%	0
2009	\$ 480,495	100%	0
2010	\$ 373,842	100%	0

Funding Policy – Plan members are not required to make contributions; the Authority is required to contribute at an actuarially determined rate for the defined benefit plan of 8.3 and 20.2 percent of payroll for the years ended September 30 2007 and 2008, respectively. The contribution rate for 2009 was 19.8%. 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, 2010, 2009, and 2008. 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. The Authority’s contributions to the plans, including post employment benefits as described in Note L.

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

Year Ended December 31, 2010

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, 2010. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2010, due to asset revaluation, revenue increased in the amount of \$85,425 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, 2010, are as follows:

Sault Ste. Marie, Ontario	\$ 106,101
Sault Ste. Marie, Michigan	<u>105,656</u>
Total tax payments	<u><u>\$ 211,757</u></u>

NOTE L POST-EMPLOYMENT BENEFITS

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

NOTE M PRIOR PERIOD ADJUSTMENTS

During the short fiscal year transition, a prior year audit adjustment was not reversed, in the amount of \$113,483 in expenditures. Net assets of the Governmental Activities will be increased as follows:

Beginning Net Assets January 1, 2010	\$ 16,450,141
Adjustments for prior year accrual	<u>113,483</u>
Restated Net Assets January 1, 2010	<u><u>\$ 16,563,624</u></u>

SAULT STE. MARIE BRIDGE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, August 31, 2010	\$ 1,639,165	\$ 1,639,165	\$ 1,639,165	\$ -
Resources (inflows):				
Toll collections	6,820,542	6,820,542	6,829,435	8,893
Lease and rental revenues	433,543	433,543	446,334	12,791
Interest revenues	34,728	34,728	30,542	(4,186)
Other revenues	74,405	74,405	196,787	122,382
Exchange gain (loss)	-	-	58,672	58,672
Amounts available for appropriation	7,363,218	7,363,218	7,561,770	198,552
Charges to appropriation (outflows):				
Salaries	2,153,890	2,153,890	2,031,076	122,814
Benefits	306,280	306,280	357,941	(51,661)
Retirement	461,121	461,121	479,988	(18,867)
Insurance	371,667	371,667	222,884	148,783
Supplies	35,922	35,922	27,064	8,858
Accounting and audit fees	29,085	29,085	27,567	1,518
Periodicals and memberships	3,340	3,340	3,527	(187)
Printing and postage	4,318	4,318	3,523	795
Advertising	7,168	7,168	4,415	2,753
Uniforms	12,280	12,280	13,552	(1,272)
Medical exam	2,744	2,744	6,301	(3,557)
Salary administration	24,069	24,069	50,116	(26,047)
Cash transportation services	8,706	8,706	13,737	(5,031)
Commutation debit accounts	2,388	2,388	3,770	(1,382)
Vehicle gas and oil	36,669	36,669	20,292	16,377
Travel & meeting expense	44,182	44,182	37,634	6,548
Utilities	153,479	153,479	156,826	(3,347)
Service contract purchased	16,199	16,199	13,765	2,434
Computers, software and support	103,772	103,772	106,856	(3,084)
Training	271	271	304	(33)
Building maintenance	20,222	20,222	14,193	6,029
Building improvements and equipment	29,728	29,728	6,198	23,530
Heating and plumbing repair	1,972	1,972	5,556	(3,584)
Ground maintenance	2,163	2,163	3,264	(1,101)
Equipment repair	32,012	32,012	21,002	11,010
Vehicle maintenance	12,824	12,824	12,834	(10)
Leases and rentals	239	239	-	239
Paint and sandblast materials	2,520	2,520	2,774	(254)
Sand and ice melter	5,999	5,999	3,441	2,558
Small tools purchase	4,965	4,965	4,979	(14)
Bridge and road maintenance and repair	19,990	19,990	19,046	944
Commuter bus expenditures	77,745	77,745	67,814	9,931
Property tax and payment in lieu of taxes	205,264	205,264	211,757	(6,493)
Miscellaneous	3,425	3,425	4,079	(654)
Transfers (in) out	3,166,599	3,166,599	3,620,764	(454,165)
Total charges to appropriations	7,363,217	7,363,217	7,578,839	(215,622)
Budgetary fund balance, December 31, 2010	\$ 1,639,166	\$ 1,639,166	\$ 1,622,096	\$ (17,070)

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
CAPITAL FUND

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, December 31, 2009	\$ 1,962,110	\$ 1,962,110	\$ 1,962,110	\$ -
Resources (inflows):				
Interest revenues	46,000	46,000	13,085	(32,915)
Exchange gain (loss)	-	-	26,753	26,753
Transfers in	3,166,599	3,166,599	3,620,764	454,165
Amounts available for appropriation	3,212,599	3,212,599	3,660,602	448,003
Charges to appropriations (outflows):				
Repairs and maintenance	20,832	20,832	93,082	(72,250)
Professional services	306,315	778,463	745,067	33,396
Capital outlay	176,072	32,000	37,791	(5,791)
Administration	7,352	7,352	190	7,162
Repairs and maintenance (owner)	106,939	832,285	763,743	68,542
Total charges to appropriations	617,510	1,670,932	1,639,873	31,059
Budgetary fund balance, December 31, 2010	\$ 4,557,199	\$ 3,503,777	\$ 3,982,839	\$ 479,062

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ANDERSON, TACKMAN & COMPANY, PLC
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MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

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

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan

We have audited the financial statements of the government activities and each major fund of the Sault Ste. Marie Bridge Authority, as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon, dated February 17, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Sault Ste. Marie Bridge Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

A material weakness is a deficiency, or combination of significant 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 in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 Governmental Auditing Standards.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 17, 2010.

This report is intended solely for the information and use, of management, Board of Commissioners, state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 17, 2010

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 Ended December 31, 2010

	December 31, 2010			
	AMERICAN		CANADIAN	
	VEHICLES	REVENUE	VEHICLES	REVENUE
	ACTUAL	ACTUAL	ACTUAL	ACTUAL
CLASS 1 & 12				
Passenger Car, 2 Axle Truck, Motorcycle	310,192	\$ 927,959	535,256	\$ 1,625,205
CLASS 2				
Class 1 + 1 Axle Trailer	18,374	81,960	8,734	39,916
CLASS 3				
Class 1 + 2 Axle Trailer	10,185	60,875	7,265	44,707
	<u>Commuter Deposits Sold</u>			
CLASS 29	<u>American</u>	<u>Canadian</u>		
Commuter	16,443	73,211	163,855	330,962
CLASS 5 & 11				
Bus, 2 Axle-6 Tire Commercial	7,770	62,152	2,258	19,637
CLASS 7				
3 Axle Commercial	1,306	15,292	634	7,703
CLASS 8				
4 Axle Commercial	1,164	18,182	40	646
CLASS 9				
5 Axle Commercial	38,754	751,178	12,824	259,393
CLASS 16				
6 Axle Commercial	4,017	92,640	1,990	48,183
CLASS 17				
7 Axle Commercial	3,370	90,161	1,079	30,447
CLASS 18				
8 Axle Commercial	2,482	76,108	1,425	46,144
CLASS 19				
9 Axle Commercial	6,190	214,740	2,157	78,369
CLASS 20				
10 Axle Commercial	3,334	128,415	4,071	164,516
CLASS 21				
11 Axle Commercial	4,344	184,300	342	15,257
CLASS 13				
Non Revenue	-		1,710	-
TOTAL VEHICLES	<u>575,337</u>		<u>1,253,187</u>	
TOTAL REVENUE		<u>\$ 3,034,924</u>		<u>\$ 3,794,511</u>
TOTAL AMERICAN & CANADIAN TRAFFIC		<u>1,828,524</u>		
TOTAL AMERICAN & CANADIAN REVENUE		<u>\$ 6,829,435</u>		

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SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2009	\$ 1,639,165	\$ 1,639,165	\$ 1,639,165	\$ -
Resources (inflows):				
Toll collections	6,820,542	6,820,542	6,829,435	8,893
Lease and rental revenues	433,543	433,543	446,334	12,791
Interest revenue	34,728	34,728	30,542	(4,186)
Other revenue	74,405	74,405	196,787	122,382
Exchange gain (loss)	-	-	58,672	58,672
Amounts available for appropriation	7,363,218	7,363,218	7,561,770	198,552
Charges to appropriation (outflows):				
Toll collection				
Salaries	982,419	982,419	956,589	25,830
Benefits	151,408	151,408	199,527	(48,119)
Retirement	221,603	221,603	251,872	(30,269)
Insurance	40,776	40,776	23,759	17,017
Supplies	8,276	8,276	2,454	5,822
Printing and postage	177	177	268	(91)
Advertising	4,511	4,511	2,001	2,510
Uniforms	4,057	4,057	5,522	(1,465)
Medical exam	416	416	1,200	(784)
Salary administration	12,034	12,034	25,058	(13,024)
Cash transportation services	8,706	8,706	13,737	(5,031)
Commutation debit accounts	1,423	1,423	2,274	(851)
Travel & meeting expense	1,515	1,515	373	1,142
Computers, software and support	91,113	91,113	91,828	(715)
Building maintenance	2,090	2,090	1,579	511
Building improvements and equipment	17,357	17,357	1,509	15,848
Equipment repair	6,524	6,524	(2,144)	8,668
Miscellaneous	1,849	1,849	385	1,464
Total toll collection	1,556,254	1,556,254	1,577,791	(21,537)

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Bridge maintenance				
Salaries	918,872	918,872	825,165	93,707
Benefits	120,012	120,012	118,756	1,256
Retirement	179,858	179,858	167,444	12,414
Insurance	65,867	65,867	46,309	19,558
Supplies	20,983	20,983	20,434	549
Printing and postage	460	460	257	203
Advertising	1,369	1,369	40	1,329
Uniforms	8,223	8,223	8,030	193
Medical exam	2,328	2,328	5,101	(2,773)
Salary administration	9,628	9,628	20,636	(11,008)
Commutation debit accounts	643	643	1,220	(577)
Vehicle gas and oil	36,669	36,669	20,292	16,377
Travel & meeting expense	2,055	2,055	2,054	1
Utilities	145,136	145,136	148,691	(3,555)
Computers, software and support	3,983	3,983	4,390	(407)
Training	271	271	304	(33)
Building maintenance	18,132	18,132	12,614	5,518
Building improvements and equipment	11,232	11,232	3,820	7,412
Heating and plumbing repair	1,972	1,972	5,556	(3,584)
Ground maintenance	2,163	2,163	3,264	(1,101)
Equipment repair	25,488	25,488	23,146	2,342
Vehicle maintenance	12,824	12,824	12,834	(10)
Leases and rentals	239	239	-	239
Paint and sandblast materials	2,520	2,520	2,774	(254)
Sand and ice melter	5,999	5,999	3,441	2,558
Small tools purchase	4,965	4,965	4,979	(14)
Bridge and road maintenance and repair	19,990	19,990	19,046	944
Miscellaneous	636	636	1,100	(464)
Total maintenance	1,622,517	1,622,517	1,481,697	140,820

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration				
Salaries	252,599	252,599	249,321	3,278
Benefits	34,860	34,860	39,657	(4,797)
Retirement	59,660	59,660	60,672	(1,012)
Insurance	5,171	5,171	3,048	2,123
Supplies	6,663	6,663	4,176	2,487
Accounting and audit fees	29,085	29,085	27,567	1,518
Periodicals and memberships	3,340	3,340	3,527	(187)
Printing and postage	3,681	3,681	2,999	682
Advertising	1,288	1,288	1,844	(556)
Salary administration	2,407	2,407	4,422	(2,015)
Commutation debit accounts	217	217	206	11
Travel & meeting expense	5,378	5,378	5,541	(163)
Utilities	8,343	8,343	8,135	208
Service contract purchased	4,642	4,642	1,807	2,835
Computers, software and support	8,676	8,676	10,639	(1,963)
Building improvements and equipment	1,139	1,139	869	270
Miscellaneous	909	909	195	714
Total administration	428,058	428,058	424,625	3,433
Other expenditures				
Insurance	259,853	259,853	149,768	110,085
Advertising	-	-	529	(529)
Commutation debit accounts	105	105	71	34
Travel & meeting expense	35,234	35,234	29,666	5,568
Service contract purchased	11,557	11,557	11,958	(401)
Commuter bus expenditures	77,745	77,745	67,814	9,931
Property tax and payment in lieu of taxes	205,264	205,264	211,757	(6,493)
Miscellaneous	32	32	2,398	(2,366)
Transfers (in) out	3,166,599	3,166,599	3,620,764	(454,165)
Total other expenditures	3,756,389	3,756,389	4,094,726	(338,337)
Total charges to appropriations	7,363,218	7,363,218	7,578,838	(215,620)
Budgetary fund balance, December 31, 2010	\$ 1,639,165	\$ 1,639,165	\$ 1,622,096	\$ (17,069)

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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ROBERT L. HASKE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

and

Mr. Thomas H. McTavish, CPA
Auditor General
State of Michigan
Lansing, Michigan 48913

We have audited the financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, of Michigan, for the year ended December 31, 2010, and have issued our report thereon dated February 17, 2011. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated December 6, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on December 6, 2010.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 17, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit findings or Issues

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

Comments and Recommendations

GASB 54 Fund Balance Components

The Governmental Accounting Standards Board has issued a new pronouncement, GASB #54 – Fund Balance Reporting and Governmental Fund Type Definitions. GASB #54 eliminates the current use of the terms reserved and designated in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance. The Standard is effective for periods beginning after June 15, 2010.

Following are the new categories and related definitions to be used for describing the components of your fund balance:

- **Non-spendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.

- **Restricted** – Reflects the same definition as Restricted net assets: Constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds and debt service funds.
- **Committed** – Includes amounts that are committed for specific purposes by formal action of the government’s highest level of decision-making authority. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously imposed the limitation.
- **Assigned** – Amounts that are intended by the government to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the Board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policies established by the board. This would include ANY activity reported in a fund other than the General Fund.
- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year’s budget would be included here and can no longer be described as “designated”.

The Standard also requires disclosure in the financial statements of any minimum fund balance policies. We encourage the Authority to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements.

Conclusion

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

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 17, 2011