SAULT STE. MARIE BRIDGE AUTHORITY

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority as of and for the year ended December 31, 2015, 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.

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To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, as of December 31, 2015, 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, budgetary comparison schedules and State Employee's Retirement System on pages 4 through 13, pages 38 through 41 and page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2016 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 & Co. PLC

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

April 27, 2016

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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, 2015. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

TRAFFIC

- Total bridge traffic finished over 1.5 million crossings in 2015, to end with the year with 1,572,050 crossings on December 31, 2015. This is a decrease of 408,791 crossings, or 20.6% in traffic, as compared to the year ending December 31, 2014. This is 472,706 crossings, or 23.1%, below expected traffic volumes for 2015.

- In comparison to total traffic, commercial traffic decreased by 6,845 crossings in 2015, a decrease of 7.1%, but only 5.6% below expected commercial traffic. Commuter crossings utilizing the IQ Prox Card decreased by 21.3% for 2015. Total commuter crossings for 2015 were 818,679. Full fare passenger auto crossings decreased 22.7% to 619,982 crossings on December 31, 2015.

- More than 97.0 million vehicles have crossed the International Bridge since it opened in 1962.

REVENUE & TOLL RATES

- The Canadian dollar depreciated 16.1% from December 31, 2014 to December 31, 2015. Revaluations of Canadian currency net position on the Authority's year end balance sheet resulted in an unrealized exchange loss of $1,165,702.

- The American toll rates are the established benchmark for all bridge tolls. Toll currency adjustments to the Canadian rates occur on April 1 and October 1 when fluctuations occur in the Canadian dollar. The equity between the American and Canadian exchange rates required two equity rate adjustments in 2015.

- Toll revenues were $6,549,574, a decrease of 15.8% for the year ending December 31, 2015, as compared the year ended December 31, 2014. This was a decrease of $1,229,915. The combined effects of a decreasing Canadian dollar, as compared to the U.S. dollar, decreased bridge traffic, poor local economic conditions, and mandatory bridge Canadian toll rate equity adjustments resulted in a decrease in toll revenue as compared to 2014.

EXPENDITURES

- The Authority implemented GASB Statement No. 68 (GASB 68) during the fiscal year 2015. The requirements of GASB 68 incorporate provisions intended to reflect the effects of transactions and events related to pensions in the measurement of employer liabilities for pensions and the recognition of pension expense and deferred outflows of resources and deferred inflows of resources related to pensions.

- Actual operational expenditures in the Revenue Fund were $8.35 million, $120,004 or 1.4% under the final budget .

- Toll department was 4.0% under approved budgetary amounts. Maintenance costs were 0.8% over approved budgetary amounts. Administration expenditures were 9.5% under final budget amounts. Other expenditures were 0.4% under final budgets.

- Capital Assets increased by 19.8% to $19.9 million with the completion of the Toll Plaza Redevelopment construction and Xerox Vector 4 toll software replacement capital projects.

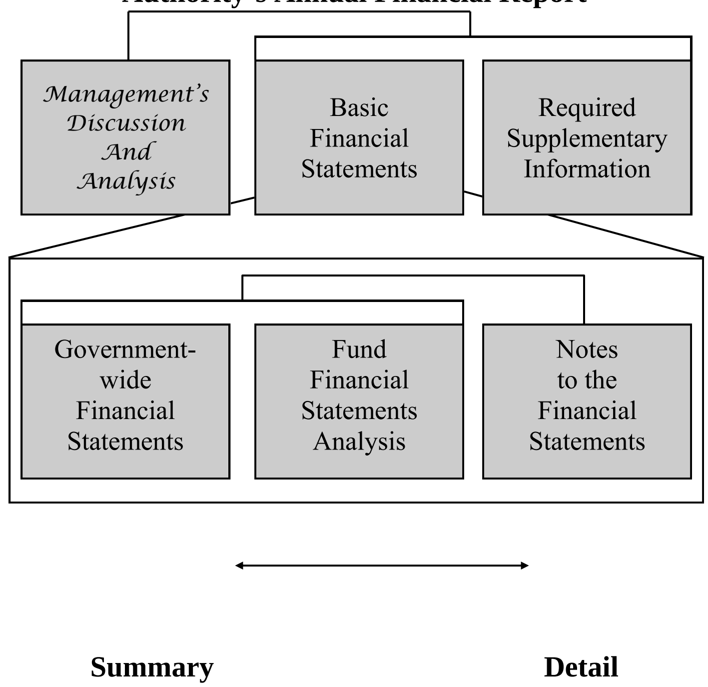
- Bridge maintenance expenditures in the Capital Fund included two principal capital projects, in addition to owner reserve account distributions, planned annual equipment capital outlay, and annual bridge inspection expenditures.

- The engineering inspections of the bridge in 2015 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.

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



- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the Authority's government, reporting the Authority's operations in more detail than the government-wide statements.

  - The governmental funds statements tell how general government services like toll collection were financed in the short-term as well as what remains for future spending.

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

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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance
Accounting basis and Measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

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

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

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

The government-wide financial statements of the Authority are:

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

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.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net position. The Authority's combined assets decreased to $25.1 million for the year ended December 31, 2015. (See Table A-1.)

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

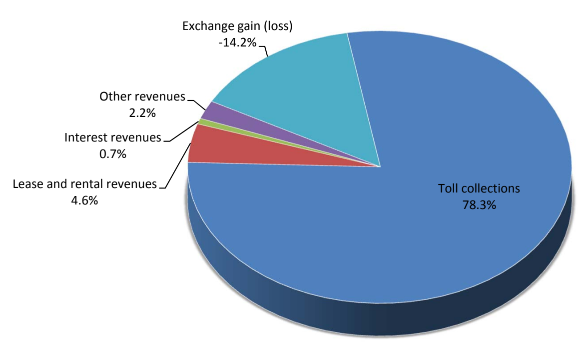
	Governmental Activities 2014	Governmental Activities 2015	Total Percentage Change 2014-2015
Current assets	$ 10,351.4	$ 5,182.9	(49.9)%
Capital assets	16,588.6	19,876.6	19.8%
Total assets	**26,940.0**	**25,059.5**	**(7.0)%**
Deferred outflows	-	582.9	100%
Current liabilities	2,379.7	2,619.1	10.1%
Long-term liabilities	254.6	251.2	(1.3)%
Net pension liability	-	3,562.5	100%
Total liabilities	**2,634.3**	**6,432.9**	**144.2%**
Deferred inflows	-	412.0	100%
Net position			
Net investment in capital assets	16,588.5	19,876.6	19.8%
Restricted	5,287.2	2,103.8	(60.2)%
Unrestricted	2,430.0	(3,182.8)	(230.9)%
Total net position	**$ 24,305.7**	**$ 18,797.6**	**(22.7)%**

Net position of the Authority's governmental activities decreased 22.7 percent to $18.8 million. Restricted assets are $2.1 million and $19.9 million are invested in capital assets (buildings, bridge, and so on). Unrestricted is $(3.2) million due to the change in accounting principle and restatement for net pension liability in 2015.

Changes in net position. The Authority's total revenues decreased by 22.3 percent to $7.1 million. (See Table A-2.) A majority of the Authority's revenue (91.3%) comes from toll collections. Interest, lease and rental revenues accounted for 8.7% of the Authority's revenue (See Figure A-3).

The total cost of all primary activities increased 40.9 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, 2014



Governmental Activities

Revenues for the Authority's governmental activities decreased 22.7%, while total expenses increased 49.8% for the year ended December 31, 2015.

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

	Governmental Activities		Total Percentage Change
	2014	2015	2014-2015
Revenues			
Charges for services	$ 9,155.6	$ 7,116.8	(22.3)%
Total Revenues	**9,155.6**	**7,116.8**	**(22.3)%**
Expenses			
Toll collections	1,775.2	1,818.7	2.5%
Bridge maintenance	2,540.5	5,397.2	112.4%
Administration	552.7	502.6	(9.1)%
Other expense	881.3	897.4	1.8%
Total Expenses	**5,749.7**	**8,615.9**	**49.8%**
Excess (deficiency)	3,405.9	(1,499.1)	(144.0)%
General revenue:			
Exchange gain (loss)	(827.4)	(1,189.9)	43.8%
Interest revenue	114.1	56.8	(50.2)%
Change in net position	**2,692.6**	**(2,632.2)**	**(178.6)%**
Beginning net position	**$ 21,613.1**	**$ 24,305.7**	**12.5%**
Restatement due to change in accounting principle (Note L)	-	3,391.6	100%
Ending net position	**$ 24,305.7**	**$ 18,797.6**	**(22.7)%**

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As the Authority completed the year ended December 31, its governmental funds reported a decrease in combined fund balance from $7.97 to $2.56 million, a combined fund balance decrease of 67.8%. The primary reason for the decrease 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, 2015

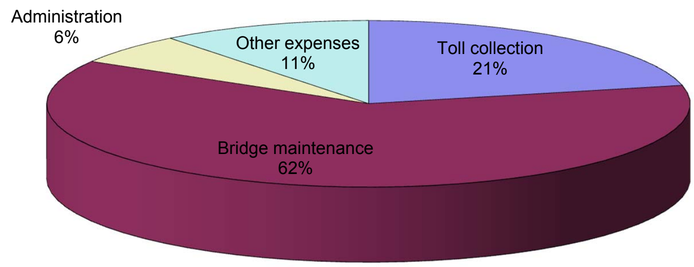


Table A-3
Changes in Authority's Fund Balance
(in thousands of dollars)

	Governmental Funds 2014	Governmental Funds 2015	Total Percentage Change 2014-2015
Revenues			
Toll collections	$ 7,779.5	$ 6,549.6	(15.8)%
Lease and rental revenues	468.7	383.3	(18.2)%
Interest revenues	114.1	56.7	(50.3)%
Other revenues	907.4	184.0	(79.7)%
Exchange gain (loss)	(827.4)	(1,189.9)	43.8%
Total Revenues	**8,442.3**	**5,983.7**	**(29.1)%**
Expenditures			
Toll collections	1,784.5	1,750.7	(1.9)%
Bridge maintenance	8,870.4	8,301.3	(6.4)%
Administration	551.8	481.1	(12.8)%
Other expenditures	881.3	858.5	(2.6)%
Total Expenditures	**12,088.0**	**11,391.7**	**(5.8)%**
Increase (decrease) in fund balance	**$ (3,645.7)**	**$ (5,408.0)**	**48.3%**

Governmental Fund Revenues and Expenditures

Revenues for the bridge decreased by 22.6% and expenditures for the Authority's governmental funds increased 5.8%. A depreciation of the Canadian dollar at fiscal year end contributed an additional 6.5% in unrealized exchange loss due to asset revaluation. The net result, due to the completion of the planned capital construction, the decreased realized revenue for 2015, and the exchange adjustments, was an overall decrease in the change in fund balance of 48.3%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority made changes to the original 2015 capital budget. Budgets were approved for the year ending December 31, 2015.

REVENUE FUND

- Revenue fund, after budget amendments, resulted in actual expenditures of $8,230,084 which is $120,004, or 1.4% less than the final approved budget, including interfund transfers.
- Toll revenues in the revenue fund were $6.5 million and $1,744,825 or 21.0% below the budget year toll revenue.
- Toll collection expenditures of $1,750,715 at year end were $73,304 or 4% under approved budgetary amounts.
- Maintenance costs of $2,033,279 were $17,808 or 0.8% above approved budgetary amounts.
- Administration expenditures of $480,600 were $50,609, or 9.5% below final budget amounts.
- Other expenditures of $3,965,490 were $13,899, or 0.4% under final budgets, including interfund transfers.

CAPITAL FUNDS

- Capital fund, after budget amendments, resulted in expenditures of $6,556,514, which was $557,259 or 7.8% below the final approved budget for the year ending December 31, 2015.

The detailed budgetary comparison schedules for the revenue and capital fund are found in the required supplementary information on page 38-41.

LONG-TERM DEBT

At year-end, the Authority had $251,179 in outstanding long-term liabilities – a decrease of 1.4% percent over the year ending December 31, 2014. More detailed information about the Authority's long-term liabilities is presented in compensated absences, Note H in the notes to financial statements.

CAPITAL ASSETS

At the year ending December 31, 2015, the Authority had invested $19.9 million in a broad range of capital assets, including land, machinery and equipment, buildings, bridge, vehicles, and bridge security enhancements. (See Table A-4.) This amount presents a net increase (including additions, deductions, and accumulated depreciation) of $3,288,029 or 19.8 percent, for the year ended December 31, 2015. 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
	2014	2015	2014-2015
Bridge	$ 5,237.5	$ 4,645.0	(11.3)%
Bridge lights	-	36.3	100.0%
Buildings	1,016.3	10,930.6	975.5%
Machinery and equipment	283.7	543.8	91.7%
Land	1,965.5	1,965.5	- %
Land improvements	36.9	33.1	(10.3)%
Office equipment	-	968.8	100%
Vehicles	181.8	149.5	(17.8)%
Security system	707.1	604.0	(14.6)%
Construction in progress	7,159.7	-	(100)%
Totals	**$ 16,588.5**	**$ 19,876.6**	**19.8%**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The value of the Canadian dollar has depreciated against the U.S. dollar during the fiscal year ending December 31, 2015. A depreciation at the Authority's fiscal year end resulted in an unrealized exchange loss at December 31, 2015. Sault Ste. Marie, Ontario had a population of 75,141 in 2015, as compared to Sault Ste. Marie, Michigan with a population of 14,000. The disproportionate population in the Sault Ste. Marie communities contribute more than two times more Canadian bridge traffic as compared to U.S. traffic, as can be viewed in the supplemental information provided on page 37. Combined with the weaker buying power of the Canadian dollar in the United States for most of 2015, 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 5.7% of total bridge traffic, but provides 35.1% of bridge toll revenue. These indicators were taken into account when adopting budgetary amendments in the Revenue (General) fund budget for 2015.

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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STATEMENT OF NET POSITION

December 31, 2015

		Primary Government Governmental Activities 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$	920,942
Investments		3,801,904
Receivables (net)		204,639
Prepaid items		228,939
Inventory		26,502
Total current assets		5,182,926
Non-current assets:		
Capital assets (Note D):		
International bridge (net)		4,645,035
Bridge lights (net)		36,301
Buildings (net)		10,930,600
Machinery and equipment (net)		543,739
Land		1,965,530
Land improvements (net)		33,078
Office equipment (net)		968,802
Vehicles (net)		149,483
Security system (net)		604,014
Total non-current assets		19,876,582
Total assets	$	25,059,508
Deferred Outflows of Resources - Deferred outflows related to pensions (Note L)	$	582,948
Total assets and deferred outflows of resources	$	25,642,456

STATEMENT OF NET POSITION

December 31, 2015

		Primary Government Governmental Activities 2015
LIABILITIES		
Current liabilities:		
Accounts Payable	$	1,227,792
Accrued payroll and related liabilities		1,068,808
Unearned revenue		322,543
Total current liabilities		2,619,143
Non-current liabilities:		
Accrued compensated absences		251,173
Net pension liability		3,562,547
Total non-current liabilities		3,813,720
Total liabilities		6,432,863
Deferred Inflows of Resources - Deferred inflows related to pensions (Note L)		412,020
NET POSITION		
Net investment in capital assets		19,876,582
Restricted		2,103,826
Unrestricted		(3,182,835)
Total net position		18,797,573
Total liabilities, deferred inflows of resources, and net position	$	25,642,456

See accompanying notes to basic financial statements.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

		Primary Government Governmental Activities 2015
EXPENSES		
Toll collection	$	1,818,763
Bridge maintenance		5,397,161
Administration		502,611
Other expenses		897,389
Total operating expenses		8,615,924
REVENUES		
Charges for services:		
Toll collection	$	1,793,794
Bridge maintenance		5,323,069
Total charges for services		7,116,863
Income from operations		(1,499,061)
General revenues and other changes in net position:		
Interest revenues		56,748
Exchange gain (loss)		(1,189,931)
Total general revenues and other changes in net position		(1,133,183)
Change in net position		(2,632,244)
Net position - beginning		24,305,722
Restatement due to change in accounting principle (Note N)		(2,875,905)
Net position - ending	$	18,797,573

See accompanying notes to basic financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2015

	Revenue Fund	Capital Fund	MDOT Capital Fund	FBCL Capital Fund	Total
ASSETS					
Cash and cash equivalents	$ 565,283	$ 355,659	$ -	$ -	$ 920,942
Investments	3,800,629	1,275	-	-	3,801,904
Receivables (net)	203,099	1,540	-	-	204,639
Due from other funds	-	859,884	1,627,966	204,422	2,692,272
Prepaid items	223,939	5,000	-	-	228,939
Inventory	26,502	-	-	-	26,502
TOTAL ASSETS	$ 4,819,452	$ 1,223,358	$ 1,627,966	$ 204,422	$ 7,875,198
LIABILITIES					
Accounts payable	$ 280,872	$ 946,920	$ -	$ -	$ 1,227,792
Accrued payroll and related liabilities	1,068,808	-	-	-	1,068,808
Due to other funds	2,692,272	-	-	-	2,692,272
Unearned revenue	322,543	-	-	-	322,543
TOTAL LIABILITIES	4,364,495	946,920	-	-	5,311,415
FUND BALANCES					
Nonspendable	250,441	5,000	-	-	255,441
Restricted	-	271,438	1,627,966	204,422	2,103,826
Assigned	204,516	-	-	-	204,516
TOTAL FUND BALANCES	454,957	276,438	1,627,966	204,422	2,563,783
TOTAL LIABILITIES AND FUND BALANCES	$ 4,819,452	$ 1,223,358	$ 1,627,966	$ 204,422	$ 7,875,198

See accompanying notes to basic financial statements.

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

December 31, 2015

Total fund balances – governmental funds			$	2,563,783
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		22,461,612		
Other capital assets		18,199,337		
Accumulated depreciation		(22,749,897)		
Total capital assets			$	19,876,582
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:				
Compensated absences	$	(251,179)		
Net pension liability and related deferred inflows and outflows		(3,391,613)		
Total long-term liabilities			$	(3,642,792)
Net position of governmental activities			$	18,797,573

See accompanying notes to basic financial statements.

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

For the Year Ended December 31, 2015

	Revenue Fund	Capital Fund	MDOT Capital Fund	FBCL Capital Fund	Total
REVENUES:					
Toll collections	$ 6,549,574	$ -	$ -	$ -	$ 6,549,574
Lease and rental revenues	383,338	-	-	-	383,338
Interest revenues	54,248	2,500	-	-	56,748
Other revenues	183,951	-	-	-	183,951
Exchange gain (loss)	(1,165,702)	(24,229)	-	-	(1,189,931)
Total Revenues	6,005,409	(21,729)	-	-	5,983,680
EXPENDITURES:					
Current operations					
Toll collection	1,750,715	-	-	-	1,750,715
Bridge maintenance	2,033,279	6,268,031	-	-	8,301,310
Administration	480,600	532	-	-	481,132
Other expenditures	570,572	287,951	-	-	858,523
Total Expenditures	4,835,166	6,556,514	-	-	11,391,680
Excess (deficiency) of revenues over expenditures	1,170,243	(6,578,243)	-	-	(5,408,000)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,300,000	6,694,918	-	-	9,994,918
Transfers out	(6,694,918)	-	(1,650,000)	(1,650,000)	(9,994,918)
Total other financing sources (uses)	(3,394,918)	6,694,918	(1,650,000)	(1,650,000)	-
Net change in fund balances	(2,224,675)	116,675	(1,650,000)	(1,650,000)	(5,408,000)
Fund Balance-Beginning	2,679,632	159,763	3,277,966	1,854,422	7,971,783
Fund Balance-Ending	$ 454,957	$ 276,438	$ 1,627,966	$ 204,422	$ 2,563,783

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

Year Ended December 31, 2015

Total net change in fund balances – governmental funds		$ (5,408,000)
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	$ 4,688,983	
Depreciation expense	(1,400,954)	
This is the amount by which depreciation expense exceeds capital outlays in the period.		3,288,029
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		(515,708)
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.		3,435
Change in net position of governmental activities		$ (2,632,244)

See accompanying notes to basic financial statements.

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NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Reporting Entity

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

The International Bridge Authority tendered the last payment on its 1960 Series B 6% Secondary Pledge Revenue Bonds on September 1, 2000. Previous agreements and legislation mandated that upon this last payment ownership of the respective sides of the International Bridge would revert to the Michigan Department of Transportation ("MDOT") and the Federal Bridge Corporation Ltd. ("FBCL"). As a result, the International Bridge Authority ceased to exist as an entity on September 1, 2000. To effectuate a seamless transition in bridge operation and maintenance, these parties entered into an intergovernmental agreement that created the Sault Ste. Marie Bridge Authority ("SSMBA") and International Bridge Administration ("IBA") and established the powers and responsibilities of each. The agreement was authorized by Michigan legislation passed in May 2000 that amends original legislation passed by Michigan Public Act 99 of 1954.

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

The Agreement became effective September 1, 2009 and 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 FBCL.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. <u>Basis of Presentation – Government-Wide Financial Statements</u>

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. <u>Basic Financial Statements – Fund Financial Statements</u>

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

The following fund types are used by the Authority:

Governmental Funds

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

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

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. 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 MDOT Capital Fund and FBCL Capital Fund as Major Funds.

4. Measurement Focus and Basis of Accounting

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

Accrual

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

Restricted and Unrestricted Resources

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

Capital Assets

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

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

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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.

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 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, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B CASH & CASH EQUIVALENTS

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

Cash and cash equivalents - unrestricted	$	920,942
TOTALS	$	920,942

Imprest	$	140
Change Fund		8,051
Savings and checking		912,751
TOTALS	$	920,942

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.

NOTE C INVESTMENTS (continued)

	Fair Value	Less Than 1 Year	Years 1 - 5	Years 6 - 10	More Than 10 Years
Investments					
CIBC Guaranteed Investment Certificate (GIC)	$ 3,801,904	$ 3,801,904	$ -	$ -	$ -
Total Investments	$ 3,801,904	$ 3,801,904	$ -	$ -	$ -

As reported on the Statement of Net Position	
Investments	$ 3,801,904
Total Investments	$ 3,801,904

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 $3,801,904 investments, $3,801,904 are in the name of the Authority.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of December 31, $1,178,246 of the Authority's bank balance of $1,302,066 was exposed to credit risk because it was uninsured and uncollateralized. $0 was uninsured and collateralized by the pledging financial institution.

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

Cash and cash equivalents include cash deposited in a foreign (Canadian) financial institution. These deposits amount to $387,741 (CAN) ($280,143 U.S.) in its Canadian account and $1,021,923 in its American account at the year ended December 31, 2015. These deposits are covered by Canadian depository insurance in the amount of $72,250 (U.S.) ($100,000 CAN), and Federal depository insurance in the amount of $51,570.

NOTE D CAPITAL ASSETS

A summary of capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	$ 1,965,530	$ -	$ -	$ 1,965,530
Other capital assets:				
Bridge	22,451,968	9,644	-	22,461,612
Bridge lights	677,420	36,301	(35,155)	678,566
Buildings	9,110,747	4,119,685	(731,754)	12,498,678
Machinery & equipment	677,592	340,320	(82,899)	935,013
Land improvements	75,614	-	-	75,614
Office equipment	1,079,404	24,949	-	1,104,353
Vehicles	553,983	8,975	-	562,958
Security System	2,195,046	149,109	-	2,344,155
Subtotal	36,821,774	4,688,983	(849,808)	40,660,949
Accumulated depreciation:				
Bridge	(17,214,515)	(602,062)	-	(17,816,577)
Bridge lights	(677,420)	-	35,155	(642,265)
Buildings	(1,878,545)	(294,343)	604,807	(1,568,081)
Machinery & equipment	(393,876)	(69,486)	72,089	(391,273)
Land improvements	(38,755)	(3,781)	-	(42,536)
Office equipment	(135,550)	-	-	(135,550)
Vehicles	(372,182)	(41,292)	-	(413,474)
Security system	(1,487,908)	(252,233)	-	(1,740,141)
Subtotal	(22,198,751)	(1,263,197)	712,051	(22,749,897)
Net Other Capital Assets	14,623,023	3,425,786	(137,757)	17,911,052
Net Capital Assets	$ 16,588,553	$ 3,425,786	$ (137,757)	$ 19,876,582

Note: Depreciation was entirely allocated to bridge maintenance expense.

Construction in Progress balances of December 31, 2014 are reclassified and reported in the beginning balances of Buildings and Office Equipment.

NOTE E RESTRICTED NET POSITION

Restricted net position at year ended December 31, 2015 consist of $2,103,826 in investments, for the purpose of bridge repair, maintenance, and bridge owner projects, as required by the Intergovernmental Agreement.

NOTE F FUND BALANCES

At December 31, 2015 the combined fund balances included a nonspendable $255,441 fund balance, and a restricted fund balance of $2,103,826. Fund balance of $204,516 was assigned for operational expenditures.

The combined owner reserve fund balances at December 31, 2015 were:

Owner Reserve Fund Balances

	Revenue Fund	Capital Fund	MDOT Capital Fund	FBCL Capital Fund
MDOT	$ -	$ 138,219	$ 1,627,966	$ -
FBCL	-	138,219	-	204,422
Total	$ -	$ 276,438	$ 1,627,966	$ 204,422

NOTE G LEASE REVENUE

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

A summary of the lease revenue earned for the year ended December 31, 2015 is as follows:

American lease revenue	$ 308,568
Canadian lease revenue	74,770
Total lease revenue	$ 383,338

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, 2015 was $251,179. This amount is reflected as a liability in the Statement of Net Position.

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

Changes in Long-Term Debt

	12/31/14	Additions	Deductions	12/31/15
Compensated Absences	$ 254,614	$ -	$ 3,435	$ 251,179
Total	$ 254,614	$ -	$ 3,435	$ 251,179

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

NOTE I INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Interfund balances at December 31, 2015 consisted of the following:

Fund	Due To	Due From
Revenue Fund	$ -	$ 2,692,272
Capital Fund	859,884	-
MDOT Capital Fund	1,627,966	-
FBCL Capital Fund	204,422	-
TOTALS	$ 2,692,272	$ 2,692,272

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, 2015 consisted of the following:

Fund	Transfers Out	Transfers In
Revenue Fund	$ 6,694,918	$ 3,300,000
Capital Fund	-	6,694,918
MDOT Capital Fund	1,650,000	-
FBCL Capital Fund	1,650,000	-
TOTALS	$ 9,994,918	$ 9,994,918

NOTE J FOREIGN CURRENCY VALUATION

The Authority engages in Canadian currency transactions for bridge toll collections and Canadian purchases. All financial statement amounts are restated as American funds at the time of toll collection and/or payment of Canadian purchases utilizing the average monthly exchange rate. The balance sheet is valued at the daily exchange rate as of the year ended December 31, 2015. Fluctuations in the exchange rate could be material to the Authority. For the year ended December 31, 2015, due to asset revaluation, revenues decreased in the amount of $1,189,931 due to the difference in U.S. and Canadian dollar currency rates at the fiscal year end.

NOTE K PROPERTY TAX PAYMENTS

The Authority pays property taxes in the City of Sault Ste. Marie, Ontario and payment in lieu of taxes, less Ontario tax rebates and refunds, to the City of Sault Ste. Marie, Michigan. The amounts paid to each respective unit, net of property tax rebates, for the year ended December 31, 2015, are as follows:

Sault Ste. Marie, Ontario	$ 112,920
Sault Ste. Marie, Michigan	100,274
Total tax payments	$ 213,194

NOTE L PENSION PLAN

Defined Contribution Plan Description – The Authority participates in the State of Michigan's defined contribution plan that covers most state employees, as well as related 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.

NOTE L PENSION PLAN (continued)

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 571,439	100%	0
2012	$ 466,379	100%	0
2013	$ 969,625	100%	0
2014	$ 1,070,639	100%	0
2015	$ 1,059,992	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 22.8, 33.3, 36.3, 55.9% percent of payroll for the years ended September 30 2010, 2011, 2012 and 2013 respectively. The contribution rate for 2014 was 70.0%. 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, 2015, 2014, 2013, 2012, and 2011. The contribution requirements of plan members and the Authority are established and may be amended by the state legislature. The state legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan. Post employment benefits are described in Note M.

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

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

Membership

At September 30, 2014, the System's membership consisted of the following:

Regular benefits (Retirees & Beneficiaries)	56,854
Inactive plan members, non-retired members	5,343
Active plan members	16,466
Total plan members	78,663

Inactive plan members or their beneficiaries currently receiving benefits:

Benefits Provided

Introduction

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

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

NOTE L PENSION PLAN (continued)

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

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

Pension Reform of 2012

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

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

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

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

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012, become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

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

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

Regular Retirement

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

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will

NOTE L PENSION PLAN (continued)

be added to the initial FAC calculation. If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime – for the six-year period ending on the FAC calculation date – will be added to that initial FAC calculation to get the final FAC number.

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

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

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

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

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

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

<u>Deferred Retirement</u>

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

<u>Non-Duty Disability Benefit</u>

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

<u>Duty Disability Benefit</u>

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

<u>Survivor Benefit</u>

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

NOTE L PENSION PLAN (continued)

Pension Payment Options

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

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

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

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

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

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

Post Retirement Adjustments

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

Contributions

Member Contributions

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

NOTE L PENSION PLAN (continued)

Employer Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles so the contribution rates do not have to increase over time. For fiscal year 2015, the Authority's contribution rate was 27.46% of the defined benefit employee wages and 24.19% of the defined contribution employee wages. The Authority's contribution to SERS for the fiscal year ending September 30, 2015 was $515,708.

Actuarial Assumptions

The Authority's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation Rate	3.5%
Projected Salary Increases	3.5—12.5%
including wage inflation at	3.5%
Investment Rate of Return	8%
Cost-of-Living Pension Adjustment	3%
(Annual Non-Compounded with Maximum Annual Increase of $300 for those eligible)	

Mortality rates were based on RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2015 projections scale BB. For retirees, 100% of the table rates were used. For active members, 50% of the table rates were used for males and females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
International Equity Pools	16.0	6.1%
Alternative Investment Pools	18.0	8.5%
Real Estate and Infrastructure Pools	10.0	5.3%
Fixed Income Pools	10.5	1.5%
Absolute Return Pools	15.5	6.3%
Short Term Investment Pools	2.0	-0.2%
Total	100%	

* Rate of return does not include 2.5% inflation

NOTE L PENSION PLAN (continued)

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability. This discount rate was based on the long term expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MSERS Plan Net Pension Liability

Total Pension Liability	$16,121,945,250
Plan Fiduciary Net Position	10,974,806,091
Net Pension Liability	$5,147,139,159
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.07%
Net Pension Liability as a Percentage of Covered Employee Payroll	511.32%

Net Pension Liability

At September 30, 2015, the Authority reported a liability of $3,562,547 for its proportionate share of SERS' net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net pension liability was based on the Authority's required pension contributions received by SERS during the measurement period October 1, 2013, through September 30, 2014, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2014, the Authority's proportion was less than 1% percent.

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

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability, in thousands, calculated using the discount rate of 8% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Authority's proportionate share of the net pension liability	
$4,570,777	1% Decrease 7%
$3,562,541	Current Discount 8.0%
$2,602,599	1% Increase 9%

Pension Plan Fiduciary Net Position

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

NOTE L PENSION PLAN (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the Authority recognized pension expense of $396,987. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	101,733	-
Net difference between projected and actual earnings on investments	-	412,020
Changes in proportion and differences between actual contributions and proportionate share of contribution	-	-
Authority contributions subsequent to the measurement date	481,215	-
Total	$ 582,948	$ 412,020

Amounts reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	Pension Expense Amount
2016	$ 1,300
2017	103,005
2018	103,005
2019	103,005

NOTE M POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note L, the Authority provides post retirement health care benefits, in accordance with State statutes, to all employees who retire from the government with age and years of service amounting to 80 or more. The government reimburses the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents.

Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the State of Michigan. Post employment benefits is included within the State of Michigan financial reporting, and specific information relating to bridge administration employees is not available.

NOTE N CHANGE IN ACCOUNTING

During the current year, the Authority adopted Governmental Accounting Standards Baord (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* As a result, the financial statements now include a net pension liability for our unfunded defined benefit plan legacy costs. Some of the changes in this net pension liability each year will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to Note L for further details. As a result of implementing this statement, the net position of the Authority as of December 31, 2014 has been restated by ($2,875,905) to $21,429,817. Of the ($2,875,905) restatement, ($3,391,613) was related to the beginning of the year net pension liability and $515,708 was related to the beginning of the year deferred outflows for employer contributions made subsequent to the measurement date.

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REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY COMPARISON SCHEDULE
REVENUE FUND

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Budgetary fund balance, December 31, 2014	$ 2,679,632	$ 2,679,632	$ 2,679,632	$ -
Resources (inflows):				
Toll collections	8,294,399	8,294,399	6,549,574	(1,744,825)
Lease and rental revenues	455,658	455,658	383,338	(72,320)
Interest revenues	330,827	330,827	54,248	(276,579)
Other revenues	90,525	90,525	183,951	93,426
Exchange gain (loss)	-	-	(1,165,702)	(1,165,702)
Amounts available for appropriation	9,171,408	9,171,408	6,005,409	(3,165,999)
Charges to appropriation (outflows):				
Salaries	3,574,946	3,574,946	3,536,447	38,499
Insurance	324,037	324,037	330,976	(6,939)
Supplies	29,613	29,613	28,991	622
Accounting and audit fees	29,085	29,085	23,852	5,233
Periodicals and memberships	3,340	3,340	4,274	(934)
Printing and postage	4,427	4,427	3,018	1,409
Advertising	4,678	4,678	5,768	(1,090)
Uniforms	12,868	12,868	11,636	1,232
Medical exam	1,398	1,398	2,400	(1,002)
Salary administration	34,645	34,645	35,496	(851)
Cash transportation services	12,240	12,240	9,399	2,841
Commutation debit accounts	26,601	26,601	31,440	(4,839)
Vehicle gas and oil	3,061	3,061	3,486	(425)
Travel & meeting expense	78,340	78,340	26,504	51,836
Utilities	51,208	51,208	64,930	(13,722)
Service contract purchased	8,971	8,971	8,247	724
Computers, software and support	138,307	138,307	118,072	20,235
Training	28,224	28,224	37,352	(9,128)
Building maintenance	37,090	37,090	47,670	(10,580)
Building improvements and equipment	39,595	39,595	31,626	7,969
Heating and plumbing repair	17,545	17,545	29,545	(12,000)
Ground maintenance	1,944	1,944	790	1,154
Equipment repair	119,475	119,475	113,822	5,653
Vehicle maintenance	20,921	20,921	7,076	13,845
Leases and rentals	1,373	1,373	1,089	284
Paint and sandblast materials	-	-	706	(706)
Sand and ice melter	1,576	1,576	344	1,232
Small tools purchase	4,728	4,728	2,872	1,856
Bridge and road maintenance and repair	26,265	26,265	14,941	11,324
Commuter bus expenditures	76,582	76,582	93,219	(16,637)
Property tax and payment in lieu of taxes	238,000	238,000	213,194	24,806
Miscellaneous	4,087	4,087	5,380	(1,293)
Commuter rate adjustments	-	-	(9,396)	9,396
Transfers (in) out	-	3,394,918	3,394,918	-
Total charges to appropriations	4,955,170	8,350,088	8,230,084	120,004
Budgetary fund balance, December 31, 2015	$ 6,895,870	$ 3,500,952	$ 454,957	$ (3,045,995)

BUDGETARY COMPARISON SCHEDULE
CAPITAL FUND

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Budgetary fund balance, December 31, 2014	$ 159,763	$ 159,763	$ 159,763	$ -
Resources (inflows):				
Interest revenues	-	-	2,500	2,500
Exchange gain (loss)	-	-	(24,229)	(24,229)
Transfers in	-	6,694,918	6,694,918	-
Amounts available for appropriation	-	6,694,918	6,673,189	(21,729)
Charges to appropriations (outflows):				
Repairs and maintenance	-	-	36,305	(36,305)
Professional services	335,587	335,587	301,113	34,474
Capital outlay	6,464,383	6,464,383	5,930,613	533,770
Administration	-	-	532	(532)
Repairs and maintenance (owner)	313,803	313,803	287,951	25,852
Total charges to appropriations	7,113,773	7,113,773	6,556,514	557,259
Budgetary fund balance, December 31, 2015	$ (6,954,010)	$ (259,092)	$ 276,438	$ 535,530

BUDGETARY COMPARISON SCHEDULE
MDOT CAPITAL FUND

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Budgetary fund balance, December 31, 2014	$ 3,277,966	$ 3,277,966	$ 3,277,966	$ -
Charges to appropriations (outflows):				
Transfers out	-	1,650,000	1,650,000	-
Total charges to appropriations	-	1,650,000	1,650,000	-
Budgetary fund balance, December 31, 2015	$ 3,277,966	$ 1,627,966	$ 1,627,966	$ -

BUDGETARY COMPARISON SCHEDULE
FBCL CAPITAL FUND

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Budgetary fund balance, December 31, 2014	$ 1,854,422	$ 1,854,422	$ 1,854,422	$ -
Charges to appropriations (outflows):				
Transfers out	-	1,650,000	1,650,000	-
Total charges to appropriations	-	1,650,000	1,650,000	-
Budgetary fund balance, December 31, 2015	$ 1,854,422	$ 204,422	$ 204,422	$ -

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

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

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

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

Valuation

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

Methods and Assumptions Used to Determine Contribution For Fiscal Year 2015

Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	Market
Wage Inflation Rate	3.5%
Projected Salary Increases	3.5-12.5% wage inflation
Investment Rate of Return	8.00% net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Health Life Mortality Table, adjusted for mortality improvements to 2015 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 50% of the table rates were used for males and females.

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

and

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Sault Ste. Marie Bridge Authority's basic financial statements and have issued our report thereon dated April 27, 2016.

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.

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To the Sault Ste. Marie Bridge Authority
Members and Representatives

and

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sault Ste. Marie Bridge Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 & Co. PLC

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

April 27, 2016

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SCHEDULE OF TRAFFIC & TOLL REVENUE - UNAUDITED

For the Year Ended December 31, 2015

	Commuter Deposits Sold		December 31, 2015			
			AMERICAN		CANADIAN	
			VEHICLES	REVENUE	VEHICLES	REVENUE
			ACTUAL	ACTUAL	ACTUAL	ACTUAL
CLASS 1 & 12						
Passenger Car, 2 Axle Truck, Motorcycle			256,072	$ 896,595	363,910	$ 1,059,572
CLASS 2						
Class 1 + 1 Axle Trailer			16,373	87,751	6,767	32,230
CLASS 3						
Class 1 + 2 Axle Trailer			8,798	62,668	7,680	50,015
CLASS 29	American	Canadian				
Commuter	16,195	95,558	144,555	361,220	674,124	1,699,543
CLASS 5 & 11						
Bus, 2 Axle-6 Tire Commercial			7,677	73,096	1,290	12,487
CLASS 7						
3 Axle Commercial			1,617	21,542	671	8,297
CLASS 8						
4 Axle Commercial			1,185	21,299	207	3,409
CLASS 9						
5 Axle Commercial			29,567	661,902	13,975	287,370
CLASS 16						
6 Axle Commercial			3,637	97,793	1,685	41,671
CLASS 17						
7 Axle Commercial			4,460	140,152	1,599	46,315
CLASS 18						
8 Axle Commercial			1,533	55,400	1,900	62,720
CLASS 19						
9 Axle Commercial			6,009	242,708	1,415	52,561
CLASS 20						
10 Axle Commercial			3,728	167,411	4,254	175,564
CLASS 21						
11 Axle Commercial			2,586	128,101	4	182
CLASS 13						
Non Revenue			-	-	4,772	-
TOTAL VEHICLES			487,797		1,084,253	
TOTAL REVENUE				$ 3,017,638		$ 3,531,936

TOTAL AMERICAN & CANADIAN TRAFFIC	1,572,050
TOTAL AMERICAN & CANADIAN REVENUE	$ 6,549,574

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Budgetary fund balance, December 31, 2014	$ 2,679,632	$ 2,679,632	$ 2,679,632	$ -
Resources (inflows):				
Toll collections	8,294,399	8,294,399	6,549,574	(1,744,825)
Lease and rental revenues	455,658	455,658	383,338	(72,320)
Interest revenues	330,827	330,827	54,248	(276,579)
Other revenues	90,525	90,525	183,951	93,426
Exchange gain (loss)	-	-	(1,165,702)	(1,165,702)
Amounts available for appropriation	9,171,408	9,171,408	6,005,409	(3,165,999)
Charges to appropriation (outflows):				
Toll collection				
Salaries	1,627,278	1,627,278	1,578,931	48,347
Insurance	23,739	23,739	25,164	(1,425)
Supplies	3,782	3,782	4,596	(814)
Printing and postage	273	273	242	31
Advertising	2,550	2,550	257	2,293
Uniforms	4,794	4,794	3,200	1,594
Medical exam	1,020	1,020	600	420
Salary administration	26,887	26,887	28,152	(1,265)
Cash transportation services	12,240	12,240	9,399	2,841
Commutation debit accounts	1,530	1,530	5,165	(3,635)
Travel & meeting expense	867	867	1,095	(228)
Computers, software and support	86,740	86,740	89,108	(2,368)
Building maintenance	2,142	2,142	2,074	68
Building improvements and equipment	21,420	21,420	614	20,806
Equipment repair	6,656	6,656	2,003	4,653
Miscellaneous	2,101	2,101	116	1,985
Total toll collection	1,824,019	1,824,019	1,750,715	73,304

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Bridge maintenance				
Salaries	1,500,946	1,500,946	1,554,653	(53,707)
Insurance	55,292	55,292	52,506	2,786
Supplies	19,168	19,168	21,487	(2,319)
Printing and postage	473	473	758	(285)
Advertising	840	840	-	840
Uniforms	8,074	8,074	8,435	(361)
Medical exam	378	378	1,800	(1,422)
Commutation debit accounts	24,653	24,653	25,704	(1,051)
Vehicle gas and oil	3,061	3,061	3,486	(425)
Travel & meeting expense	44,045	44,045	-	44,045
Utilities	42,865	42,865	55,464	(12,599)
Service contract purchased	4,329	4,329	4,348	(19)
Computers, software and support	42,891	42,891	18,468	24,423
Training	28,224	28,224	37,352	(9,128)
Building maintenance	34,948	34,948	45,596	(10,648)
Building improvements and equipment	17,036	17,036	30,240	(13,204)
Heating and plumbing repair	17,545	17,545	29,545	(12,000)
Ground maintenance	1,944	1,944	790	1,154
Equipment repair	112,819	112,819	111,819	1,000
Vehicle maintenance	20,921	20,921	7,076	13,845
Leases and rentals	1,373	1,373	152	1,221
Paint and sandblast materials	-	-	706	(706)
Sand and ice melter	1,576	1,576	344	1,232
Small tools purchase	4,728	4,728	2,872	1,856
Bridge and road maintenance and repair	26,265	26,265	14,941	11,324
Miscellaneous	1,077	1,077	4,736	(3,659)
Total maintenance	2,015,471	2,015,471	2,033,279	(17,808)

BUDGETARY COMPARISON SCHEDULE

REVENUE FUND BY DEPARTMENT - UNAUDITED

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Administration				
Salaries	446,722	446,722	402,863	43,859
Insurance	3,368	3,368	3,187	181
Supplies	6,663	6,663	2,908	3,755
Accounting and audit fees	29,085	29,085	23,852	5,233
Periodicals and memberships	3,340	3,340	4,274	(934)
Printing and postage	3,681	3,681	2,018	1,663
Advertising	1,288	1,288	5,511	(4,223)
Salary administration	7,758	7,758	7,344	414
Commutation debit accounts	217	217	571	(354)
Travel & meeting expense	5,378	5,378	5,296	82
Utilities	8,343	8,343	9,466	(1,123)
Service contract purchased	4,642	4,642	1,574	3,068
Computers, software and support	8,676	8,676	10,497	(1,821)
Building improvements and equipment	1,139	1,139	772	367
Miscellaneous	909	909	467	442
Total administration	531,209	531,209	480,600	50,609
Other expenditures				
Insurance	241,638	241,638	250,118	(8,480)
Commutation debit accounts	201	201	-	201
Travel & meeting expense	28,050	28,050	20,113	7,937
Service contract purchased	-	-	2,325	(2,325)
Leases and rentals	-	-	937	(937)
Commuter bus expenditures	76,582	76,582	93,219	(16,637)
Property tax and payment in lieu of taxes	238,000	238,000	213,194	24,806
Miscellaneous	-	-	61	(61)
Commuter rate adjustments	-	-	(9,396)	9,396
Transfers (in) out	-	3,394,918	3,394,918	-
Total other expenditures	584,471	3,979,389	3,965,490	13,899
Total charges to appropriations	4,955,170	8,350,088	8,230,084	120,004
Budgetary fund balance, December 31, 2015	$ 6,895,870	$ 3,500,952	$ 454,957	$ (3,045,995)

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
MICHIGAN & WISCONSIN

<u>COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE</u>

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

and

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

We have audited the financial statements of the governmental activities and each major fund of the Sault Ste. Marie Bridge Authority, of Michigan, for the year ended December 31, 2015, and have issued our report thereon dated April 27, 2016. 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 audi. Professional standards also require that we communicate to you the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*</u>

As stated in our engagement letter dated August 12, 2015, 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, inconformity 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.

16978 S. RILEY AVENUE
KINCHELOE, MICHIGAN 49788

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E-mail: antack@antack.com

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on August 12, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 27, 2016.

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

Uniform Administrative Requirements

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

Revisions Related to Single Audit Requirements

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

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

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

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

Fair Value of Investments

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

Other Matters

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

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

Conclusion

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

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

Anderson Tackman & Co. PLC

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

April 27, 2015