

Mackinac Bridge Authority

**Financial Report
with Supplemental Information
September 30, 2013**

Mackinac Bridge Authority

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Statement of Net Position	10
Statement of Revenue, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-23
Required Supplemental Information	24
Modified Approach for Reporting Infrastructure Assets	25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-28

Independent Auditor's Report

To the Board Members and
Mr. Thomas H. McTavish, CPA
Auditor General, State of Michigan
Mackinac Bridge Authority
St. Ignace, Michigan

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Mackinac Bridge Authority (the "Authority"), a component unit of the State of Michigan, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements.

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

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

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

To the Board Members and
Mr. Thomas H. McTavish, CPA
Auditor General, State of Michigan
Mackinac Bridge Authority
St. Ignace, Michigan

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Mackinac Bridge Authority as of September 30, 2013 and 2012 and the changes in its financial position and its cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the modified approach for reporting infrastructure assets, as identified in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the Mackinac Bridge Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Mackinac Bridge Authority's internal control over financial reporting and compliance.

Plante & Morse, PLLC

November 22, 2013

Management's Discussion and Analysis (Unaudited)

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited)

This section of the Mackinac Bridge Authority's (the "Authority") annual financial report is management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2013. Please read it in conjunction with the Authority's basic financial statements and related footnotes, which follow this section.

Financial Highlights

- The Authority's total assets increased by \$963,468, or 0.6 percent, over the course of fiscal year 2012-2013 operations. Total assets increased by \$6,156,813 from fiscal year 2010-2011 to fiscal year 2011-2012.
- Total liabilities increased by \$2,102,487, or 32.3 percent, during the current year. Total liabilities increased by \$1,391,460 from fiscal year 2010-2011 to fiscal year 2011-2012.
- Total net position decreased by \$1,139,019, or 0.7 percent, consisting of a \$441,372 increase in invested capital assets, a \$200,000 increase in the reserve for self-insurance, and a \$1,780,391 decrease in unrestricted assets designated for future repair and maintenance of the Mackinac Bridge.
- Traffic crossing the Mackinac Bridge throughout the fiscal year totaled 3,689,535 vehicles, which was 74,711, or 2.0 percent, fewer vehicles than the previous fiscal year. Traffic increased by 3,357, or 0.1 percent, from fiscal year 2010-2011 to fiscal year 2011-2012.
- Toll revenue increased by \$234,726 or 1.1 percent, due to the January 1, 2012 toll increase affecting the first three months of fiscal year 2012-2013. Toll revenue increased by \$1,937,662, or 10.5 percent, from fiscal year 2010-2011 to fiscal year 2011-2012 due to the January 1, 2012 toll increase affecting the last nine months of fiscal year 2011-2012.
- Investment income decreased by \$3,939,831 or 145.5 percent, due to a 31.8 percent decrease in interest earnings and a 513.7 percent decrease in market values. Investment income increased from fiscal year 2010-2011 to fiscal year 2011-2012 by \$776,399, or 40.2 percent, due to a market value increase and an increase in interest earnings over that period.
- Total operating expenses increased from fiscal year 2011-2012 to fiscal year 2012-2013 by \$2,028,898, or 10.9 percent, due primarily to the timing of bridge painting and other infrastructure preservation contracts.
- Expenses to operate and manage the bridge decreased from fiscal year 2011-2012 to fiscal year 2012-2013 by \$164,667, or 2.9 percent, due to reduced labor costs.
- Expenses to preserve and maintain the Mackinac Bridge and related infrastructure totaled \$15,024,874 in the current fiscal year, which was \$2,193,565 more than the previous year due primarily to the timing of bridge painting and other infrastructure preservation contracts.

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited) (Continued)

Overview of the Financial Statements

The Authority's financial statements include a statement of net position and a statement of revenue, expenses, and changes in net position. These statements report the Authority's net position as of September 30, 2013 and 2012, and how they have changed since September 30, 2012 and 2011, respectively. Net position, the difference between the Authority's assets and liabilities, is a way to measure the Authority's current investment in the Mackinac Bridge and the capital assets needed to operate and preserve it, as well as its financial resources available for planned future preservation costs. Over time, increases or decreases in the Authority's net position are an indicator of its financial ability to continue with the necessary preservation of the Mackinac Bridge.

Also included is a statement of cash flows, which shows how cash was received and used throughout the year to conduct the Authority's operations.

Financial Analysis

Net Position - The Authority's net position decreased by \$1,139,019, or 0.7 percent, from fiscal year 2011-2012 to fiscal year 2012-2013, going from \$163,863,730 at the beginning of the year to \$162,724,711 at fiscal year end. This decrease was the result of a 0.6 percent increase in total assets and a 32.3 percent increase in total liabilities. The Authority's net position increased by \$4,765,353, or 3.0 percent, from fiscal year 2010-2011 to fiscal year 2011-2012. This increase was the result of a 3.7 percent increase in total assets and a 27.2 percent increase in total liabilities from fiscal year 2010-2011 to fiscal year 2011-2012 (see schedule of net position).

Schedule of Net Position

	Fiscal Year		
	2013	2012	2011
Assets			
Current	\$ 2,160,759	\$ 7,971,497	\$ 6,640,067
Noncurrent:			
Long-term investments	61,905,264	55,572,430	50,979,812
Capital assets	107,275,959	106,834,587	106,601,822
Total assets	<u>\$ 171,341,982</u>	<u>\$ 170,378,514</u>	<u>\$ 164,221,701</u>
Liabilities			
Current	\$ 6,882,637	\$ 4,615,190	\$ 4,301,655
Noncurrent	1,734,634	1,899,594	821,669
Total liabilities	<u>\$ 8,617,271</u>	<u>\$ 6,514,784</u>	<u>\$ 5,123,324</u>
Net Position			
Invested in capital assets	\$ 107,275,959	\$ 106,834,587	\$ 106,601,822
Unrestricted	55,448,752	57,029,143	52,496,555
Total net position	<u>\$ 162,724,711</u>	<u>\$ 163,863,730</u>	<u>\$ 159,098,377</u>

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited) (Continued)

Total assets increased from fiscal year 2011-2012 to fiscal year 2012-2013 by \$963,468 composed of a 72.9 percent decrease in current assets, an 11.4 percent increase in long-term investments, and a 0.4 percent increase in capital assets. Current assets consist primarily of cash and short-term investments. Current assets decreased throughout the year by \$5,810,738 primarily due to cash flows into long-term investments. Long-term investments increased by \$6,332,834 due to maturing current investments being re-invested in long-term investments, the investment of \$593,706 in operating income, and \$1,410,545 of realized investment income. Long-term investments were reduced by the \$2,643,250 of unrealized investment losses due to reductions in investment market values occurring over the fiscal year. Cash decreased by \$245,000, or 24.8 percent, due to changes in investments and the timing in payment of current liabilities. Capital assets consist of land; bridge, road, and plaza area infrastructure; and depreciable buildings, vehicles, and equipment. Capital assets increased by \$441,372 due to capital investment exceeding asset depreciation.

Total assets increased from fiscal year 2010-2011 to fiscal year 2011-2012 by \$6,156,813, composed of a 20.1 percent increase in current assets, a 9.0 percent increase in long-term investments, and a 0.2 percent increase in capital assets. Current assets consist primarily of cash and short-term investments. Current assets increased throughout the year by \$1,331,430 due to current cash flows. Long-term investments increased by \$4,592,618 primarily due to the investment of operating income totaling \$2,308,247 and investment income of \$2,707,106, resulting in a 10.0 percent increase in total investments. Cash increased by \$243,140, or 32.6 percent, due to changes in investments and the timing in payment of current liabilities. Capital assets consist of land; bridge, road, and plaza area infrastructure; and depreciable buildings, vehicles, and equipment. Capital assets decreased by \$232,765 due to capital investment exceeding asset depreciation.

Total liabilities increased by \$2,102,487 or 32.3 percent from fiscal year 2011-2012 to fiscal year 2012-2013 due to the timing in payment of payroll invoices to the State of Michigan and the payment of vendor invoices for repairs and maintenance during the fiscal year. Current liabilities increased by 49.1 percent and noncurrent liabilities decreased by 8.7 percent. Total liabilities increased by \$1,391,460 from fiscal year 2010-2011 to fiscal year 2011-2012 due to the timing in payment of payroll invoices to the State of Michigan and the payment of vendor invoices for repairs and maintenance during the fiscal year.

Change in Net Position - Net position changed throughout the year due to variances in revenue and expenses and changes in capital assets. Net position for fiscal year 2012-2013 decreased by \$1,139,019 while net position for fiscal year 2011-2012 increased by \$4,765,353. For fiscal year ended September 30, 2011, net position increased by \$6,862,424 (see schedule of changes in net position).

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited) (Continued)

Schedule of Changes in Net Position

	Fiscal Year		
	2013	2012	2011
Operating Revenue - Tolls, fees, and leases	\$ 21,207,723	\$ 20,893,366	\$ 18,898,232
Operating Expenses			
Operations	5,589,143	5,753,810	5,726,402
Infrastructure preservation	15,024,874	12,831,309	7,990,113
Total expenses	20,614,017	18,585,119	13,716,515
Nonoperating (Expense) Revenue			
Investment income	(1,232,725)	2,707,106	1,930,707
Payments on advance to the State of Michigan	(500,000)	(250,000)	(250,000)
Changes in Net Position	\$ (1,139,019)	\$ 4,765,353	\$ 6,862,424

Operating revenue for fiscal year 2012-2013 of \$21,207,723, consisting of vehicle tolls, miscellaneous fees, and lease income, increased by 1.5 percent from the previous year. Toll revenue went from \$20,457,882 for fiscal year 2011-2012 to \$20,692,608 for fiscal year 2012-2013. Expenses to operate, manage, and preserve the bridge and associated infrastructure during fiscal year 2012-2013 went from \$18,585,119 for fiscal year 2011-2012 to \$20,614,017 for fiscal year 2012-2013 for an increase of 10.9 percent. Bridge operations and management, consisting of toll collection, customer services, equipment and facilities maintenance, snow removal, and finance and administration, decreased by 2.9 percent for fiscal year 2012-2013 due to decreases in labor costs. Infrastructure preservation expenses for fiscal year 2012-2013, totaling \$15,024,874, were \$2,193,565 more than the \$12,831,309 expensed during fiscal year 2011-2012. The reasons for this difference in fiscal year preservation expenses were increased painting activity in fiscal year 2012-2013 and the timing of other preservation projects identified in the Authority's 20-year business plan.

Operating revenue for fiscal year 2011-2012 of \$20,893,366, consisting of vehicle tolls, miscellaneous fees, and lease income, increased by 10.6 percent from the previous year. Toll revenue went from \$18,520,220 for fiscal year 2010-2011 to \$20,457,882 for fiscal year 2011-2012. Expenses to operate, manage, and preserve the bridge and associated infrastructure during fiscal year 2011-2012 were 35.5 percent more than the previous year. Bridge operations and management, consisting of toll collection, customer services, equipment and facilities maintenance, snow removal, and finance and administration, increased by 0.5 percent for fiscal year 2011-2012 due to increases in labor costs. Infrastructure preservation expenses for fiscal year 2011-2012, totaling \$12,831,309, were \$4,841,196 more than the \$7,990,113 expensed during fiscal year 2010-2011. The reasons for this difference in fiscal year preservation expenses were increased painting activity in fiscal year 2011-2012 and the timing of other preservation projects identified in the Authority's 20-year business plan.

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited) (Continued)

Investment income for fiscal year 2012-2013 showed a loss of \$1,232,725, resulting in a negative 2.0 percent rate of return on invested assets. This was \$3,939,831 less than the investment income of \$2,707,106 reported for fiscal year 2011-2012, which showed a 4.5 percent rate of return. Interest earnings were \$1,410,525 during fiscal year 2012-2013 on an average investment of \$62.9 million, whereas \$2,068,141 was earned during fiscal year 2011-2012 on an average investment of \$59.7 million. This represents interest earnings at the rate of 2.3 percent and 3.6 percent, respectively. Interest earnings were decreased by \$2,643,250 in fiscal year 2012-2013 due to a reduction in market values. Interest earnings were increased by \$638,965 in fiscal years 2011-2012 due to increases in market values.

Investment income for fiscal year 2011-2012 totaled \$2,707,106, showing a 4.5 percent rate of return on invested assets. This was \$776,399, or 40.2 percent, more than the investment income of \$1,930,707 reported for fiscal year 2010-2011, which showed a 3.7 percent rate of return. Interest earnings were \$2,068,141 during fiscal year 2011-2012 on an average investment of \$59.7 million, whereas \$1,460,174 was earned during fiscal year 2010-2011 on an average investment of \$52.9 million. This represents interest earnings at the rate of 3.6 percent and 2.9 percent, respectively. Interest earnings were increased by \$638,965 and by \$470,533 in fiscal years 2011-2012 and 2010-2011, respectively, due to increases in market values.

Capital Asset and Debt Administration

Capital assets, consisting of the bridge and related infrastructure, land, buildings, and capital equipment, net of depreciation, increased by \$441,372 and \$232,765 at September 30, 2013 and September 30, 2012, respectively. The increase in fiscal year 2012-2013 was the result of a \$35,911 transfer of capital assets from infrastructure for work in progress on toll plaza traffic signs to depreciable capital equipment, and a \$795,704 net addition to capital equipment and buildings through the purchase of \$756,354 in new equipment and vehicles and a \$39,350 replacement of the maintenance building roofing. These additions to depreciable capital assets were reduced by the sale of \$132,519 in excess equipment and vehicles and a \$221,813 net increase in accumulated depreciation. The increase in fiscal year 2011-2012 was the result of a \$35,911 addition to infrastructure for work in progress on toll plaza traffic signs, and a \$196,854 net addition to capital equipment and buildings through the purchase of \$485,065 in new equipment and vehicles, and the replacement of the administration building air conditioning unit costing \$26,843. These additions to depreciable capital assets were reduced by the sale of \$92,232 in excess equipment and vehicles and a \$222,822 increase in accumulated depreciation.

As of September 30, 2013, prepaid tolls and deferred lease income were \$905,932 and \$1,482,160, respectively. The total value of vacation and sick leave balances due employees as of September 30, 2013 was \$481,474. Outstanding noncurrent debt totaling \$1,734,634 is the portion of prepaid tolls and deferred lease income not expected to be earned within the following 12 months and compensated absences not expected to be paid within the following 12 months. Prepaid tolls increased by \$32,857 primarily due to the increase in prepaid toll account balances. Deferred revenue decreased by \$196,045 during fiscal year 2012-2013. Compensated absences decreased by \$39,595 from fiscal year 2011-2012 to 2012-2013.

Mackinac Bridge Authority

Management's Discussion and Analysis (Unaudited) (Continued)

As of September 30, 2012, prepaid tolls and deferred lease income were \$873,075 and \$1,678,205, respectively. The total value of vacation and sick leave balances due employees as of September 30, 2012 was \$521,069. Outstanding noncurrent debt totaling \$1,899,594 is the portion of prepaid tolls and deferred lease income not expected to be earned within the following 12 months and compensated absences not expected to be paid within the following 12 months. Prepaid tolls increased by \$54,564 primarily due to the increase in prepaid truck tolls. Deferred revenue increased by \$1,219,462 primarily due to the \$1,052,700 final payment received for the 22-strand fiber lease signed September 15, 2011. Compensated absences increased by \$16,170 from fiscal year 2010-2011 to 2011-2012.

Modified Approach for Infrastructure

The Authority manages its bridge network using its bridge management and inspection program and accounts for it using the modified approach. The Mackinac Bridge is inspected annually by an independent engineering firm. It is the policy of the Authority to keep the structure at a condition rating of "fair" or better. The condition rating descriptions are the ones used in the latest Michigan Department of Transportation - Michigan Bridge Inspection System. For 2013, the Mackinac Bridge's condition was rated "good" as determined by inspection procedures.

Actual preservation costs included the expenditures needed to complete all priority preservation projects to keep the Mackinac Bridge at or above the established condition level.

Economic Factors

As of September 30, 2013, the Authority had no pending or threatening litigation that would have a material effect on its financial statements. During fiscal year 2012-2013, the Authority undertook its regular and prudent assessment of the various areas of risk to its assets and operations. The Authority continued to carry appropriate insurance against tort liability and physical damage to the Authority's other real and personal property through August 5, 2009, after which the Authority began its self-insurance program. The Authority entered into an agreement with the Michigan Department of Transportation to provide for the self-insurance against tort liability and physical damage to the Authority's assets other than the licensed vehicles and physical damage to the Mackinac Bridge itself. The Authority maintains insurance for licensed vehicles. The Authority does not insure the bridge structure itself for physical damage.

Mackinac Bridge Authority

Statement of Net Position

	September 30, 2013	September 30, 2012
Assets		
Current assets:		
Cash (Note 4)	\$ 744,348	\$ 989,348
Investments (Note 4)	1,366,494	6,938,815
Other assets	49,917	43,334
Total current assets	2,160,759	7,971,497
Noncurrent assets:		
Long-term investments (Note 4)	61,905,264	55,572,430
Capital assets (Note 5):		
Capital assets not being depreciated	102,846,644	102,882,555
Other capital assets - Net of depreciation	4,429,315	3,952,032
Total noncurrent assets	169,181,223	162,407,017
Total assets	\$ 171,341,982	\$ 170,378,514
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,206,146	\$ 1,229,729
Due to State of Michigan (Note 6)	2,541,559	2,212,706
Prepaid tolls (Note 7)	832,188	769,719
Deferred revenue (Note 7)	210,210	209,655
Compensated absences (Note 7)	92,534	193,381
Total current liabilities	6,882,637	4,615,190
Noncurrent liabilities:		
Prepaid tolls (Note 7)	73,744	103,356
Deferred revenue (Note 7)	1,271,950	1,468,550
Compensated absences (Note 7)	388,940	327,688
Total noncurrent liabilities	1,734,634	1,899,594
Total liabilities	8,617,271	6,514,784
Net Position		
Invested in capital assets	107,275,959	106,834,587
Unrestricted (Note 1)	55,448,752	57,029,143
Total net position	162,724,711	163,863,730
Total liabilities and net position	\$ 171,341,982	\$ 170,378,514

Mackinac Bridge Authority

Statement of Revenue, Expenses, and Changes in Net Position

	September 30, 2013	September 30, 2012
Operating Revenue - Tolls, fees, and leases	\$ 21,207,723	\$ 20,893,366
Operating Expenses		
Bridge operations	2,008,362	1,907,981
Maintenance	2,056,343	2,356,325
Administration	592,256	493,158
Finance	621,257	649,232
General operations	310,925	347,114
Preservation costs	15,024,874	12,831,309
Total operating expenses	20,614,017	18,585,119
Operating Income	593,706	2,308,247
Nonoperating Revenue - Investment (loss) income	(1,232,725)	2,707,106
Payments on Advance to the State of Michigan	(500,000)	(250,000)
Change in Net Position	(1,139,019)	4,765,353
Net Position - Beginning of year	163,863,730	159,098,377
Net Position - End of year	<u>\$ 162,724,711</u>	<u>\$ 163,863,730</u>

Mackinac Bridge Authority

Statement of Cash Flows

	September 30, 2013	September 30, 2012
Cash Flow from Operating Activities		
Tolls and fees	\$ 21,030,021	\$ 22,151,565
Payments to suppliers	(249,302)	(2,287,193)
Payments to employees	(6,788,651)	(5,337,923)
Net cash provided by operating activities	13,992,068	14,526,449
Cash Flows from Capital and Related Financing Activities		
Proceeds from sales of capital assets	14,514	17,181
Purchase of capital assets	(795,704)	(547,819)
Payments of preservation costs	(10,962,640)	(10,513,915)
Payments on advance to the State of Michigan	(500,000)	(250,000)
Net cash used in capital and related financing activities	(12,243,830)	(11,294,553)
Cash Flows from Investment Activities		
Interest on investments	1,438,076	2,070,353
Purchases of investments	(18,258,609)	(29,349,380)
Proceeds from sale and maturities of investments	14,827,295	24,290,271
Net cash used in investing activities	(1,993,238)	(2,988,756)
Net (Decrease) Increase in Cash	(245,000)	243,140
Cash - Beginning of year	989,348	746,208
Cash - End of year	\$ 744,348	\$ 989,348
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 593,706	\$ 2,308,247
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	354,332	313,700
Preservation costs reported as cash flow from capital activities	10,962,640	10,513,915
Gain on sale of capital asset	(14,514)	(15,827)
Changes in assets and liabilities:		
Other assets	(6,583)	14,954
Accounts payable	1,976,417	(815,731)
Due to State of Michigan	328,853	916,995
Prepaid tolls	32,857	54,564
Deferred revenue	(196,045)	1,219,462
Compensated absences	(39,595)	16,170
Net cash provided by operating activities	\$ 13,992,068	\$ 14,526,449

During 2013 and 2012, there were no noncash investing, capital, and financing activities.

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note I - Summary of Significant Accounting Policies

Reporting Entity - Mackinac Bridge Authority (the "Authority"), a discretely presented component unit of the State of Michigan, was created as a corporate instrumentality in 1950 under provisions of Act No. 21 of the Public Acts of Michigan. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge between the Lower Peninsula and the Upper Peninsula of Michigan. Financing for the operation and maintenance of the bridge is provided by fares and earnings on investments.

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting - The financial statements have been prepared on the basis of the governmental proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees assessed primarily to the users of the bridge. The Authority applies all applicable GASB pronouncements.

The periodic determination of revenue earned, expenses incurred, and net income is appropriate for management control and accountability; therefore, the enterprise fund model is followed and the full accrual basis of accounting is used.

Investments - Investments are recorded at fair value, based on quoted market prices. Investments maturing beyond one year of the fiscal year end are recorded as noncurrent assets.

Capital Assets - Capital assets with a unit cost of over \$5,000 are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. The Authority's infrastructure asset (the Mackinac Bridge and related assets) is included in the financial statements at historical cost, and the Authority has elected to use the modified approach. Under the modified approach, all capital expenditures, except additions and improvements, are reported as an expense in the current period in lieu of depreciating the asset. All other capital assets (excluding infrastructure) are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	39 years
Equipment and vehicles	3 to 7 years

Prepaid Tolls - Individuals and businesses have the ability to purchase cards which allow for multiple trips across the Mackinac Bridge. These cards can subsequently be reloaded at any time. These prepaid tolls are accrued at the time the cards are purchased or reloaded and are recognized as revenue each time the card is used to cross the bridge.

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Revenue - Revenue from leasing fiber optic cables on the Mackinac Bridge is deferred and recognized as income over the life of the lease.

Compensated Absences - Compensated absence costs are accrued when earned by employees.

Revenue/Expenses - Operating revenue and expenses generally result from providing services and maintaining the Mackinac Bridge. All other revenue and expenses are reported as nonoperating. Revenue is recognized at the time it is earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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

Accounting Changes - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflow of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Authority has adopted this standard as of September 30, 2013.

Unrestricted Net Position - The Authority, through board action, has designated the use of a portion of unrestricted net assets as follows:

	2013	2012
Designated for repairs, maintenance, and preservation of infrastructure	\$ 54,117,519	\$ 55,897,910
Designated for self-insurance	831,233	631,233
Undesignated	500,000	500,000
Total unrestricted net position	<u>\$ 55,448,752</u>	<u>\$ 57,029,143</u>

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 2 - Operating Expenditures Reimbursement

Act No. 141 of the Public Acts of the State of Michigan's 1953 Regular Session provided for the annual reimbursement by the Michigan Department of Transportation for operating expenditures not to exceed \$417,000 in any one state fiscal year. Such annual reimbursements were made through December 1985, at which time all Bridge Revenue Bond principal and interest were paid.

Public Act No. 141 further provides that even though all Bridge Revenue Bonds have been paid, the Authority shall continue to charge fares until the aggregate amount of all reimbursements (advances) has been repaid to the State Trunkline Fund. A total of \$12,306,172 has been received as advances under this act and, to date, no repayments have been made.

The Authority has not recorded a liability for these advances because the reimbursements are contingent upon future net revenue and the repayment commitment is long term and budgetary in nature.

Note 3 - Annual Debt Service Advance and Revision of Fares

Under Michigan Public Act No. 5 of 1967, Extra Session, the Michigan Legislature authorized an appropriation of \$3,500,000 to be disbursed to the Mackinac Bridge Authority in January 1969 and a similar amount during each January thereafter through January 1986 to be used in payment of principal, interest, and incidental costs of bonds issued by the Authority, while still outstanding. It was the expressed intent of the legislature that the Authority reduce fares for crossing the bridge as nearly as possible to \$1.50 per passenger car (from the rate of \$3.75 employed in 1968) and make proportional reductions for all other classes of vehicles. Effective January 1, 1969, the Authority approved such reduction in fares for all classes of vehicles. Effective July 1, 1995, the Authority increased the fares on trucks to restructure the proportion of fares paid by trucks in relation to those paid by passenger vehicles. Effective May 1, 2003, the Authority increased fares to assist with expenses. Additionally, effective March 1, 2008, January 1, 2010, and January 1, 2012, the Authority approved an additional increase of fares to further help assist with expenses and economic conditions. Public Act No. 5 further provides that even though all Bridge Revenue Bonds have been paid, the Authority shall continue to charge fares until the aggregate amount of advances received has been repaid to the Michigan Transportation Fund. A total of \$63,000,000 has been received as advances under this act. During 2013 and 2012, the Authority paid \$500,000 and \$250,000, respectively, to the State of Michigan toward this advance. The total of these advances repaid as of September 30, 2013 is \$12,750,000. The repayment amounts have been determined by the Authority's finance committee, which considers the bridge's annual needs for maintenance and operations as well as planned future extraordinary repairs and improvements.

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 3 - Annual Debt Service Advance and Revision of Fares (Continued)

The Authority has not recorded a liability for these advances because the reimbursements are contingent upon future net revenue and the repayment commitment is long term and budgetary in nature. When repayments are made, they are reported as payments on advance to the State of Michigan.

Note 4 - Deposits and Investments

Cash and investments held by the Authority at September 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Deposits	\$ 459,898	\$ 780,710
Investments	63,271,758	62,511,245
Cash on hand	<u>284,450</u>	<u>208,638</u>
Total	<u>\$ 64,016,106</u>	<u>\$ 63,500,593</u>

The Authority has designated one bank for the deposit of its funds. The investment policy in accordance with state statutes has authorized investment in bonds and securities of the United States government, bank accounts and certificates of deposit. The Authority's deposits and investment policies are in accordance with state statutes.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At September 30, 2013 and 2012, the Authority had \$492,878 and \$839,390, respectively, of bank deposits (checking and savings accounts). Of these amounts, \$250,000 was covered by federal depository insurance coverage and the Authority had an additional \$1,000,000 of collateral held in the pledging bank's trust department in the Authority's name at September 30, 2013 and 2012. The Authority believes that due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 4 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the Authority had the following investments and maturities:

Investment	Fair Value	Less than 1 year	1-5 Years	6-10 Years	More than 10 Years
2013 - U.S. government agency	\$ 61,905,265	\$ -	\$ 20,529,795	\$ 22,867,483	\$ 18,507,987
2012 - U.S. government agency	58,572,431	-	13,522,753	22,594,229	22,455,449

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has an investment policy that would limit its investment choices regarding credit risk. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
2013:			
Mutual fund	\$ 1,366,493	Not rated	N/A
U.S. government agency	61,905,265	AA+	Standard & Poor's
2012:			
Mutual fund	\$ 3,938,814	Not rated	N/A
U.S. government agency	58,572,431	AA+	Standard & Poor's

Concentration of Credit Risk of Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment with a single issuer. The Authority has a policy limiting the dollar value of investments with a single issuer. The policy requires the Authority to limit investments in securities to any single issuer to 5 percent of total investments with the following exception:

U.S. Treasury	100% of total investments
Each federal agency	50% of total investments
Each repurchased agreement counterparty	25% of total investments
Each money market mutual fund	50% of total investments

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 4 - Deposits and Investments (Continued)

The Authority had investments in the following companies that exceeded 5 percent of the Authority's total investments at September 30, 2013 and 2012:

2013

Name of Issuer	Amount	Percentage of Investment
Federal Farm Credit Banks	\$ 7,601,035	12.0 %
Federal Home Loan Banks	11,059,644	17.5 %
Gennie Mae	15,460,539	24.4 %
Small Business Administration	3,854,156	6.1 %
Fannie Mae	3,910,370	6.2 %

2012

Name of Issuer	Amount	Percentage of Investment
Federal Farm Credit Banks	\$ 12,487,925	20.0 %
Federal Home Loan Banks	11,665,113	18.7 %
Freddie Mac	4,531,159	7.2 %
Gennie Mae	16,614,382	26.6 %
SSgA Treasury Fund	6,610,195	10.6 %
Small Business Administration	4,149,240	6.6 %

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Reclassifications	Additions	Disposals	Balance September 30, 2013
Capital assets not being depreciated:					
Land	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Infrastructure - Bridge	102,757,555	(35,911)	-	-	102,721,644
Subtotal	102,882,555	(35,911)	-	-	102,846,644
Capital assets being depreciated:					
Buildings	5,161,286	-	39,350	-	5,200,636
Equipment and vehicles	3,022,752	35,911	756,354	(132,519)	3,682,498
Subtotal	8,184,038	35,911	795,704	(132,519)	8,883,134
Accumulated depreciation:					
Buildings	2,115,076	-	133,367	-	2,248,443
Equipment and vehicles	2,116,930	-	220,965	(132,519)	2,205,376
Subtotal	4,232,006	-	354,332	(132,519)	4,453,819
Net capital assets being depreciated	3,952,032	35,911	441,372	-	4,429,315
Net capital assets	<u>\$ 106,834,587</u>	<u>\$ -</u>	<u>\$ 441,372</u>	<u>\$ -</u>	<u>\$ 107,275,959</u>

Depreciation expense was charged to functions as follows for the year ended September 30, 2013:

General operations	\$ 96,911
Maintenance	114,921
Infrastructure preservation	<u>142,500</u>
Total depreciation expense	<u>\$ 354,332</u>

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 5 - Capital Assets (Continued)

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Disposals	Balance September 30, 2012
Capital assets not being depreciated:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Infrastructure - Bridge	102,721,644	35,911	-	102,757,555
Subtotal	102,846,644	35,911	-	102,882,555
Capital assets being depreciated:				
Buildings	5,134,443	26,843	-	5,161,286
Equipment and vehicles	2,635,870	485,065	(92,232)	3,028,703
Subtotal	7,770,313	511,908	(92,232)	8,189,989
Accumulated depreciation:				
Buildings	1,983,050	132,026	-	2,115,076
Equipment and vehicles	2,032,085	181,674	(90,878)	2,122,881
Subtotal	4,015,135	313,700	(90,878)	4,237,957
Net capital assets being depreciated	3,755,178	198,208	(1,354)	3,952,032
Net capital assets	\$ 106,601,822	\$ 234,119	\$ (1,354)	\$ 106,834,587

Depreciation expense was charged to functions as follows for the year ended September 30, 2012:

General operations	\$ 95,494
Maintenance	115,066
Administration	1,305
Infrastructure preservation	101,835
Total depreciation expense	<u>\$ 313,700</u>

Note 6 - Due to State of Michigan

The following is a summary of the amounts due to the State of Michigan for reimbursement of expenses made on behalf of the Authority:

	2013	2012
Michigan Department of Military and Veterans Affairs	\$ 73,740	\$ 65,618
Michigan Department of Energy, Labor, and Economic Growth	-	8,454
Michigan Department of Transportation	2,467,819	2,138,634
Total	<u>\$ 2,541,559</u>	<u>\$ 2,212,706</u>

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 7 - Long-term Debt

Long-term liability activity for the years ended September 30, 2013 and 2012 was as follows:

2013	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due Within One Year
Compensated absences	\$ 521,069	\$ -	\$ 39,595	\$ 481,474	\$ 92,534
Prepaid tolls	873,075	32,857	-	905,932	832,188
Deferred revenue	1,678,205	-	196,045	1,482,160	210,210
Total	<u>\$ 3,072,349</u>	<u>\$ 32,857</u>	<u>\$ 235,640</u>	<u>\$ 2,869,566</u>	<u>\$ 1,134,932</u>

2012	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due Within One Year
Compensated absences	\$ 504,899	\$ 16,170	\$ -	\$ 521,069	\$ 193,381
Prepaid tolls	818,511	54,564	-	873,075	769,719
Deferred revenue	458,743	1,452,000	(232,538)	1,678,205	209,655
Total	<u>\$ 1,782,153</u>	<u>\$ 1,522,734</u>	<u>\$ (232,538)</u>	<u>\$ 3,072,349</u>	<u>\$ 1,172,755</u>

The estimated portion of prepaid toll balances remaining relatively unchanged throughout the fiscal year is recorded as noncurrent. Deferred revenue from leases not being earned within one year of the fiscal year end is reported as noncurrent. The estimated portion of employee leave balances remaining relatively unchanged throughout the fiscal year is recorded as noncurrent.

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. Effective August 5, 2009, the Authority entered into an agreement with the Michigan Department of Transportation to self-insure the Authority's assets and activities with the exception of its commercial automobile policy, in accordance with Section 254.01a of the Michigan Compiled Laws. The State of Michigan provides coverage for the Authority for medical benefits. The Authority is self-insured for employee injuries (workers' compensation) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 8 - Risk Management (Continued)

The Authority estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2013	2012
Estimated liability - Beginning of year	\$ 41,328	\$ 176,116
Estimated change of claims incurred	244,030	27,855
Claim payments	<u>(158,834)</u>	<u>(162,643)</u>
Estimated liability - End of year	<u>\$ 126,524</u>	<u>\$ 41,328</u>

Note 9 - Pension Plans and Postemployment Benefits

Plan Description - The Authority participates in the State of Michigan's defined benefit and defined contribution plans that cover most state employees, as well as related component units, such as the Mackinac Bridge Authority. The defined benefit and defined contribution pension plans are part of the State Employees' Retirement System administered by the Office of Retirement Services, Department of Technology, Management and Budget. Participants in each plan are eligible for retirement, healthcare, disability, and death benefits upon meeting certain vesting requirements. The State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report is available on the State's website at <http://www.michigan.gov.ors>. The financial report for the defined contribution plan may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Funding Policy - Plan members are not required to make contributions. The Authority is required to contribute at an actuarially determined rate for the defined benefit plan of 47.54 percent of payroll for the year ended September 30, 2013. For the year ended September 30, 2012, the actuarially determined rate for the defined benefit plan was 37.15 percent of payroll. The defined benefit contributions to the plan were equal to the required contributions for each year. The Authority is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent for the years ended September 30, 2013 and 2012. 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 the employer and employees are required to make contributions and establishes the benefit provisions for the plan. The Authority's contributions to the plans, including postemployment benefits as described below, for the years ended September 30, 2013, 2012, and 2011 were \$1,868,886, \$1,221,445, and \$838,164, respectively.

Mackinac Bridge Authority

Notes to Financial Statements September 30, 2013

Note 9 - Pension Plans and Postemployment Benefits (Continued)

Postemployment Benefits - In addition, the Authority participates in the State of Michigan's postemployment benefits. The cost of retiree healthcare benefits is an allocation calculated by the State of Michigan and funded on a pay-as-you-go basis. The contributions paid to this plan for the year ended September 30, 2013 were 0 percent to 42.15 percent of payroll. For the year ended September 30, 2012, the contributions paid to this plan ranged from 0 percent to 23 percent of payroll. The State will pay 90 percent of healthcare benefits for employees hired on or before March 30, 1997 who participate in either the defined benefit plan or the defined contribution plan and meet certain vesting and other requirements. For employees who are hired after March 30, 1997, the State will pay up to 90 percent of the healthcare benefits for employees who meet certain vesting and other requirements.

Note 10 - Commitments

As of September 30, 2013, the Authority has outstanding commitments on contracts to complete bridge resurfacing, cleaning and maintenance of the bridge, and consulting projects in the amount of approximately \$19,400,000.

Note 11 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Authority as of September 30, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). For the Authority, this standard will be adopted for the year ending September 30, 2015.

Required Supplemental Information

Mackinac Bridge Authority

Required Supplemental Information Modified Approach for Reporting Infrastructure Assets September 30, 2013

The condition of the Mackinac Bridge is determined by using inspection procedures in accordance with the latest American Association of State Highway Transportation Officials Manual for Condition Evaluation of Bridges (including amendments and interim specifications), and the Federal Highway Administration - Bridge Inspector's Training Manual. The Mackinac Bridge Authority manages its bridge using its bridge management and inspection program and accounts for it using the modified approach. The Mackinac Bridge is inspected annually by an independent engineering firm.

It is the policy of the Mackinac Bridge Authority to keep the structure at an overall condition of "fair" or better. The condition rating descriptions are the ones used in the latest Michigan Department of Transportation - Michigan Bridge Inspection System.

Rating descriptions are as follows:

- 9 Excellent
- 8 Very good
- 7 Good
- 6 Satisfactory
- 5 Fair
- 4 Poor
- 3 Serious
- 2 Critical
- 1 Imminent failure
- 0 Failure

The condition rating for 2013, 2012, 2011, 2010, and 2009 was "good" as determined by inspection procedures. The most recent condition assessment shows that the condition of the Mackinac Bridge is in accordance with the Mackinac Bridge Authority's policy.

Comparison of Needed-to-actual Maintenance/Preservation

The amounts reported as needed maintenance/preservation costs are based on projects expected to be completed during the fiscal year, which included priority preservation costs, as well as other non-priority preservation costs. The differences between the amounts needed (budgeted) and actual expenses is due to contractor variances in planned progress with painting projects and other preservation projects identified in the Authority's 20-year business plan.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Needed	\$ 16,369,375	\$ 18,701,278	\$ 14,874,189	\$ 12,085,189	\$ 15,283,302
Actual	15,024,874	12,831,309	7,990,113	9,469,470	6,363,078

Actual infrastructure maintenance and preservation costs were adequate to perform the needed priority maintenance and/or preservation projects to keep the Mackinac Bridge at or above the established condition level.

**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***

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*

Independent Auditor's Report

To Management, the Board Members, and
Mr. Thomas H. McTavish, CPA
Auditor General, State of Michigan
Mackinac Bridge Authority

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 Mackinac Bridge Authority (the "Authority"), a component unit of the State of Michigan, as of and for the year ended September 30, 2013 and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and significant deficiencies may exist that have not been identified.

To Management, the Board Members, and
Mr. Thomas H. McTavish, CPA
Auditor General, State of Michigan
Mackinac Bridge Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mackinac 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 and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Plante & Moran, PLLC

November 22, 2013