

SAULT STE. MARIE BRIDGE AUTHORITY

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2013

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Year Ended December 31, 2013

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority as of and for the year ended December 31, 2013, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, as of December 31, 2013, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014 on our consideration of the Sault Ste. Marie Bridge Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sault Ste. Marie Bridge Authority's internal control over financial reporting and compliance.



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

February 14, 2014

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

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Year Ended December 31, 2013

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, 2013. 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 surpassed 2 million crossings in 2013, to end with the year with 2,104,458 crossings on December 31, 2013. This is an increase of 34,009 crossings, an increase of 1.6% in traffic, as compared to the year ending December 31, 2012.
- In comparison to total traffic, commercial traffic decreased by 997 crossings in 2013, a marginal decrease of 1.0%.
- Commuter crossings utilizing the IQ Prox Card increased by 4.8% for 2013, an increase of 48,938 crossings. Total commuter crossings for 2013 were 1,066,347.
- Full fare passenger auto crossings decreased 1.5% to 897,369 crossings on December 31, 2013.

REVENUE & TOLL RATES

- The Canadian dollar depreciated 6.5% from December 31, 2012 to December 31, 2013. Revaluations of Canadian currency net position on the Authority's year end balance sheet resulted in an unrealized exchange loss of \$675,065.
- The American toll rates are the established benchmark for all bridge tolls. Toll currency adjustments to the Canadian rates occur on April 1 and October 1 when fluctuations occur in the Canadian dollar. The equity between the American and Canadian exchange rates remained stable in 2013, and no changes to the Canadian rates occurred.

- Toll revenues were \$7,298,622, a decrease of 0.9% for the year ending December 31, 2013, as compared the year ended December 31, 2012. This was a decrease of \$66,802. The combined effects of a decreasing Canadian dollar in the last quarter of 2013, as compared to the U.S. dollar, decreased auto and commercial traffic, and increased commuter traffic, resulted in total toll revenue slightly under 2012.

EXPENDITURES

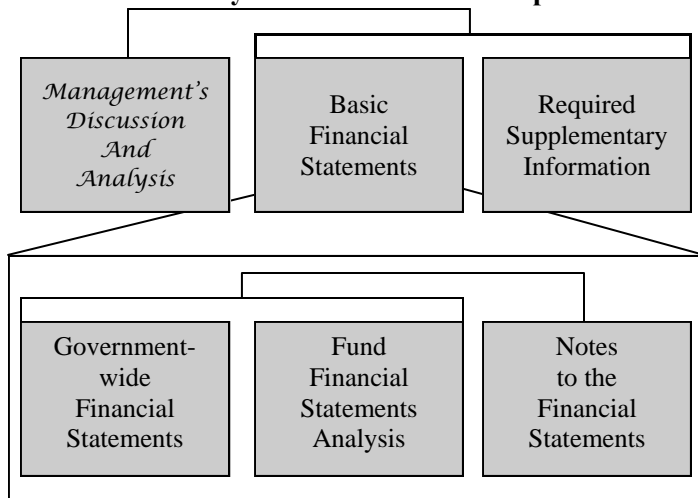
- Actual operational expenditures in the Revenue Fund were 1.5% less than the final budget.
- Toll department was 3.7% under approved budgetary amounts.
- Maintenance costs were 2.7% under approved budgetary amounts.
- Administration expenditures were 7.5% above final budget amounts.
- Other expenditures were 1.1% under final budgets.
- Bridge maintenance expenditures in the Capital Fund for the year ending December 31, 2013, included owner reserve account distributions, planned annual equipment capital outlay, and annual bridge inspection expenditures.
- The engineering inspections of the bridge in 2013 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**



Summary

Detail

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

Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2		
Major Features of Authority's Government-wide and Fund Financial Statements		
	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire Authority government (except fiduciary funds) and the Authority's component units	The activities of the Authority that are not proprietary or fiduciary, such as toll collection, bridge maintenance, and administration
Required financial	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund 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 position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the Authority are:

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

Year Ended December 31, 2013

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, 2013

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position. The Authority's combined assets increased to \$23.2 million for the year ended December 31, 2013. (See Table A-1.)

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

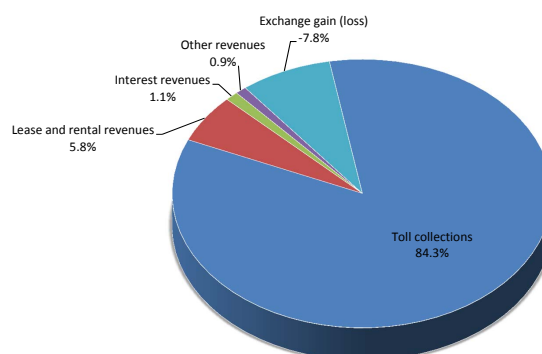
	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Current and other assets	\$ 11,602.6	\$ 12,949.8	11.6%
Capital assets	10,887.4	10,235.5	(6.0)%
Total assets	22,490.0	23,185.3	3.1%
Current liabilities	1,429.5	1,332.4	(6.8)%
Long-term debt outstanding	230.4	239.8	4.1%
Total liabilities	1,659.9	1,572.2	(5.3)%
Net position			
Net investment in capital assets	10,887.4	10,235.5	(6.0)%
Restricted	1,953.8	467.7	(76.1)%
Unrestricted	7,988.8	10,909.9	36.6%
Total net position	\$ 20,830.1	\$ 21,613.1	3.8%

Net position of the Authority's governmental activities increased 3.8 percent to \$21.6 million. \$9.2 million of assets are nonspendable, \$0.23 million are committed, and \$1.7 million are assigned for operational purposes for which they can be used. Restricted assets are \$0.47 million and \$10.2 million are invested in capital assets (buildings, bridge, and so on).

Changes in net position. The Authority's total revenues decreased by 1.0 percent to \$7.9 million. (See Table A-2.) A majority of the Authority's revenue (91.5%) comes from toll collections. Interest, lease and rental revenues accounted for 8.5% of the Authority's revenue (See Figure A-3)

The total cost of all primary activities decreased 0.9 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, 2013



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

Year Ended December 31, 2013

Governmental Activities

Revenues for the Authority's governmental activities decreased 1.0%, while total expenses decreased 0.9% for the year ending December 31, 2013.

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

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Revenues			
Charges for services	\$ 7,966.5	\$ 7,884.3	(1.0)%
Total Revenues	7,966.5	7,884.3	(1.0)%
Expenses			
Toll collections	1,699.9	1,727.2	1.6%
Bridge maintenance	3,230.5	3,287.1	1.8%
Administration	523.5	541.2	3.4%
Other expense	1,128.2	966.7	(14.3)%
Total Expenses	6,582.1	6,522.2	(0.9)%
Excess (deficiency) before Special items	1,384.4	1,362.1	(1.6)%
Special item: Federal grant and exchange gain (loss)	697.0	(675.1)	(196.9)%
Interest	114.3	96.1	(15.9)%
Change in net position	2,195.7	783.1	(64.3)%
Beginning net position	\$ 18,634.3	\$ 20,830.0	11.8%
Ending net position	\$ 20,830.0	\$ 21,613.1	3.8%

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

Year Ended December 31, 2013

**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 \$10.2 to \$11.6 million, a combined fund balance increase of 14.2%. 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, 2013**

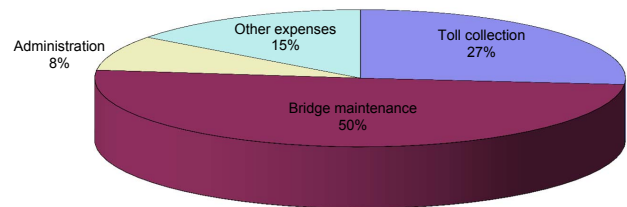


Table A-3
Changes in Authority's Fund Balance
(in thousands of dollars)

	Governmental Funds		Total Percentage Change
	2012	2013	2012-2013
Revenues			
Charges for services	\$ 7,365.4	\$ 7,298.6	(0.9)%
Federal grants	517.0	-	(100.0)%
Lease and rental revenues	500.9	503.9	0.6%
Interest revenues	114.3	96.1	(15.9)%
Other revenues	100.2	81.8	(18.4)%
Exchange gain (loss)	180.0	(675.0)	(475.0)%
Total Revenues	8,777.8	7,305.4	(16.8)%
Expenditures			
Toll collections	1,687.0	1,728.5	2.5%
Bridge maintenance	2,766.7	2,629.6	(5.0)%
Administration	513.7	536.2	4.4%
Other expense	1,128.2	966.7	(14.3)%
Total Expenditures	6,095.6	5,861.0	(3.8)%
Increase (decrease) in fund balance	\$ 2,682.2	\$ 1,444.4	(46.2)%

Year Ended December 31, 2013

Governmental Fund Revenues and Expenditures

Revenues for the bridge decreased by 15.8% and expenditures for the Authority's governmental funds decreased 1.3%. A depreciation of the Canadian dollar at fiscal year end contributed an additional 7.8% in unrealized exchange loss due to asset revaluation. Total revenues also reflect a decrease of 7.6% due to a one time grant of \$517,000 accounted for in 2012. The net result, including the lower realized revenue for 2013, was an overall increase in the change in fund balance of 12.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority made changes to the original 2013 capital budget. Budgets were approved for the year ending December 31, 2013.

REVENUE FUND

- Revenue fund, after budget amendments, resulted in actual expenditures of \$4,812,386 which is \$133,091, or 1.5% less than the final approved budget, including interfund transfers.
- Toll revenues in the revenue fund were \$7.3 million and \$73,141 or 1.0% above the budget year toll revenue.
- Toll department expenditures of \$1,728,517 at year end were \$67,577 or 3.7% under approved budgetary amounts.
- Maintenance costs of \$1,957,476 were \$53,489 or 2.7% under approved budgetary amounts.
- Administration expenditures of \$535,679 were \$37,176, or 7.5% above final budget amounts.
- Other expenditures of \$590,714 were \$49,201, or 1.1% under final budgets, including interfund transfers.

CAPITAL FUNDS

- Capital fund, after budget amendments, resulted in expenditures of \$1,048,566, which was \$428,028 or 29.0% below the final approved budget for the year ending December 31, 2013.

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

LONG-TERM DEBT

At year-end, the Authority had \$239,804 in outstanding long-term liabilities – an increase of 4.1% percent over the year ending December 31, 2012. More detailed information about the Authority's long-term liabilities is presented in compensated absences, Note H in the notes to financial statements.

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

Year Ended December 31, 2013

CAPITAL ASSETS

At the year ending December 31, 2013, the Authority had invested \$10.2 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 \$651,914 or 6.0 percent, for the year ended December 31, 2013. More detailed information about the Authority's capital assets is presented in Note D to the financial statements.

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

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
	Bridge	\$ 6,441.6	\$ 5,839.5
Bridge lights	42.8	17.1	(60.0)%
Buildings	1,068.4	1,127.1	5.5%
Machinery and equipment	103.8	202.1	94.7%
Land	1,965.5	1,965.5	- %
Land improvements	44.4	40.6	(8.6)%
Vehicles	99.3	91.6	(7.8)%
Security system	1,121.6	951.9	(15.1)%
Totals	\$ 10,887.4	\$ 10,235.4	(6.0)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The value of the Canadian dollar has remained at par to the U.S. dollar for most of the fiscal year ending December 31, 2013. A depreciation at the Authority's fiscal year end resulted in an unrealized exchange loss at December 31, 2013. Sault Ste. Marie, Ontario had a population of 75,141 in 2013, as compared to Sault Ste. Marie, Michigan with a population of 14,000. The disproportionate population in the Sault Ste. Marie communities contribute to two times more Canadian bridge traffic as compared to U.S. traffic, as can be viewed in the supplemental information provided on page 37. Combined with the strong buying power of the Canadian dollar in the United States for most of 2013, Canadian consumers continue to impact the earned toll revenue, as recorded by the Authority. The changes in Canadian dollar valuation also impact the equity of Canadian held funds.

Fluctuations in commercial traffic also result in significant changes to toll revenue, as commercial traffic represents 4.5% of total bridge traffic, but provides 30.6% of bridge toll revenue.

These indicators were taken into account when adopting the Revenue (General) fund budget for 2013.

Year Ended December 31, 2013

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

SAULT STE. MARIE BRIDGE AUTHORITY

BASIC FINANCIAL STATEMENTS

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SAULT STE. MARIE BRIDGE AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013

	Primary Government Governmental Activities 2013	
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ASSETS		
Current assets:		
Cash and cash equivalents	\$	6,451,271
Investments		6,042,041
Receivables (net)		178,842
Prepaid expense		227,632
Inventory		50,042
		<hr/>
Total current assets		12,949,828
		<hr/>
Non-current assets:		
Capital assets (Note D):		
International bridge (net)		5,839,510
Bridge lights (net)		17,126
Buildings (net)		1,127,086
Machinery and equipment (net)		202,075
Land		1,965,530
Land improvements (net)		40,640
Vehicles (net)		91,589
Security system (net)		951,915
		<hr/>
Total non-current assets		10,235,471
		<hr/>
Total assets	\$	23,185,299
		<hr/> <hr/>

SAULT STE. MARIE BRIDGE AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013

	Primary Government Governmental Activities 2013
LIABILITIES	
Current liabilities:	
Accounts Payable	\$ 482,763
Accrued payroll and related liabilities	483,746
Unearned revenue	365,850
	<hr/>
Total current liabilities	1,332,359
	<hr/>
Non-current liabilities:	
Accrued compensated absences	239,804
	<hr/>
Total non-current liabilities	239,804
	<hr/>
Total liabilities	1,572,163
	<hr/>
NET POSITION	
Net investment in capital assets	10,235,471
Restricted	467,779
Unrestricted	10,909,886
	<hr/>
Total net position	21,613,136
	<hr/>
Total liabilities and net position	\$ 23,185,299
	<hr/> <hr/>

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

For the Year Ended December 31, 2013

	Primary Government Governmental Activities 2013
EXPENSES	
Toll collection	\$ 1,727,230
Bridge maintenance	3,287,064
Administration	541,261
Other expenses	966,672
Total operating expenses	<u>6,522,227</u>
REVENUES	
Charges for services:	
Toll collection	\$ 2,715,835
Bridge maintenance	5,168,463
Total charges for services	<u>7,884,298</u>
Income from operations	<u>1,362,071</u>
General revenues and other changes in net position:	
Interest revenues	96,091
Exchange gain (loss)	(675,065)
Total general revenues and other changes in net position	<u>(578,974)</u>
Change in net position	783,097
Net position - beginning	<u>20,830,039</u>
Net position - ending	<u><u>\$ 21,613,136</u></u>

December 31, 2013

	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund	Total
ASSETS					
Cash and cash equivalents	\$ 5,841,880	\$ 609,391	\$ -	\$ -	\$ 6,451,271
Investments	6,040,766	1,275	-	-	6,042,041
Receivables (net)	176,838	2,004	-	-	178,842
Due from other funds	-	609,885	4,777,966	3,354,422	8,742,273
Prepaid expense	222,632	5,000	-	-	227,632
Inventory	50,042	-	-	-	50,042
TOTAL ASSETS	\$ 12,332,158	\$ 1,227,555	\$ 4,777,966	\$ 3,354,422	\$ 21,692,101
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 339,876	\$ 142,887	\$ -	\$ -	\$ 482,763
Accrued payroll and related liabilities	483,746	-	-	-	483,746
Due to other funds	8,742,273	-	-	-	8,742,273
Deferred revenue	365,850	-	-	-	365,850
TOTAL LIABILITIES	9,931,745	142,887	-	-	10,074,632
FUND BALANCES					
Nonspendable	449,512	616,889	4,777,966	3,354,422	9,198,789
Committed	226,096	-	-	-	226,096
Restricted	-	467,779	-	-	467,779
Assigned	1,724,805	-	-	-	1,724,805
TOTAL FUND BALANCES	2,400,413	1,084,668	4,777,966	3,354,422	11,617,469
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,332,158	\$ 1,227,555	\$ 4,777,966	\$ 3,354,422	\$ 21,692,101

SAULT STE. MARIE BRIDGE AUTHORITY

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

December 31, 2013

Total fund balances – governmental funds \$ 11,617,469

Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$ 1,965,530
Infrastructure assets – bridge	22,451,968
Other capital assets (net)	7,203,072
Accumulated depreciation	<u>(21,385,099)</u>
Total capital assets	\$ 10,235,471

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>(239,804)</u>
Total long-term liabilities	<u>(239,804)</u>
Net position of governmental activities	<u>\$ 21,613,136</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, 2013

	Revenue Fund	Capital Fund	MDOT Capital Fund	SMRBC Capital Fund	Total
REVENUES:					
Toll collections	\$ 7,298,622	\$ -	\$ -	\$ -	\$ 7,298,622
Lease and rental revenues	503,861	-	-	-	503,861
Interest revenues	91,573	4,518	-	-	96,091
Other revenues	81,815	-	-	-	81,815
Exchange gain (loss)	(623,149)	(51,916)	-	-	(675,065)
Total Revenues	<u>7,352,722</u>	<u>(47,398)</u>	<u>-</u>	<u>-</u>	<u>7,305,324</u>
EXPENDITURES:					
Current operations					
Toll collection	1,728,517	-	-	-	1,728,517
Bridge maintenance	1,957,476	672,087	-	-	2,629,563
Administration	535,679	521	-	-	536,200
Other expenditures	590,714	375,958	-	-	966,672
Total Expenditures	<u>4,812,386</u>	<u>1,048,566</u>	<u>-</u>	<u>-</u>	<u>5,860,952</u>
Excess (deficiency) of revenues over expenditures	<u>2,540,336</u>	<u>(1,095,964)</u>	<u>-</u>	<u>-</u>	<u>1,444,372</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,800,000	1,301,757	736,005	3,837,762
Transfers out	(3,837,762)	-	-	-	(3,837,762)
Total other financing sources (uses)	<u>(3,837,762)</u>	<u>1,800,000</u>	<u>1,301,757</u>	<u>736,005</u>	<u>-</u>
Net change in fund balances	(1,297,426)	704,036	1,301,757	736,005	1,444,372
Fund Balance-Beginning	<u>3,697,839</u>	<u>380,632</u>	<u>3,476,209</u>	<u>2,618,417</u>	<u>10,173,097</u>
Fund Balance-Ending	<u>\$ 2,400,413</u>	<u>\$ 1,084,668</u>	<u>\$ 4,777,966</u>	<u>\$ 3,354,422</u>	<u>\$ 11,617,469</u>

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, 2013

Total net change in fund balances – governmental funds \$ 1,444,372

Amounts reported for governmental activities in the statement of activities
are different because:

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

Capital outlay	\$	377,683
Depreciation expense		<u>(1,029,597)</u>

This is the amount by which depreciation expense exceeds capital outlays
in the period. (651,914)

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.

(9,361)

Change in net position of governmental activities \$ 783,097

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, 2013

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, 2013

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

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

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

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

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

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

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

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

3. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that 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, 2013

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, and Owner 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

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

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

Deferred Inflows of Resources

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

Year Ended December 31, 2013

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

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

Modified Accrual

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

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

Cash, Cash Equivalents and Investments

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

Interfund Transfers

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

Prepaid Items

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

Annual Budget

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

Use of Estimates

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

Year Ended December 31, 2013

NOTE B CASH

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

Cash and equivalents - unrestricted	\$ 6,451,271
TOTALS	\$ 6,451,271
Imprest	\$ 151
Change Fund	8,731
Savings and checking	6,442,389
TOTALS	\$ 6,451,271

NOTE C INVESTMENTS

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

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

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

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

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)	\$ 6,042,041	\$ 705,150	\$ 5,336,891	\$ -	\$ -
Total Investments	\$ 6,042,041	\$ 705,150	\$ 5,336,891	\$ -	\$ -
 <u>As reported on the Statement of Net Position</u>					
Investments	\$ 6,042,041				
Total Investments	\$ 6,042,041				

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 \$6,042,041 investments, \$6,042,041 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, \$6,284,607 of the Authority's bank balance of 6,426,059 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 \$5,777,440 (CAN) (\$5,431,949 U.S.) in its Canadian account and \$994,110 in its American account at the year ended December 31, 2013. These deposits are covered by Canadian depository insurance in the amount of \$94,020 (U.S.) (\$100,000 CAN), and Federal depository insurance in the amount of \$47,432.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

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	160,184	(7,773)	3,006,423
Machinery & equipment	532,674	123,151	-	655,825
Land improvements	75,614	-	-	75,614
Office equipment	135,550	-	-	135,550
Vehicles	433,743	23,451	-	457,194
Security System	2,124,149	70,897	-	2,195,046
Subtotal	<u>29,285,130</u>	<u>377,683</u>	<u>(7,773)</u>	<u>29,655,040</u>
Accumulated depreciation:				
Bridge	(16,010,391)	(602,062)	-	(16,612,453)
Bridge lights	(634,608)	(25,691)	-	(660,299)
Buildings	(1,785,606)	(103,047)	7,773	(1,880,880)
Machinery & equipment	(428,884)	(23,324)	-	(452,208)
Land improvements	(31,193)	(3,781)	-	(34,974)
Office equipment	(135,550)	-	-	(135,550)
Vehicles	(334,471)	(31,134)	-	(365,605)
Security system	(1,002,572)	(240,558)	-	(1,243,130)
Subtotal	<u>(20,363,275)</u>	<u>(1,029,597)</u>	<u>7,773</u>	<u>(21,385,099)</u>
Net Other Capital Assets	<u>8,921,855</u>	<u>(651,914)</u>	<u>-</u>	<u>8,269,941</u>
Net Capital Assets	<u>\$ 10,887,385</u>	<u>\$ (651,914)</u>	<u>\$ -</u>	<u>\$ 10,235,471</u>

Note: Depreciation was entirely allocated to bridge maintenance expense.

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

NOTE E RESTRICTED NET POSITION

Restricted net position at year ended December 31, 2013 consist of \$467,779 in investments, for the purpose of bridge repair, maintenance, and bridge owner projects, as required by the Intergovernmental Agreement.

A summary of the lease revenue earned for the year ended December 31, 2013 is as follows:

American lease revenue	\$ 419,707
Canadian lease revenue	<u>84,154</u>
Total lease revenue	<u>\$ 503,861</u>

NOTE F FUND BALANCES

At December 31, 2013 the combined fund balances included a nonspendable \$9,198,789 fund balance, a committed fund balance for \$226,096 in state specified projects , and a combined restricted fund balance of \$467,779. Combined fund balance of \$1,724,805 was assigned for operational expenditures.

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.

The combined owner reserve fund balance at December 31, 2013 were:

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, 2013 was \$239,804. This amount is reflected as a liability in the Statement of Net Position.

NOTE G LEASES REVENUE

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

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

	Changes in Long-Term Debt			
	12/31/12	Additions	Deductions	12/31/13
Compensated Absences	\$ 230,443	\$ 9,361	\$ -	\$ 239,804
Total	<u>\$ 230,443</u>	<u>\$ 9,361</u>	<u>\$ -</u>	<u>\$ 239,804</u>

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

SAULT STE. MARIE BRIDGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

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 position/balance sheet for governmental funds.

Interfund balances at December 31, 2013 consisted of the following:

Fund	<u>Due To</u>	<u>Due From</u>
Revenue Fund	\$ -	\$ 8,742,273
Capital Fund	609,885	-
MDOT Capital Fund	4,777,966	-
SMRBC Capital Fund	3,354,422	-
TOTALS	<u><u>\$ 8,742,273</u></u>	<u><u>\$ 8,742,273</u></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, 2013 consisted of the following:

Fund	<u>Transfers Out</u>	<u>Transfers In</u>
Revenue Fund	\$ 3,837,762	\$ -
Capital Fund	-	1,800,000
MDOT Capital Fund	-	1,301,757
SMRBC Capital Fund	-	736,005
TOTALS	<u><u>\$ 3,837,762</u></u>	<u><u>\$ 3,837,762</u></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 Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 322-5103 or 1-800-381-5111.

<u>Year End- ed Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 480,495	100%	0
2010	\$ 373,842	100%	0
2011	\$ 571,439	100%	0
2012	\$ 466,379	100%	0
2013	\$ 969,625	100%	0

Funding Policy – Plan members are required to contribute based on the changes made to the plan via Public Act 264 of 2011, effective April 1, 2012. Participants who elected to remain in the plan are required to contribute 4% of their compensation; the Authority is required to contribute at an actuarially determined rate for the defined benefit plan of 20.2, 19.8, 22.8, 3.3% percent of payroll for the years ended September 30 2008, 2009, 2010, and 2011 respectively. The contribution rate for 2012 was 36.3%. 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, 2013, 2012, 2011, 2010, and 2009. The contribution requirements of plan members and the Authority are established and may be amended by the state legislature. The state legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan. Post employment benefits are described in Note M.

Year Ended December 31, 2013

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, 2013. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2013, due to asset revaluation, revenue decreased in the amount of \$675,065 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, 2013, are as follows:

Sault Ste. Marie, Ontario	\$ 112,167
Sault Ste. Marie, Michigan	<u>111,964</u>
Total tax payments	<u><u>\$ 224,131</u></u>

NOTE M POST-EMPLOYMENT BENEFITS

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

SAULT STE. MARIE BRIDGE AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2012	\$ 3,697,839	\$ 3,697,839	\$ 3,697,839	\$ -
Resources (inflows):				
Toll collections	7,225,481	7,225,481	7,298,622	73,141
Lease and rental revenues	400,000	400,000	503,861	103,861
Interest revenues	43,000	43,000	91,573	48,573
Other revenues	43,680	43,680	81,815	38,135
Exchange gain	-	-	(623,149)	(623,149)
Amounts available for appropriation	7,712,161	7,712,161	7,352,722	(359,439)
Charges to appropriation (outflows):				
Salaries	2,278,079	2,278,079	2,135,273	142,806
Benefits	426,667	326,667	325,421	1,246
Retirement	678,264	946,364	981,088	(34,724)
Insurance	309,856	309,856	331,026	(21,170)
Supplies	29,032	29,032	26,747	2,285
Accounting and audit fees	28,515	28,515	29,714	(1,199)
Periodicals and memberships	3,274	3,274	3,943	(669)
Printing and postage	4,341	4,341	3,617	724
Advertising	4,587	4,587	4,661	(74)
Uniforms	12,616	12,616	13,308	(692)
Medical exam	2,700	2,700	2,778	(78)
Salary administration	55,970	55,970	54,732	1,238
Cash transportation services	12,000	12,000	12,799	(799)
Commutation debit accounts	2,281	2,281	3,431	(1,150)
Vehicle gas and oil	24,308	36,308	34,930	1,378
Travel & meeting expense	34,859	36,059	34,621	1,438
Utilities	167,541	167,541	159,434	8,107
Service contract purchased	9,856	9,856	3,876	5,980
Computers, software and support	101,018	106,018	125,582	(19,564)
Training	515	9,315	8,800	515
Building maintenance	14,151	14,151	14,223	(72)
Building improvements and equipment	31,250	18,288	31,771	(13,483)
Heating and plumbing repair	5,150	5,150	5,148	2
Ground maintenance	1,906	1,906	552	1,354
Equipment repair	40,990	52,990	47,501	5,489
Vehicle maintenance	12,360	12,360	9,891	2,469
Leases and rentals	3,193	3,193	2,310	883
Paint and sandblast materials	4,635	4,635	6,949	(2,314)
Sand and ice melter	37,848	37,848	32,126	5,722
Small tools purchase	4,017	4,017	5,991	(1,974)
Bridge and road maintenance and repair	25,750	30,750	33,561	(2,811)
Commuter bus expenditures	75,080	75,080	83,339	(8,259)
Property tax and payment in lieu of taxes	238,000	238,000	224,131	13,869
Miscellaneous	3,492	3,492	956	2,536
Commuter rate adjustments	-	-	18,158	(18,158)
Transfers (in) out	-	3,900,000	3,837,762	62,238
Total charges to appropriations	4,684,101	8,783,239	8,650,148	133,091
Budgetary fund balance, December 31, 2013	\$ 6,725,899	\$ 2,626,761	\$ 2,400,413	\$ (226,348)

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
CAPITAL FUND

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2012	\$ 380,632	\$ 380,632	\$ 380,632	\$ -
Resources (inflows):				
Federal grants	-	-	-	-
Interest revenues	46,000	46,000	4,518	(41,482)
Exchange gain (loss)	-	-	(51,916)	(51,916)
Transfers in	-	1,800,000	1,800,000	-
Amounts available for appropriation	46,000	1,846,000	1,752,602	(93,398)
Charges to appropriations (outflows):				
Professional services	369,921	369,921	264,325	105,596
Capital outlay	2,593,468	693,468	378,908	314,560
Administration	-	-	521	(521)
Repairs and maintenance (owner)	413,205	413,205	404,812	8,393
Total charges to appropriations	3,376,594	1,476,594	1,048,566	428,028
Budgetary fund balance, December 31, 2013	\$ (2,949,962)	\$ 750,038	\$ 1,084,668	\$ 334,630

SAULT STE. MARIE BRIDGE AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
MDOT CAPITAL FUND**

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, December 31, 2012	\$ 3,476,209	\$ 3,476,209	\$ 3,476,209	\$ -
Resources (inflows):				
Transfers in	-	1,100,000	1,301,757	201,757
Amounts available for appropriation	-	1,100,000	1,301,757	201,757
Budgetary fund balance, December 31, 2013	\$ 3,476,209	\$ 4,576,209	\$ 4,777,966	\$ 201,757

SAULT STE. MARIE BRIDGE AUTHORITY

**BUDGETARY COMPARISON SCHEDULE
SMRBC CAPITAL FUND**

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, December 31, 2012	\$ 2,618,417	\$ 2,618,417	\$ 2,618,417	\$ -
Resources (inflows):				
Transfers in	-	1,000,000	736,005	(263,995)
Amounts available for appropriation	-	1,000,000	736,005	(263,995)
Budgetary fund balance, December 31, 2013	\$ 2,618,417	\$ 3,618,417	\$ 3,354,422	\$ (263,995)

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

To 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Sault Ste. Marie Bridge Authority's basic financial statements and have issued our report thereon dated February 14, 2014.

Internal Control Over Financial Reporting

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

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

To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

Mr. Thomas H. McTavish, CPA
Auditor General

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

Compliance and Other Matters

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

Purpose of this Report

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



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

February 14, 2014

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, 2013

	<u>December 31, 2013</u>			
	<u>AMERICAN</u>		<u>CANADIAN</u>	
	<u>VEHICLES</u>	<u>REVENUE</u>	<u>VEHICLES</u>	<u>REVENUE</u>
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
CLASS 1 & 12				
Passenger Car, 2 Axle Truck, Motorcycle	285,958	\$ 871,121	611,411	\$ 1,787,241
CLASS 2				
Class 1 + 1 Axle Trailer	15,716	70,722	9,795	42,676
CLASS 3				
Class 1 + 2 Axle Trailer	9,205	56,100	8,801	51,423
	<u>Commuter Deposits Sold</u>			
	<u>American</u>		<u>Canadian</u>	
CLASS 29	17,989	95,063		
Commuter	171,439	360,022	894,908	1,823,651
CLASS 5 & 11				
Bus, 2 Axle-6 Tire Commercial	7,694	63,088	1,894	15,790
CLASS 7				
3 Axle Commercial	1,798	21,576	980	11,405
CLASS 8				
4 Axle Commercial	1,067	17,072	345	5,338
CLASS 9				
5 Axle Commercial	36,194	723,880	11,471	222,923
CLASS 16				
6 Axle Commercial	4,204	100,896	1,849	43,157
CLASS 17				
7 Axle Commercial	3,733	104,524	783	21,319
CLASS 18				
8 Axle Commercial	1,890	60,480	1,679	52,267
CLASS 19				
9 Axle Commercial	7,275	261,900	1,834	64,143
CLASS 20				
10 Axle Commercial	3,583	143,320	3,425	133,202
CLASS 21				
11 Axle Commercial	3,837	168,836	13	550
CLASS 13				
Non Revenue	-	-	1,677	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL VEHICLES	<u>553,593</u>		<u>1,550,865</u>	
TOTAL REVENUE		<u>\$ 3,023,537</u>		<u>\$ 4,275,085</u>
TOTAL AMERICAN & CANADIAN TRAFFIC		<u>2,104,458</u>		
TOTAL AMERICAN & CANADIAN REVENUE		<u>\$ 7,298,622</u>		

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, December 31, 2012	\$ 3,697,839	\$ 3,697,839	\$ 3,697,839	\$ -
Resources (inflows):				
Toll collections	7,225,481	7,225,481	7,298,622	73,141
Lease and rental revenues	400,000	400,000	503,861	103,861
Interest revenue	43,000	43,000	91,573	48,573
Other revenue	43,680	43,680	81,815	38,135
Exchange gain (loss)	-	-	(623,149)	(623,149)
Amounts available for appropriation	7,712,161	7,712,161	7,352,722	(359,439)
Charges to appropriation (outflows):				
Toll collection				
Salaries	1,056,618	1,056,618	933,274	123,344
Benefits	202,574	152,574	164,262	(11,688)
Retirement	318,527	401,627	420,668	(19,041)
Insurance	23,274	23,274	32,585	(9,311)
Supplies	3,708	3,708	3,349	359
Printing and postage	268	268	141	127
Advertising	2,500	2,500	1,506	994
Uniforms	4,700	4,700	4,107	593
Medical exam	1,000	1,000	500	500
Salary administration	25,750	25,750	27,366	(1,616)
Cash transportation services	12,000	12,000	12,799	(799)
Commutation debit accounts	1,500	1,500	2,220	(720)
Travel & meeting expense	850	850	757	93
Utilities	-	-	150	(150)
Computers, software and support	89,023	94,023	110,042	(16,019)
Building maintenance	2,100	2,100	2,582	(482)
Building improvements and equipment	17,017	5,017	4,837	180
Equipment repair	6,525	6,525	7,320	(795)
Miscellaneous	2,060	2,060	51	2,009
Total toll collection	1,769,994	1,796,094	1,728,517	67,577

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Bridge maintenance				
Salaries	950,377	950,377	926,628	23,749
Benefits	188,236	138,236	118,146	20,090
Retirement	261,420	435,420	433,900	1,520
Insurance	46,380	46,380	57,158	(10,778)
Supplies	18,792	18,792	19,471	(679)
Printing and postage	464	464	410	54
Advertising	824	824	-	824
Uniforms	7,916	7,916	9,201	(1,285)
Medical exam	1,700	1,700	2,278	(578)
Salary administration	23,201	23,201	21,892	1,309
Commutation debit accounts	371	371	867	(496)
Vehicle gas and oil	24,308	36,308	34,930	1,378
Travel & meeting expense	1,236	2,436	3,617	(1,181)
Utilities	159,362	159,362	151,414	7,948
Service contract purchased	5,305	5,305	-	5,305
Computers, software and support	3,488	3,488	3,964	(476)
Training	515	9,315	8,800	515
Building maintenance	12,051	12,051	11,641	410
Building improvements and equipment	13,116	12,154	17,196	(5,042)
Heating and plumbing repair	5,150	5,150	5,148	2
Ground maintenance	1,906	1,906	552	1,354
Equipment repair	34,465	46,465	40,181	6,284
Vehicle maintenance	12,360	12,360	9,891	2,469
Leases and rentals	3,193	3,193	1,096	2,097
Paint and sandblast materials	4,635	4,635	6,949	(2,314)
Sand and ice melter	37,848	37,848	32,126	5,722
Small tools purchase	4,017	4,017	5,991	(1,974)
Bridge and road maintenance and repair	25,750	30,750	33,561	(2,811)
Miscellaneous	541	541	466	75
Total maintenance	1,848,927	2,010,965	1,957,476	53,489

SAULT STE. MARIE BRIDGE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Administration				
Salaries	271,084	271,084	275,371	(4,287)
Benefits	35,857	35,857	43,013	(7,156)
Retirement	98,317	109,317	126,520	(17,203)
Insurance	3,302	3,302	4,666	(1,364)
Supplies	6,532	6,532	3,927	2,605
Accounting and audit fees	28,515	28,515	29,714	(1,199)
Periodicals and memberships	3,274	3,274	3,943	(669)
Printing and postage	3,609	3,609	3,065	544
Advertising	1,263	1,263	3,154	(1,891)
Salary administration	7,019	7,019	5,474	1,545
Commutation debit accounts	213	213	248	(35)
Travel & meeting expense	5,273	5,273	6,003	(730)
Utilities	8,179	8,179	7,870	309
Service contract purchased	4,551	4,551	1,326	3,225
Computers, software and support	8,507	8,507	11,575	(3,068)
Building improvements and equipment	1,117	1,117	9,738	(8,621)
Miscellaneous	891	891	72	819
Total administration	487,503	498,503	535,679	(37,176)
Other expenditures				
Insurance	236,900	236,900	236,616	284
Commutation debit accounts	197	197	96	101
Travel & meeting expense	27,500	27,500	24,244	3,256
Service contract purchased	-	-	2,550	(2,550)
Leases and rentals	-	-	1,214	(1,214)
Commuter bus expenditures	75,080	75,080	83,339	(8,259)
Property tax and payment in lieu of taxes	238,000	238,000	224,131	13,869
Miscellaneous	-	-	368	(368)
Commuter rate adjustments	-	-	18,158	(18,158)
Transfers (in) out	-	3,900,000	3,837,762	62,238
Total other expenditures	577,677	4,477,677	4,428,476	49,201
Total charges to appropriations	4,684,101	8,783,239	8,650,148	133,091
Budgetary fund balance, December 31, 2013	\$ 6,725,899	\$ 2,626,761	\$ 2,400,413	\$ (226,348)



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2013, and have issued our report thereon dated February 14, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated August 19, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on August 19, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Sault Ste. Marie Bridge Authority, of Michigan are described in Note A to the financial statements. No new accounting policies were adopted 65 and the application of existing policies were not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 14, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit findings or Issues

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

Comments and Recommendations

Reporting Employer Provided Health Coverage on Form W-2

The Affordable Care Act requires employers to report the cost of coverage under an employer-sponsored group health plan on an employee's Form W-2, Wage and Tax Statement. Many employers are eligible for transition relief for tax year 2013 and beyond, until the IRS issues final guidance for this reporting requirement.

The amount reported does not affect tax liability, as the value of the employer excludible contribution to health coverage continues to be excludible from an employee's income, and it is not taxable. This reporting is for informational purposes only, to show employees the value of their health care benefits so they can be informed consumers. More information about the reporting can be found at [Form W-2 Reporting of Employer-Sponsored Health Coverage](#).

Pension Reporting

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

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

Conclusion

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

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



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

February 14, 2014