

SAULT STE. MARIE BRIDGE AUTHORITY

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2011

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Year Ended December 31, 2011

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Year Ended December 31, 2011

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SAULT STE. MARIE BRIDGE AUTHORITY

INDEPENDENT AUDITORS' REPORT

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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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 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, 2011, 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 audit 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, 2011, 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.

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 3, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 30 through 33 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

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 as a whole. 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 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 do not express an opinion or provide assurance on them.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 3, 2012

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year Ended December 31, 2011

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, 2011. 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 169,554 crossings the year ending December 31, 2011, an increase of 9.3% in traffic, as compared to the year ending December 31, 2010.
- In comparison to total traffic, commercial traffic decreased by 3,651 crossings in 2011, a decrease of 3.7%.
- Commuter crossings utilizing the IQ Prox Card increased by 14.4% for 2011, an increase of 120,451 crossings.

REVENUE & TOLL RATES

- The Canadian dollar depreciated 1.8% from December 31, 2010 to December 31, 2011. Revaluations of Canadian currency net assets on the Authority's year end balance sheet resulted in an unrealized exchange loss of \$269,827.
- Toll currency adjustments to the Canadian rates occurred on October 1, 2011. 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 7.5% in the year ending December 31, 2011, as compared the year ended December 31, 2010. This was an increase of \$508,759. The combined effects of a stable Canadian dollar which remained at or over par with the U.S. dollar throughout much of 2011, and increased auto and commuter traffic increased total toll revenue.

EXPENDITURES

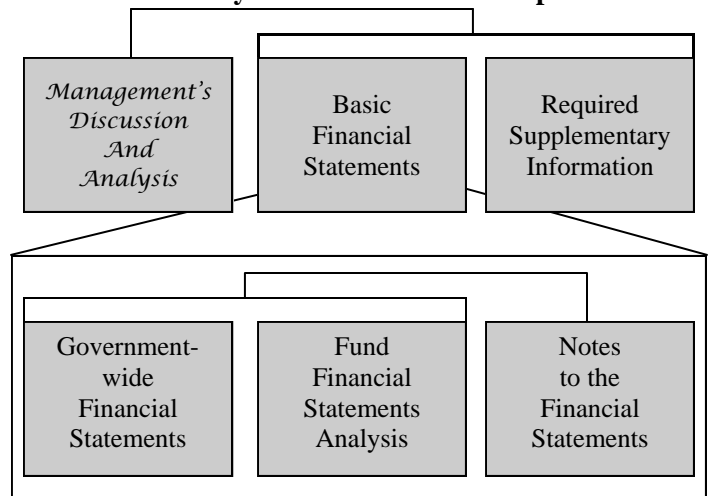
- Actual operational expenditures in the Revenue Fund were \$257,774, or 5.1% more than the final budget.
- Toll department was 4.5% under approved budgetary amounts.
- Maintenance costs were 7.5% above approved budgetary amounts.
- Administration expenditures were 5.2% above final budget amounts.
- Other expenditures remained 12.9% above final budgets.
- Bridge maintenance expenditures in the Capital Fund for the year ending December 31, 2011, included owner reserve account distributions, planned annual equipment capital outlay, and annual bridge inspection expenditures.
- The engineering inspections of the bridge in 2011 indicated the overall condition of the bridge is good and the structure is well maintained..

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**



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, 2011

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, 2011

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net assets. The Authority's combined assets increased to \$19.97 million for the year ended December 31, 2011. (See Table A-1.)

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

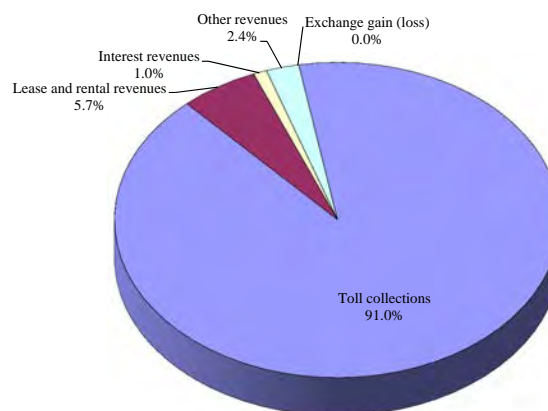
	Governmental Activities		Total Percentage Change
	2010	2011	2010-2011
Current and other assets	\$ 7,026.1	\$ 8,613.2	22.6%
Capital assets	12,283.1	11,352.2	(7.6)%
Total assets	19,309.2	19,965.4	3.4%
Current liabilities	1,421.1	1,122.4	(21.0)%
Long-term debt outstanding	244.8	208.7	(14.7)%
Total liabilities	1,665.9	1,331.1	(20.1)%
Net assets			
Invested in capital assets, net of related debt	12,283.1	11,352.2	(7.6)%
Restricted	4,208.9	5,351.1	27.1%
Unrestricted	1,151.2	1,931.0	67.7%
Total net assets	\$ 17,643.2	\$ 18,634.3	5.6%

Net assets of the Authority's governmental activities increased 5.6 percent to \$18.6 million. \$1.0 million of assets are nonspendable, \$0.23 million are committed, and \$1.9 million are assigned for operational purposes for which they can be used. Restricted assets are \$4.1 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 6.9 percent to \$7.9 million. (See Table A-2.) A majority of the Authority's revenue (91%) comes from toll collections. Another 9% comes from interest, lease and rental revenues. (See Figure A-3)

The total cost of all primary activities increased 4.3 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 2011



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

Year Ended December 31, 2011

Governmental Activities

Revenues for the Authority's governmental activities increased 6.9%, while total expenses increased 4.3% for the year ending December 31, 2011.

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

	Governmental Activities		Total Percentage Change
	2010	2011	2010-2011
Revenues			
Charges for services	\$ 7,472.6	\$ 7,987.8	6.9%
Total Revenues	7,472.6	7,987.8	6.9%
Expenses			
Toll collections	1,591.5	1,543.6	(3.0)%
Bridge maintenance	3,268.7	3,030.2	(7.3)%
Administration	424.1	440.6	3.9%
Other expense	1,237.7	1,791.2	44.7%
Total Expenses	6,522.0	6,805.6	4.3%
Excess (deficiency) before			
Special items	950.6	1,182.2	24.4%
Special item: MDOT parity			
refunded and exchange gain (loss)	85.4	(269.8)	(415.9)%
Interest	43.6	78.6	80.3%
Increase (decrease) in net assets	\$ 1,079.6	\$ 991.0	(8.2)%
Beginning net assets	\$ 16,450.0	\$ 17,643.1	7.3%
Prior period adjustment	113.5	-	(100.0)%
Ending net assets	\$ 17,643.1	\$ 18,634.3	5.6%

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

Year Ended December 31, 2011

**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 \$5.6 to \$7.5 million, a combined fund balance increase of 33.6%. 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, 2011**

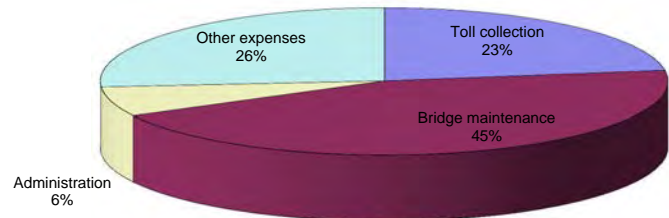


Table A-3
Changes in Authority's Fund Balance
(in thousands of dollars)

	Governmental Funds		Total Percentage Change
	2010	2011	2010-2011
Revenues			
Charges for services	\$ 6,829.4	\$ 7,338.2	7.5%
Lease and rental revenues	446.3	457.5	2.5%
Interest revenues	43.6	78.6	80.3%
Other revenues	196.8	192.1	(2.4)%
Exchange gain	85.4	-	(100.0)%
Total Revenues	7,601.5	8,066.5	6.1%
Expenditures			
Toll collections	1,577.8	1,557.4	(1.3)%
Bridge maintenance	2,357.6	2,106.8	(10.6)%
Administration	424.8	455.4	7.2%
Other expense	1,237.7	1,791.1	44.7%
Exchange loss	-	269.8	100.0%
Total Expenditures	5,597.9	6,180.5	10.4%
Increase (decrease) in fund balance	\$ 2,003.6	\$ 1,886.0	(5.9)%

Year Ended December 31, 2011

Governmental Fund Revenues and Expenditures

Revenues for the bridge increased by 6.1% and expenditures for the Authority's governmental funds increased 10.4%. A depreciation of the Canadian dollar at fiscal year end contributed an additional 4.8% in unrealized exchange losses, and a subsequent increase in total expenditures of 10.4%. The net result was an increase in fund balance of 33.6%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority made changes to the original 2011 capital budget. Budgets were approved for the year ending December 31, 2011.

REVENUE FUND

- Budgets remains unchanged to the revenue fund during the fiscal year, with actual expenditures \$271,774, or 5.4% more than the final approved budget, including interfund transfers.
- Toll revenues in the revenue fund were \$7.3 million and \$694,620 or 10.5% above the budget year toll revenue.
- Toll department at year end were \$72,959 or 4.5% under approved budgetary amounts.
- Maintenance costs were \$115,964 or 7.5% above approved budgetary amounts.
- Administration expenditures were \$22,433, or 5.2% above final budget amounts.
- Other expenditures were \$192,336, or 12.9% above final budgets, including interfund transfers.

CAPITAL FUNDS

- Capital fund, after budget amendments, resulted in expenditures \$255,884, or 12.9% below the final approved budget for the year ending December 31, 2011.

The detailed budgetary comparison schedules for the revenue, capital fund, MDOT capital fund, and SMRBC capital fund are found in the required supplementary information on page 30-31, 32 and 33, respectively.

LONG-TERM DEBT

At year-end, the Authority had \$208,740 in outstanding long-term liabilities – a decrease of 14.7% percent over the year ending December 31, 2011. More detailed information about the Authority's long-term liabilities is presented in compensated absences, Note G in the notes to financial

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2011

CAPITAL ASSETS

At the year ending December 31, 2011, the Authority had invested \$11.3 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 \$930,946 or 7.6 percent, for the final year of 2011. 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
	2010	2011	Change
			2010-2011
Bridge	\$ 7,645.7	\$ 7,043.6	(7.9)%
Bridge lights	94.2	68.5	(27.3)%
Buildings	1,315.3	1,187.9	(9.7)%
Machinery and equipment	114.6	114.2	(0.4)%
Land	1,965.5	1,965.5	- %
Land improvements	52.0	48.2	(7.3)%
Vehicles	122.6	111.5	(9.0)%
Security system	973.2	812.7	(16.5)%
Totals	\$ 12,283.1	\$ 11,352.1	(7.6)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The value of the Canadian dollar has remained near par to the U.S. dollar for much of the fiscal year ending December 31, 2011. A slight devaluation at the Authority's fiscal year end resulted in an unrealized exchange loss at December 31, 2011. With two times more Canadian traffic as compared to U.S. traffic, as can be viewed in the supplemental information provided on page 37, 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 4.8% of total bridge traffic, but provides 31.9% of bridge toll revenue.

These indicators were taken into account when adopting the Revenue (General) fund budget for 2011.

SAULT STE. MARIE BRIDGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2011

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, 2011

	Primary Government Governmental Activities 2011	
	<hr/>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$	5,965,344
Investments		2,224,624
Receivables (net)		174,513
Prepaid expense		248,762
		<hr/>
Total current assets		8,613,243
		<hr/>
Non-current assets:		
Capital assets (Note D):		
International bridge (net)		7,043,639
Bridge lights (net)		68,504
Buildings (net)		1,187,884
Machinery and equipment (net)		114,161
Land		1,965,530
Land improvements (net)		48,202
Vehicles (net)		111,522
Security system (net)		812,708
		<hr/>
Total non-current assets		11,352,150
		<hr/>
Total assets	\$	19,965,393
		<hr/> <hr/>

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

December 31, 2011

	Primary Government Governmental Activities 2011
LIABILITIES	
Current liabilities:	
Accounts Payable	\$ 138,159
Accrued payroll and related liabilities	648,809
Deferred revenue	335,429
	<hr/>
Total current liabilities	1,122,397
	<hr/>
Non-current liabilities:	
Accrued compensated absences	208,740
	<hr/>
Total non-current liabilities	208,740
	<hr/>
Total liabilities	1,331,137
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	11,352,150
Restricted for:	
Bridge maintenance	4,102,873
State projects	226,096
Unrestricted (deficit)	2,953,137
	<hr/>
Total net assets	18,634,256
	<hr/>
Total liabilities and net assets	\$ 19,965,393
	<hr/> <hr/>

See accompanying notes to basic financial statements.

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

For the Year Ended December 31, 2011

	Primary Government Governmental Activities 2011
EXPENSES	
Toll collection	\$ 1,543,618
Bridge maintenance	3,030,225
Administration	440,611
Other expenses	1,791,163
Total operating expenses	<u>6,805,617</u>
REVENUES	
Charges for services:	
Toll collection	\$ 2,695,801
Bridge maintenance	5,292,037
Total charges for services	<u>7,987,838</u>
Total revenues	<u>7,987,838</u>
Income from operations	<u>1,182,221</u>
General revenues and other changes in net assets:	
Interest revenues	78,644
Exchange gain (loss)	(269,827)
Total general revenues and other changes in net assets	<u>(191,183)</u>
Change in net assets	991,038
Net assets - beginning	<u>17,643,218</u>
Net assets - ending	<u>\$ 18,634,256</u>

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2011

	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund	Total
ASSETS					
Cash and cash equivalents	\$ 3,766,538	\$ 2,198,806	\$ -	\$ -	\$ 5,965,344
Investments	1,978,799	245,825	-	-	2,224,624
Receivables (net)	165,109	9,404	-	-	174,513
Due from other funds	-	17,575	395,000	395,000	807,575
Prepaid expense	243,762	5,000	-	-	248,762
TOTAL ASSETS	\$ 6,154,208	\$ 2,476,610	\$ 395,000	\$ 395,000	\$ 9,420,818
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 38,478	\$ 99,681	\$ -	\$ -	\$ 138,159
Accrued payroll and related liabilities	648,809	-	-	-	648,809
Due to other funds	807,575	-	-	-	807,575
Deferred revenue	335,429	-	-	-	335,429
TOTAL LIABILITIES	1,830,291	99,681	-	-	1,929,972
FUND BALANCES					
Nonspendable	408,871	31,979	395,000	395,000	1,230,850
Committed	226,096	-	-	-	226,096
Restricted	2,285,813	1,817,060	-	-	4,102,873
Assigned	1,403,137	527,890	-	-	1,931,027
TOTAL FUND BALANCES	4,323,917	2,376,929	395,000	395,000	7,490,846
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,154,208	\$ 2,476,610	\$ 395,000	\$ 395,000	\$ 9,420,818

SAULT STE. MARIE BRIDGE AUTHORITY

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

December 31, 2011

Total fund balances – governmental funds \$ 7,490,846

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)	6,322,090
Accumulated depreciation	<u>(19,387,438)</u>
Total capital assets	\$ 11,352,150

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>(208,740)</u>
Total long-term liabilities	<u>(208,740)</u>
Net assets of governmental activities	<u>\$ 18,634,256</u>

See accompanying notes to basic financial statements.

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

For the Year Ended December 31, 2011

	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund	Total
REVENUES:					
Toll collections	\$ 7,338,194	\$ -	\$ -	\$ -	\$ 7,338,194
Lease and rental revenues	457,543	-	-	-	457,543
Interest revenues	63,966	14,678	-	-	78,644
Other revenues	190,101	2,000	-	-	192,101
Total Revenues	8,049,804	16,678	-	-	8,066,482
EXPENDITURES:					
Current operations					
Toll collection	1,557,397	-	-	-	1,557,397
Bridge maintenance	1,658,573	448,185	-	-	2,106,758
Administration	455,280	148	-	-	455,428
Other expenditures	695,830	1,095,333	-	-	1,791,163
Exchange loss	91,244	178,583	-	-	269,827
Total Expenditures	4,458,324	1,722,249	-	-	6,180,573
Excess (deficiency) of revenues over expenditures	3,591,480	(1,705,571)	-	-	1,885,909
OTHER FINANCING SOURCES (USES)					
Transfers in	-	99,659	395,000	395,000	889,659
Transfers out	(889,659)	-	-	-	(889,659)
Total other financing sources (uses)	(889,659)	99,659	395,000	395,000	-
Net change in fund balances	2,701,821	(1,605,912)	395,000	395,000	1,885,909
Fund Balance-Beginning	1,622,096	3,982,841	-	-	5,604,937
Fund Balance-Ending	\$ 4,323,917	\$ 2,376,929	\$ 395,000	\$ 395,000	\$ 7,490,846

SAULT STE. MARIE BRIDGE AUTHORITY

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

December 31, 2011

Total net change in fund balances – governmental funds \$ 1,885,909

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	\$	49,014
Depreciation expense		<u>(979,960)</u>

This is the amount by which depreciation expense exceeds capital outlays in the period. (930,946)

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.

36,075

Change in net assets of governmental activities \$ 991,038

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SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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Year Ended December 31, 2011

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 (appointed by SMRBC). 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, 2011

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.

Year Ended December 31, 2011

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, Capital Fund, MDOT Capital Fund, and SMRBC 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 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
Vehicles	7-10 years
Security system	10 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, 2011

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 affect on the financial statements.

Annual Budget

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

Use of Estimates

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

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

Year Ended December 31, 2011

NOTE B CASH

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

Cash and equivalents - unrestricted	<u>\$ 5,965,344</u>
TOTALS	<u><u>\$ 5,965,344</u></u>
Imprest	\$ 151
Change Fund	8,925
Savings and checking	<u>5,956,268</u>
TOTALS	<u><u>\$ 5,965,344</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, 2011

NOTE C INVESTMENTS (continued)

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Investments					
CIBC Guaranteed Investment Certificate (GIC)	\$ 2,224,624	\$ 749,674	\$ 1,474,950	\$ -	\$ -
Total Investments	<u>\$ 2,224,624</u>	<u>\$ 749,674</u>	<u>\$ 1,474,950</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>As reported on the Statement of Net Assets</u>					
Investments	<u>\$ 2,224,624</u>				
Total Investments	<u>\$ 2,224,624</u>				

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

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

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the Authority's \$2,224,624 investments, \$2,224,624 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, \$5,535,261 of the Authority's bank balance of \$5,733,591 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 \$3,562,837 (CAN) (\$3,503,337 U.S.) in its Canadian account and \$2,457,493 in its American account at the year ended December 31, 2011. These deposits are covered by Canadian depository insurance in the amount of \$98,330 (U.S.) (\$100,000 CAN), and Federal depository insurance in the amount of \$100,000.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

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	496,383	23,271	-	519,654
Land improvements	75,614	-	-	75,614
Office equipment	135,550	-	-	135,550
Vehicles	428,762	25,743	-	454,505
Security System	1,605,335	-	-	1,605,335
Subtotal	<u>28,725,044</u>	<u>49,014</u>	<u>-</u>	<u>28,774,058</u>
Accumulated depreciation:				
Bridge	(14,806,267)	(602,062)	-	(15,408,329)
Bridge lights	(583,224)	(25,692)	-	(608,916)
Buildings	(1,538,729)	(127,399)	-	(1,666,128)
Machinery & equipment	(381,811)	(23,682)	-	(405,493)
Land improvements	(23,631)	(3,781)	-	(27,412)
Office equipment	(135,550)	-	-	(135,550)
Vehicles	(306,173)	(36,810)	-	(342,983)
Security system	(632,093)	(160,534)	-	(792,627)
Subtotal	<u>(18,407,478)</u>	<u>(979,960)</u>	<u>-</u>	<u>(19,387,438)</u>
Net Other Capital Assets	<u>10,317,566</u>	<u>(930,946)</u>	<u>-</u>	<u>9,386,620</u>
Net Capital Assets	<u>\$ 12,283,096</u>	<u>\$ (930,946)</u>	<u>\$ -</u>	<u>\$ 11,352,150</u>

Note: Depreciation was entirely allocated to bridge maintenance expense.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

NOTE E RESTRICTED NET ASSETS

Restricted net assets at year ended December 31, 2011 consist of \$4,328,969 in investments, for the purpose of bridge repair, maintenance, and bridge owner projects, as required by the Intergovernmental Agreement. Restricted net assets include \$226,096 in state specified projects.

A summary of the lease revenue earned for the year ended December 31, 2011 is as follows:

American lease revenue	\$ 365,709
Canadian lease revenue	<u>91,834</u>
Total lease revenue	<u><u>\$ 457,543</u></u>

NOTE F FUND BALANCES

At December 31, 2011 the combined fund balances included a nonspendable \$1,230,850 fund balance, a committed fund balance for \$226,096 in state specified projects, and a combined restricted fund balance of \$4,102,873. Combined fund balance of \$1,931,027 was assigned for operational expenditures.

The combined restricted owner reserve fund balance at December 31, 2011 were:

	Owner Reserve Fund Balances			
	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund
MDOT	\$ 1,355,043	\$ 1,817,060	\$ 395,000	\$ -
SMRBC	<u>930,770</u>	<u>-</u>	<u>-</u>	<u>395,000</u>
Total	<u><u>\$ 2,285,813</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 395,000</u></u>	<u><u>\$ 395,000</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 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, 2011 was \$208,740. This amount is reflected as a liability in the Statement of Net Assets.

NOTE G LEASES REVENUE

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

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

	Changes in Long-Term Debt			
	12/31/10	Additions	Deductions	12/31/11
Compensated Absences	\$ 244,815	\$ -	\$ (36,075)	\$ 208,740
Total	<u><u>\$ 244,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (36,075)</u></u>	<u><u>\$ 208,740</u></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, 2011

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 statement of net assets/balance sheet for governmental funds.

Interfund balances at December 31, 2011 consisted of the following:

Fund	<u>Due To</u>	<u>Due From</u>
Revenue Fund	\$ -	\$ 807,575
Capital Fund	17,575	-
MDOT Capital Fund	395,000	-
SMRBC Capital Fund	395,000	-
TOTALS	<u>\$ 807,575</u>	<u>\$ 807,575</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, 2011 consisted of the following:

Fund	<u>Transfers Out</u>	<u>Transfers In</u>
Revenue Fund	\$ 889,659	\$ -
Capital Fund	-	99,659
MDOT Capital Fund		395,000
SMRBC Capital Fund		395,000
TOTALS	<u>\$ 889,659</u>	<u>\$ 889,659</u>

NOTE J PENSION PLAN

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

<u>Year End- ed 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
2011	\$ 571,439	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, 20.2, 19.8 percent of payroll for the years ended September 30 2007, 2008 and 2009 respectively. The contribution rate for 2010 was 22.8%. 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, 2011, 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 M.

Year Ended December 31, 2011

NOTE K FOREIGN CURRENCY VALUATION

The Authority engages in Canadian currency transactions for bridge toll collections and Canadian purchases. All financial statement amounts are restated as American funds at the time of toll collection and/or payment of Canadian purchases utilizing the average monthly exchange rate. The balance sheet is valued at the daily exchange rate as of the year ended December 31, 2011. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2011, due to asset revaluation, revenue increased in the amount of \$269,827 due to the difference in U.S. and Canadian dollar currency rates at the fiscal year end.

NOTE L PROPERTY TAX PAYMENTS

The Authority pays property taxes in the City of Sault Ste. Marie, Ontario and payment in lieu of taxes, less Ontario tax rebates and refunds, to the City of Sault Ste. Marie, Michigan. The amounts paid to each respective unit, net of property tax rebates, for the year ended December 31, 2011, are as follows:

Sault Ste. Marie, Ontario	\$ 107,075
Sault Ste. Marie, Michigan	<u>107,004</u>
Total tax payments	<u><u>\$ 214,079</u></u>

NOTE M 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.

SAULT STE. MARIE BRIDGE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2010	\$ 1,622,096	\$ 1,622,096	\$ 1,622,096	\$ -
Resources (inflows):				
Toll collections	6,643,574	6,643,574	7,338,194	694,620
Lease and rental revenues	400,000	400,000	457,543	57,543
Interest revenues	72,000	72,000	63,966	(8,034)
Other revenues	-	-	190,101	190,101
Amounts available for appropriation	7,115,574	7,115,574	8,049,804	934,230
Charges to appropriation (outflows):				
Salaries	2,145,356	2,145,356	2,066,556	78,800
Benefits	306,731	306,731	365,553	(58,822)
Retirement	460,687	460,687	595,071	(134,384)
Insurance	315,337	315,337	424,339	(109,002)
Supplies	29,032	29,032	27,764	1,268
Accounting and audit fees	28,515	28,515	26,615	1,900
Periodicals and memberships	3,274	3,274	3,426	(152)
Printing and postage	4,341	4,341	2,623	1,718
Advertising	4,587	18,587	14,416	4,171
Uniforms	12,616	12,616	12,618	(2)
Medical exam	2,700	2,700	2,540	160
Salary administration	32,902	32,902	48,770	(15,868)
Cash transportation services	12,000	12,000	12,586	(586)
Commutation debit accounts	2,281	2,281	2,990	(709)
Vehicle gas and oil	24,308	24,308	23,446	862
Travel & meeting expense	34,942	34,942	27,596	7,346
Utilities	167,541	167,541	165,694	1,847
Service contract purchased	21,186	21,186	5,225	15,961
Computers, software and support	111,018	111,018	74,799	36,219
Training	515	515	-	515
Building maintenance	14,151	14,151	8,913	5,238
Building improvements and equipment	30,288	30,288	14,482	15,806
Heating and plumbing repair	5,150	5,150	5,294	(144)
Ground maintenance	1,906	1,906	1,171	735
Equipment repair	30,488	30,488	31,215	(727)
Vehicle maintenance	12,360	12,360	7,322	5,038
Leases and rentals	3,193	3,193	1,518	1,675
Paint and sandblast materials	4,635	4,635	8,689	(4,054)
Sand and ice melter	26,523	26,523	25,062	1,461
Small tools purchase	4,017	4,017	4,943	(926)
Bridge and road maintenance and repair	25,750	25,750	36,687	(10,937)
Commuter bus expenditures	76,220	76,220	77,815	(1,595)
Property tax and payment in lieu of taxes	226,000	226,000	214,079	11,921
Miscellaneous	3,492	3,492	27,263	(23,771)
Transfers (in) out	892,167	892,167	889,659	2,508
Exchange loss	-	-	91,244	(91,244)
Total charges to appropriations	5,076,209	5,090,209	5,347,983	(257,774)
Budgetary fund balance, December 31, 2011	\$ 3,661,461	\$ 3,647,461	\$ 4,323,917	\$ 676,456

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
CAPITAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2010	\$ 3,982,841	\$ 3,982,841	\$ 3,982,841	\$ -
Resources (inflows):				
Interest revenues	46,000	46,000	14,678	(31,322)
Other revenue	-	-	2,000	2,000
Transfers in	892,167	892,167	99,659	(792,508)
Amounts available for appropriation	938,167	938,167	116,337	(821,830)
Charges to appropriations (outflows):				
Repairs and maintenance	911,897	911,897	1,122,084	(210,187)
Professional services	126,690	126,690	371,825	(245,135)
Capital outlay	47,380	47,380	49,609	(2,229)
Administration	-	-	148	(148)
Transfers out	892,167	892,167	-	892,167
Exchange loss	-	-	178,583	(178,583)
Total charges to appropriations	1,978,134	1,978,134	1,722,249	255,885
Budgetary fund balance, December 31, 2011	\$ 2,942,874	\$ 2,942,874	\$ 2,376,929	\$ (565,945)

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
MDOT CAPITAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2010	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Transfers in	-	-	395,000	395,000
Amounts available for appropriation	-	-	395,000	395,000
Budgetary fund balance, December 31, 2011	\$ -	\$ -	\$ 395,000	\$ 395,000

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
SMRBC CAPITAL FUND

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2010	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Transfers in	-	-	395,000	395,000
Amounts available for appropriation	-	-	395,000	395,000
Budgetary fund balance, December 31, 2011	\$ -	\$ -	\$ 395,000	\$ 395,000

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA
AMBER N. MACK, CPA, EA

MEMBER AICPA
DIVISION FOR CPA FIRMS

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, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon, dated February 3, 2012. 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 was not designed to 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 one instance of non-compliance or other matters that are required to be reported under Governmental Auditing Standards as listed in the schedule of findings and responses as item 2011-1.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 3, 2012.

The Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses 11-1. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use, of management, Board of Directors, owner representatives, 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 3, 2012

Year Ended December 31, 2011

**EXPENDITURES IN EXCESS OF APPROPRIATIONS
BUDGETARY FUNDS**

FINDING 11-1

- Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.
- Condition: Our examination of procedures used by the Authority to adopt and maintain operating budgets for the Authority's budgetary fund revealed the following instance of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.
- The Authority's 2011 General Appropriations Act (budget) provided for expenditures of the Revenue Fund to be controlled to the activity level. As detailed, actual 2011 expenditures exceeded the board's approved budget allocations for some revenue fund activities.
- During the fiscal year ended December 31, 2011, expenditures were incurred in excess of amounts appropriated in the amended budgets for the Revenue Fund as listed on page 30 of the financial statements.
- Effect: Condition's may violate State Law.
- Cause: The Authority accrued Other Post-Employment Benefits expenditures as included in State invoiced bi-weekly payroll expenditures from the Michigan Department of Transportation for the bridge administration staff, after final amended budgets were approved for the fiscal year.
- Recommendation: We recommend that the Authority's General Manager and personnel responsible for administering the activities of the various funds of the Authority, develop budgetary control procedures for the Revenue Fund which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.
- Planned Corrective Action: Amounts will be maintained in the future.
- Contact Person(s) Responsible for Correction:
Phillip Becker, General Manager
Peter Petainen, Chief Financial Officer

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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, 2011

	December 31, 2011			
	AMERICAN		CANADIAN	
	VEHICLES	REVENUE	VEHICLES	REVENUE
	ACTUAL	ACTUAL	ACTUAL	ACTUAL
CLASS 1 & 12				
Passenger Car, 2 Axle Truck, Motorcycle	309,700	\$ 944,871	588,921	\$ 1,793,756
CLASS 2				
Class 1 + 1 Axle Trailer	17,190	77,355	8,924	40,821
CLASS 3				
Class 1 + 2 Axle Trailer	10,146	61,749	7,920	48,623
	<u>Commuter Deposits Sold</u>			
CLASS 29	<u>American</u>	<u>Canadian</u>		
Commuter	16,972	76,026	177,197	369,679
CLASS 5 & 11				
Bus, 2 Axle-6 Tire Commercial	6,699	64,900	1,909	18,722
CLASS 7				
3 Axle Commercial	1,374	16,488	682	8,301
CLASS 8				
4 Axle Commercial	1,222	19,552	74	1,204
CLASS 9				
5 Axle Commercial	36,436	728,720	12,031	244,131
CLASS 16				
6 Axle Commercial	3,572	85,728	1,786	43,779
CLASS 17				
7 Axle Commercial	3,631	101,668	1,437	40,555
CLASS 18				
8 Axle Commercial	2,146	68,672	1,313	42,383
CLASS 19				
9 Axle Commercial	6,087	219,132	2,473	89,880
CLASS 20				
10 Axle Commercial	3,613	144,520	3,562	144,620
CLASS 21				
11 Axle Commercial	5,601	246,444	252	11,585
CLASS 13				
Non Revenue	-		1,659	-
TOTAL VEHICLES	<u>584,614</u>		<u>1,413,454</u>	
TOTAL REVENUE		<u>\$ 3,149,478</u>		<u>\$ 4,188,716</u>
TOTAL AMERICAN & CANADIAN TRAFFIC		<u>1,998,068</u>		
TOTAL AMERICAN & CANADIAN REVENUE		<u>\$ 7,338,194</u>		

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SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, December 31, 2010	\$ 1,622,096	\$ 1,622,096	\$ 1,622,096	\$ -
Resources (inflows):				
Toll collections	6,643,574	6,643,574	7,338,194	694,620
Lease and rental revenues	400,000	400,000	457,543	57,543
Interest revenue	72,000	72,000	63,966	(8,034)
Other revenue	-	-	190,101	190,101
Amounts available for appropriation	7,115,574	7,115,574	8,049,804	934,230
Charges to appropriation (outflows):				
Toll collection				
Salaries	1,043,012	1,043,012	923,841	119,171
Benefits	159,444	159,444	184,548	(25,104)
Retirement	229,926	229,926	297,128	(67,202)
Insurance	28,310	28,310	24,470	3,840
Supplies	3,708	3,708	2,611	1,097
Printing and postage	268	268	203	65
Advertising	2,500	2,500	3,578	(1,078)
Uniforms	4,700	4,700	3,139	1,561
Medical exam	1,000	1,000	300	700
Salary administration	16,413	16,413	24,385	(7,972)
Cash transportation services	12,000	12,000	12,586	(586)
Commutation debit accounts	1,500	1,500	1,742	(242)
Travel & meeting expense	850	850	1,487	(637)
Computers, software and support	99,023	99,023	61,518	37,505
Building maintenance	2,100	2,100	1,504	596
Building improvements and equipment	17,017	17,017	4,721	12,296
Equipment repair	6,525	6,525	4,483	2,042
Miscellaneous	2,060	2,060	5,153	(3,093)
Total toll collection	1,630,356	1,630,356	1,557,397	72,959

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Bridge maintenance				
Salaries	846,020	846,020	883,594	(37,574)
Benefits	111,311	111,311	139,149	(27,838)
Retirement	170,206	170,206	220,944	(50,738)
Insurance	46,591	46,591	41,708	4,883
Supplies	18,792	18,792	19,739	(947)
Printing and postage	464	464	220	244
Advertising	824	824	45	779
Uniforms	7,916	7,916	9,479	(1,563)
Medical exam	1,700	1,700	2,240	(540)
Salary administration	11,957	11,957	19,508	(7,551)
Commutation debit accounts	371	371	882	(511)
Vehicle gas and oil	24,308	24,308	23,446	862
Travel & meeting expense	1,236	1,236	2,394	(1,158)
Utilities	159,362	159,362	157,217	2,145
Service contract purchased	5,305	5,305	-	5,305
Computers, software and support	3,488	3,488	4,285	(797)
Training	515	515	-	515
Building maintenance	12,051	12,051	7,409	4,642
Building improvements and equipment	12,154	12,154	9,153	3,001
Heating and plumbing repair	5,150	5,150	5,294	(144)
Ground maintenance	1,906	1,906	1,171	735
Equipment repair	23,963	23,963	26,732	(2,769)
Vehicle maintenance	12,360	12,360	7,322	5,038
Leases and rentals	3,193	3,193	252	2,941
Paint and sandblast materials	4,635	4,635	8,689	(4,054)
Sand and ice melter	26,523	26,523	25,062	1,461
Small tools purchase	4,017	4,017	4,943	(926)
Bridge and road maintenance and repair	25,750	25,750	36,687	(10,937)
Miscellaneous	541	541	1,009	(468)
Total maintenance	1,542,609	1,542,609	1,658,573	(115,964)

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Administration				
Salaries	256,324	256,324	259,121	(2,797)
Benefits	35,976	35,976	41,856	(5,880)
Retirement	60,555	60,555	76,999	(16,444)
Insurance	3,536	3,536	3,387	149
Supplies	6,532	6,532	5,414	1,118
Accounting and audit fees	28,515	28,515	26,615	1,900
Periodicals and memberships	3,274	3,274	3,426	(152)
Printing and postage	3,609	3,609	2,200	1,409
Advertising	1,263	1,263	1,869	(606)
Salary administration	4,532	4,532	4,877	(345)
Commutation debit accounts	213	213	298	(85)
Travel & meeting expense	5,273	5,273	8,162	(2,889)
Utilities	8,179	8,179	8,477	(298)
Service contract purchased	4,551	4,551	2,675	1,876
Computers, software and support	8,507	8,507	8,996	(489)
Building improvements and equipment	1,117	1,117	608	509
Miscellaneous	891	891	300	591
Total administration	432,847	432,847	455,280	(22,433)
Other expenditures				
Insurance	236,900	236,900	354,774	(117,874)
Advertising	-	14,000	8,924	5,076
Commutation debit accounts	197	197	68	129
Travel & meeting expense	27,583	27,583	15,553	12,030
Service contract purchased	11,330	11,330	2,550	8,780
Leases and rentals	-	-	1,266	(1,266)
Commuter bus expenditures	76,220	76,220	77,815	(1,595)
Property tax and payment in lieu of taxes	226,000	226,000	214,079	11,921
Miscellaneous	-	-	20,801	(20,801)
Transfers (in) out	892,167	892,167	889,659	2,508
Exchange loss	-	-	91,244	(91,244)
Total other expenditures	1,470,397	1,484,397	1,676,733	(192,336)
Total charges to appropriations	5,076,209	5,090,209	5,347,983	(257,774)
Budgetary fund balance, December 31, 2011	\$ 3,661,461	\$ 3,647,461	\$ 4,323,917	\$ 676,456

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