

**OCEAN HIGHWAY AND PORT AUTHORITY
OF NASSAU COUNTY**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Ocean Highway and Port Authority of Nassau County
Fernandina Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Ocean Highway and Port Authority of Nassau County (the "Authority") as of and for the years ended September 30, 2017 and 2016, and the 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance 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 (on pages 3 through 7) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
April 9, 2018

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Ocean Highway and Port Authority of Nassau County, Florida's (the "Authority"), annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year, which ended September 30, 2017. The discussion is intended to assist readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. All presented amounts are in thousands. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS *(in thousands of dollars)*

2017 vs. 2016

The Authority's operating revenue from all cargo, including container and break-bulk, was \$1,636 during fiscal year 2017, compared to \$1,855 in the prior fiscal year. Fiscal year 2017 operating expenses (excluding depreciation) of \$600 were 12.5% higher than the previous fiscal year of \$418. Depreciation and amortization expense increased slightly to \$1,064 compared to \$1,049 in the prior fiscal year. As a result, the Authority had an operating loss of (\$28) for the fiscal year ended September 30, 2017, compared to operating income of \$388 for the previous fiscal year. The Authority recognized net non-operating expense of (\$57) in fiscal year 2017, compared to net non-operating revenue of \$167 in the prior year. During fiscal year 2017, the Authority redeemed \$1.5 million in revenue bonds. The interest cost increased from \$246 to \$248, due to higher interest rates. The Authority received \$0 in Florida Department of Transportation grants in fiscal year 2017, and \$209 in 2016. As a result of the above, the Authority's net position decreased by (\$85). The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2017, the Authority had a deficit net position of (\$20).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion is to introduce the Authority's financial statements. Since the Authority is engaged in a single business-type activity only, no fund level statements are shown. The basic financial statements also include notes essential to a full understanding of the statements.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. The statement of revenues, expenses and changes in net position shows how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of when cash flows may take place. As a result, some revenues and expenses in this statement are reported for items that will result in cash flows in future fiscal periods. The statement of cash flows represents cash and cash equivalent activity for the fiscal year, resulting from operating, non-capital financing, capital financing, and investing activities. The net result of these activities is added to the beginning balance of cash and cash equivalents to reconcile to the ending balance of cash and cash equivalents at the end of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Taken together, these financial statements demonstrate how the Authority's net position has changed. Net position is one way of assessing the Authority's current financial condition. Increases or decreases in net position are good indicators of whether the Authority's financial health is improving or deteriorating over time. Other non-financial factors, such as diversity in the local economy, are important in evaluating the Authority's overall financial condition.

Notes to the financial statements

The notes provide additional information and explanation that is necessary for a full understanding of the basic financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

2017 vs. 2016

Net position is a key indicator of an entity's financial position. At September 30, 2017, the Authority's net position was (\$20). This represented a change from the prior year net of (\$85). The Authority is engaged in a capital-intensive industry and, as such, its largest portion of net position is invested in capital assets (e.g., land, buildings, etc.) In addition, the Authority has net position restricted for future debt service payments.

Net Position

(In thousands of dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 1,616	\$ 1,802	\$ 2,219
Noncurrent assets (excluding capital assets)	2,201	2,200	2,200
Capital assets	<u>10,258</u>	<u>11,322</u>	<u>12,139</u>
Total assets	<u>14,075</u>	<u>15,324</u>	<u>16,558</u>
Current liabilities	1,539	1,603	2,487
Long-term liabilities outstanding	<u>12,556</u>	<u>13,656</u>	<u>14,561</u>
Total liabilities	<u>14,095</u>	<u>15,259</u>	<u>17,048</u>
Net position			
Net investment in capital assets	958	822	33
Restricted for debt service	2,201	2,200	2,200
Unrestricted	<u>(3,179)</u>	<u>(2,957)</u>	<u>(2,723)</u>
Total net position	<u>\$ (20)</u>	<u>\$ 65</u>	<u>\$ (490)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Position

2017 vs. 2016

Operating revenues for fiscal year 2017, were \$1,636, a slight decrease from the prior fiscal year. Operating expenses, including depreciation and amortization, for fiscal year 2017, were \$1,664, an increase of \$197 (13%) compared to the prior fiscal year. Operating expenses were up in 2017 due to the expensing of \$200 of annual fees to the City of Fernandina Beach. This represented four years of annual fees owed to the City and not previously paid or expensed due to a previous court case stating these costs were not legal. The court case was reversed by the Florida Supreme Court and thus paid by the Authority during 2017. As a result, the operating loss for fiscal year 2017 was (\$28), as compared to operating income of \$388 in fiscal year 2016, a decrease of 58%.

The Authority experienced a net non-operating (expense) of (\$57) in 2017, compared to a net non-operating revenue of \$167 in 2016.

As a result of the items addressed above, the Authority experienced an (\$85) decrease in net position during fiscal year 2017, compared to a \$555 increase for fiscal year 2016.

Change in Net Position *(In thousands of dollars)*

	2017	2016	2015
Operating revenues	\$ 1,636	\$ 1,855	\$ 1,785
Operating expenses	1,664	1,467	1,540
Operating income	(28)	388	245
 Non-operating income, net	 (57)	 167	 42
 Capital contributions	 -	 -	 15
 Change in net position	 (85)	 555	 302
 Beginning net position	 65	 (490)	 (792)
Ending net position	\$ (20)	\$ 65	\$ (490)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash Flows

2017 vs. 2016

Net cash provided by operating activities was \$1,240, a \$49 decrease from 2016. Net cash provided by non-capital financing activities was \$248, a \$103 decrease from 2016. Net cash used in capital and related financing activities was (\$1,448), a \$636 decrease from 2016. Net cash provided by investing activities was nominal.

Budgetary Highlights

The Ocean Highway and Port Authority of Nassau County, Florida, approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2017 and 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, buildings, equipment, and other improvements.

2017 vs. 2016

The Authority had \$10,259 net of accumulated depreciation, invested in capital assets as of September 30, 2017, compared to \$11,322 as of September 30, 2016. There were \$0 in port improvement projects added to capital assets in 2017. The addition of capital assets of \$0, netted against depreciation expense of \$1,063, results in a net decrease in capital assets of \$1,063 from 2016.

Capital Assets
(net of depreciation)
(In thousands of dollars)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,184	\$ 3,184	\$ 3,184
Port improvements	6,265	7,251	7,916
Tradeplex improvements	243	283	323
Machinery and equipment	113	125	-
Buildings	-	-	13
Security projects	454	479	505
Warehouse project	-	-	198
Total	<u>\$ 10,259</u>	<u>\$ 11,322</u>	<u>\$ 12,139</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

2017 vs. 2016

As of September 30, 2017, the Authority had long term outstanding bonds payable of \$9,300, and \$4,556 in advances from Nassau Terminals. Outstanding bonds payable decreased by \$1,200 during fiscal year 2017. This decrease was due to a regularly scheduled principal payment of \$1,200 made on December 1, 2016. The advance balance from Nassau Terminals remained the same as in 2016. The advances from Nassau Terminals do not accrue interest on the outstanding amount and do not have a fixed repayment schedule.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to each of those groups. Questions concerning any information included in this report or any request for additional information should be addressed to the Ocean Highway and Port Authority of Nassau County, Florida, 86130 License Road, Suite 9, Fernandina Beach, Florida 32034.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	\$ 1,358,033	\$ 1,313,726
Accounts receivable, (less allowance for doubtful accounts of \$0 and \$0 for 2017 and 2016, respectively)	248,091	415,203
Due from other governments	-	62,500
Prepaid expenses	10,272	10,272
Total current assets	<u>1,616,396</u>	<u>1,801,701</u>
Non-current assets		
Restricted cash and cash equivalents	2,201,406	2,200,014
Capital assets		
Non-depreciable	3,183,736	3,183,736
Depreciable, net of accumulated depreciation	7,074,530	8,138,093
Total non-current assets	<u>12,459,672</u>	<u>13,521,843</u>
Total assets	<u>\$ 14,076,068</u>	<u>\$ 15,323,544</u>
LIABILITIES		
Current liabilities		
Current portion of revenue bonds	\$ 1,100,000	\$ 1,200,000
Accounts and contracts payable	234,480	197,123
Accrued liabilities	4,964	4,964
Current portion of advances from Nassau Terminals	200,000	200,000
Total current liabilities	<u>1,539,444</u>	<u>1,602,087</u>
Non-current liabilities		
Revenue bonds payable	8,200,000	9,300,000
Advances from Nassau Terminals	4,355,986	4,355,986
Total non-current liabilities	<u>12,555,986</u>	<u>13,655,986</u>
Total liabilities	<u>14,095,430</u>	<u>15,258,073</u>
Net position		
Net investment in capital assets	958,266	821,829
Restricted for debt service	2,201,406	2,200,014
Unrestricted	(3,179,034)	(2,956,372)
Total net position (deficit)	<u>\$ (19,362)</u>	<u>\$ 65,471</u>

The accompanying notes are an integral part of these financial statements.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating revenues		
Break-bulk	\$ 1,593,703	\$ 1,742,563
Rental income	26,919	24,542
Miscellaneous	15,624	87,677
Operating revenues	<u>1,636,246</u>	<u>1,854,782</u>
Operating expenses		
Port security	185,594	204,253
Professional fees	56,200	53,600
Commissioners fees	60,000	60,000
Annual fees to the City of Fernandina Beach	200,000	-
Miscellaneous	31,007	34,392
Re-marketing bond fees	11,999	13,624
Dues and subscriptions	25,900	22,132
Trustee fees	14,050	13,710
Outside services	13,000	14,000
Contributions	2,500	2,500
Depreciation	1,063,563	1,048,998
Operating expenses	<u>1,663,813</u>	<u>1,467,209</u>
Operating income (loss)	<u>(27,567)</u>	<u>387,573</u>
Non-operating income (expense)		
Investment income	5,151	51
Interest expense	(248,011)	(245,928)
Port security reimbursements	185,594	204,253
Florida Department of Transportation grant	-	208,963
Non-operating income (expense), net	<u>(57,266)</u>	<u>167,339</u>
Change in net position	(84,833)	554,912
Total net position (deficit), beginning of year	<u>65,471</u>	<u>(489,441)</u>
Total net position (deficit), end of year	<u>\$ (19,362)</u>	<u>\$ 65,471</u>

The accompanying notes are an integral part of these financial statements.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 1,803,358	\$ 1,890,194
Payments to suppliers	(502,893)	(540,284)
Payments to employees	(60,000)	(60,036)
Net cash provided by operating activities	<u>1,240,465</u>	<u>1,289,874</u>
Cash Flows From Investing Activities		
Interest income on investments	<u>5,151</u>	<u>51</u>
Net cash provided by investing activities	<u>5,151</u>	<u>51</u>
Cash Flows From Non-Capital Financing Activities		
Receipts from operating and capital grants	<u>248,094</u>	<u>350,716</u>
Net cash provided by non-capital financing activities	<u>248,094</u>	<u>350,716</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	-	(232,288)
Principal payments on revenue bonds	(1,200,000)	(1,600,000)
Interest paid on long-term borrowings	(248,011)	(251,335)
Net cash used in capital and related financing activities	<u>(1,448,011)</u>	<u>(2,083,623)</u>
Net increase (decrease) in cash and cash equivalents	45,699	(442,982)
Cash and cash equivalents		
Beginning	<u>3,513,740</u>	<u>3,956,722</u>
Ending	<u>\$ 3,559,439</u>	<u>\$ 3,513,740</u>
Classified as		
Unrestricted cash and cash equivalents	\$ 1,358,033	\$ 1,313,726
Restricted cash and cash equivalents	<u>2,201,406</u>	<u>2,200,014</u>
	<u>\$ 3,559,439</u>	<u>\$ 3,513,740</u>

(Continued)

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	<u>2017</u>	<u>2016</u>
Operating income (loss)	\$ (27,567)	\$ 387,573
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	1,063,563	1,048,998
Changes in assets and liabilities		
Decrease in accounts receivable	167,112	35,412
Decrease in prepaid expenses	-	1,014
Increase (decrease) in accounts payable and accrued liabilities	37,357	(183,123)
Net cash provided by operating activities	<u>\$ 1,240,465</u>	<u>\$ 1,289,874</u>

The accompanying notes are an integral part of these financial statements.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Ocean Highway and Port Authority (the "Authority") was created by the Florida Legislature and established in Florida Statutes in 1941 as an "Independent Special District". The Authority provides oversight of the Port of Fernandina and aids in the establishment and expansion of commercial enterprises for the benefit of the citizens of Nassau County and the State of Florida. The Authority's facilities handle import and export containerized, bulk and general cargos.

The Authority operates primarily as a self-supporting governmental enterprise and uses the accrual basis of accounting applicable to governmental enterprise funds. The Authority has no stockholders or equity holders and is directed by a five member governing board of port commissioners who serve staggered terms of four years. The five members are duly elected from the five congruent districts within Nassau County, Florida.

Significant Accounting Policies:

Basis of Accounting:

The accompanying financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when earned and measurable and expenses are recognized when they are incurred, if measurable, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met. Revenues collected on an advance basis, including certain federal and state grant revenue, to which the Authority does not yet have legal entitlement, are not recognized as revenue until the related commitment arises. In accounting and reporting for its operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements.

The Authority is considered a special purpose government engaged in business-type activities which are those activities primarily supported by user fees and charges. As such, the Authority presents only the statements required of enterprise funds, which include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Authority has sole jurisdiction to set rates for the services rendered to customers. These rates are not currently subject to regulation by any federal, State of Florida or similar agency. Reserves for doubtful accounts, allowances and rebates are maintained based on historical results adjusted to reflect current conditions.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies: (Continued)

Basis of Accounting: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operation. The principal operating revenues for the Authority's proprietary fund are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues are invoiced and collected per the contractual agreement with the port operator, Nassau Terminals, a subsidiary of Kinder Morgan Energy Partners, LP ("Kinder Morgan"). In addition, the distribution of funds is governed by a bond indenture agreement utilizing the Bank of New York, as bond trustee.

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

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Authority considers all demand deposits, money market funds, bond reserve funds, and short-term investments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable:

Trade accounts receivable include billed, but uncollected amounts. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions. Determination as to the collectability is based on the aging of the receivable and payment history of the customer. As of September 30, 2017 and 2016, the Authority has determined that an allowance for doubtful accounts was not required.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Significant Accounting Policies: (Continued)

Capital Assets:

Capital assets constructed or purchased are stated at cost. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of one year. Expenditures for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation is eliminated from the accounts and gain or loss is recognized. There were no gains or losses recognized on disposals for the years ended September 30, 2017 and 2016.

Depreciation commences when a project is ready for its intended use or when equipment is placed in service and is computed using the straight-line method over the following estimated useful lives of assets.

Port improvements	10 to 30 years
Tradeplex improvements	30 years
Buildings	30 years
Machinery and equipment	3 to 20 years
Dredge project	10 years
Security projects	30 years

Management 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 may affect the reported amounts of certain assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting:

The Authority adopts an annual budget for its operations. The budget is formally reviewed and approved by the Authority's Board of Commissioners. Budgets are prepared on the accrual basis. Neither the Authority's statute nor any bond covenants require the Authority to report budgetary information in its financial statements.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies: (Continued) **Deferred Outflows/Inflows of Resources**

The Authority implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2013. These standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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) until then. The Authority did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net position 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not have any items that qualified for reporting in this category.

NOTE 2. CASH AND CASH EQUIVALENTS

As of September 30, 2017 and 2016, deposits that are considered cash and cash equivalents include bank demand accounts and bond reserve funds which are invested in U.S. Treasury funds. The Authority maintains its cash balances at various financial institutions, which are insured by the FDIC for up to \$250,000. As of September 30, 2017 and 2016, the Authority did not have any uninsured demand account cash balances.

Custodial Credit risk. Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Authority's deposits may not be returned. The Authority's policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's bond reserve funds are money market type investments deemed to be cash equivalents. As of September 30, 2017 and 2016, the money market fund was not fully collateralized although the fund invests exclusively in Treasury securities and/or repurchase agreements collateralized by government obligations. The money market fund was also unrated by both Moody's and Fitch.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Interest rate risk. The Authority does not have a formal investment policy limiting investment maturities as part of managing its exposure to fair value losses arising from increasing interest rates. However, the Authority has minimal interest rate risk as cash and cash equivalents have maturity dates of less than one year. In addition, the majority of cash is held in short-term U.S. Treasury investments.

Restricted deposits. Restricted deposits consist of a bond reserve fund of \$2,201,406 and \$2,200,014 at September 30, 2017 and 2016, respectively, which is required by bond covenants and is invested 100% in U.S. Treasury funds.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 3,183,736	\$ -	\$ -	\$ -	\$ 3,183,736
Total	<u>3,183,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,183,736</u>
Capital assets, being depreciated					
Port improvements	28,498,287	-	-	-	28,498,287
Tradeplex improvements	1,013,339	-	-	-	1,013,339
Machinery and equipment	805,054	-	-	-	805,054
Buildings	772,000	-	-	-	772,000
Security projects	762,118	-	-	-	762,118
Dredge project	929,084	-	-	-	929,084
Total	<u>32,779,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,779,882</u>
Less accumulated depreciation for					
Port improvements	(21,247,724)	(986,035)	-	-	(22,233,759)
Tradeplex improvements	(730,266)	(39,624)	-	-	(769,890)
Machinery and equipment	(680,054)	(12,500)	-	-	(692,554)
Buildings	(772,000)	-	-	-	(772,000)
Security projects	(282,661)	(25,404)	-	-	(308,065)
Dredge project	(929,084)	-	-	-	(929,084)
Total	<u>(24,641,789)</u>	<u>(1,063,563)</u>	<u>-</u>	<u>-</u>	<u>(25,705,352)</u>
Total capital assets, being depreciated, net	<u>8,138,093</u>	<u>(1,063,563)</u>	<u>-</u>	<u>-</u>	<u>7,074,530</u>
Total capital assets, net	<u>\$ 11,321,829</u>	<u>\$ (1,063,563)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,258,266</u>

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 3,183,736	\$ -	\$ -	\$ -	\$ 3,183,736
Construction in progress	198,313	107,288	-	(305,601)	-
Total	<u>3,382,049</u>	<u>107,288</u>	<u>-</u>	<u>(305,601)</u>	<u>3,183,736</u>
Capital assets, being depreciated					
Port improvements	28,192,686	-	-	305,601	28,498,287
Tradeplex improvements	1,013,339	-	-	-	1,013,339
Machinery and equipment	680,054	125,000	-	-	805,054
Buildings	772,000	-	-	-	772,000
Security projects	762,118	-	-	-	762,118
Dredge project	929,084	-	-	-	929,084
Total	<u>32,349,281</u>	<u>125,000</u>	<u>-</u>	<u>305,601</u>	<u>32,779,882</u>
Less accumulated depreciation for					
Port improvements	(20,276,618)	(971,106)	-	-	(21,247,724)
Tradeplex improvements	(690,642)	(39,624)	-	-	(730,266)
Machinery and equipment	(680,054)	-	-	-	(680,054)
Buildings	(759,136)	(12,864)	-	-	(772,000)
Security projects	(257,257)	(25,404)	-	-	(282,661)
Dredge project	(929,084)	-	-	-	(929,084)
Total	<u>(23,592,791)</u>	<u>(1,048,998)</u>	<u>-</u>	<u>-</u>	<u>(24,641,789)</u>
Total capital assets, being depreciated, net	<u>8,756,490</u>	<u>(923,998)</u>	<u>-</u>	<u>305,601</u>	<u>8,138,093</u>
Total capital assets, net	<u>\$ 12,138,539</u>	<u>\$ (816,710)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,321,829</u>

Depreciation expense for the years ended September 30, 2017 and 2016, was \$1,063,563 and \$1,048,998, respectively.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 10,500,000	\$ -	\$ (1,200,000)	\$ 9,300,000	\$ 1,100,000
Advances from Nassau Terminals	4,555,986	-	-	4,555,986	200,000
Total long-term liabilities	\$ 15,055,986	\$ -	\$ (1,200,000)	\$ 13,855,986	\$ 1,300,000

Long-term debt activity for the year ended September 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 12,100,000	\$ -	\$ (1,600,000)	\$ 10,500,000	\$ 1,200,000
Plus unamortized premiums	5,407	-	(5,407)	-	-
Revenue bonds, net	12,105,407	-	(1,605,407)	10,500,000	1,200,000
Advances from Nassau Terminals	4,555,986	-	-	4,555,986	200,000
Total long-term liabilities	\$ 16,661,393	\$ -	\$ (1,605,407)	\$ 15,055,986	\$ 1,400,000

Revenue Bonds:

On January 17, 1991, the Authority issued \$38,500,000 of variable rate Adjustable Demand Revenue Bonds (the 1990 Series) to finance the costs of constructing and equipping port facilities and to refinance certain debt obligations then outstanding.

The bonds are subject to conversion to a fixed rate of interest at the Authority's option, upon proper notice to the bondholders. Prior to any conversion date, as defined in the bond trust indenture, the bondholders must tender all outstanding bonds to the Trustee for repurchase at 100% of the principal amount plus accrued interest. The interest rates on the bonds may be adjusted periodically by the remarketing agent.

The bonds fully mature on December 1, 2020; however, events of default such as the bankruptcy or insolvency of the Authority, expiration of the letter of credit discussed below, and the mandatory tender provision at each conversion date could require the trustee to call the bonds.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT (CONTINUED)

Revenue Bonds: (Continued)

Bond principal and interest payments are collateralized by an irrevocable letter of credit with Wells Fargo Bank, N.A. (the "Bank") in the amount of \$9,637,251 at September 30, 2017, and \$10,880,767 at September 30, 2016. There were no advances under the letter of credit at September 30, 2017 and 2016. The irrevocable letter of credit is collateralized by all port revenues, real property, rents, leases thereon, fixtures and personal property of the Authority and expired on December 23, 2017. In addition, the irrevocable letter of credit has been guaranteed for the same time period pursuant to a guarantee agreement between Nassau Terminals, the port operator, Kinder Morgan, its parent, and the Bank. Annual fees payable to the Bank are 1.625% of the stated amount of the letter of credit and are included in interest expense. The annual fees incurred in 2017 and 2016, were approximately \$171,434 and \$223,059, respectively.

The bond indenture and related documents require the Authority to comply with certain covenants including delivery of quarterly financial statements and debt compliance certificates within 45 days after the last day of each fiscal quarter.

The Authority entered into an operating agreement with Nassau Terminals to negotiate with each other for the purposes of determining the principal amortization schedule of the 1990 Series Bonds and the interest rate mode and other terms to apply to the 1990 Series Bonds. The parties shall negotiate in good faith but shall not be required to agree. Any agreement with respect to the amortization schedule will be evidenced with a Joint Written Request. Nassau Terminals and Kinder Morgan have guaranteed the principal and interest payments on the 1990 Series Bonds through December 31, 2017. Nassau Terminals has agreed to make advances against future use fees for any future redemption to the extent funds are needed by the Authority.

The bond indenture as it relates to tax exempt issues has a provision that the excess of the amount earned on non-purpose instruments made with the gross proceeds is subject to a rebate calculation. Annually a computation is made to determine if any amounts are required to be refunded to the U.S. Treasury. For the years ended September 30, 2017 and 2016, no rebate amounts were required.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT (CONTINUED)

Revenue Bonds: (Continued)

The bonds are due in full on December 1, 2020, in one lump sum as required by the original bond agreement. The Authority Board's plan at September 30, 2017, to service this debt is as follows, including interest at the current rate of 0.60%:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,150,685	\$ 1,100,000	50,685
2019	1,840,508	1,800,000	40,508
2020	1,829,625	1,800,000	29,625
2021	4,604,635	4,600,000	4,635
	<u>\$ 9,425,453</u>	<u>\$ 9,300,000</u>	<u>\$ 125,453</u>

Advances from Nassau Terminals

The advances discussed above from Nassau Terminals are non-interest bearing and are collateralized by port revenue. Annual payments will be based upon the cash balance position and operating cash flows of the Authority. As of September 30, 2017, Nassau Terminals was due \$4,555,986. Nassau Terminals did not request payment to be made during the 2017 fiscal year. A payment of \$200,000 is anticipated to be paid during fiscal year 2018, and accordingly, that portion is included within current liabilities with the remaining balance classified as long-term.

The proposed repayment plan amortization schedule as of September 30, 2017, is as follows. This schedule is solely dependent on the Authority's available cash flows from operations.

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 200,000	\$ 200,000	\$ -
2019	1,350,000	1,350,000	-
2020	1,350,000	1,350,000	-
2021	1,350,000	1,350,000	-
2022	305,986	305,986	-
	<u>\$ 4,555,986</u>	<u>\$ 4,555,986</u>	<u>\$ -</u>

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CONDUIT DEBT

The Authority in prior years has issued conduit debt in the form of a solid waste pollution control revenue bond to provide financial assistance to a private-sector entity for the construction of wastewater treatment facilities deemed to be in the public interest. Conduit debt refers to certain limited-obligation revenue bonds or similar debt instruments issued by the Authority for the express purpose of providing capital financing for a specific nongovernmental third party. Although conduit debt bears the name of the Authority as issuer, it is collateralized by the resources provided by the loan with the third party on whose behalf they are issued. The Authority acts solely as a conduit issuer with respect to the debt.

Conduit debt is collateralized by the property financed and is payable solely from payments received on the underlying mortgage loans. Upon repayment of the revenue bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issue. None of the assets or revenues of the Authority are pledged to the payment of the revenue bonds and under the constitution and laws of Florida, the Authority may not legally pledge any of its revenues or assets to the payment thereof. Neither the Authority, the state nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The private sector entity was unable to provide the carrying amount of the outstanding bonds at September 30, 2017 and 2016.

NOTE 6. MANAGEMENT AGREEMENT

Nassau Terminals operates the Port of Fernandina under an eleven-year contract, with an option of an additional eleven-year term. Nassau Terminals exercised its option for an additional eleven-year term on December 1, 2011. Under the terms of the contract, Nassau Terminals agrees to pay the Authority an annual fee, which is adjusted annually by the consumer price index. During fiscal years 2017 and 2016, the annual fee was \$84,648 and \$84,648, respectively. In addition, Nassau Terminals agrees to pay the Authority dockage and wharfage that is invoiced and collected. The current tariff for wharfage is \$3.05 and \$2.50 per ton on general and containerized cargo, respectively. In addition, Nassau Terminals pays the Authority \$1.50 per short ton as a use fee. The agreement provides for equal distribution to Nassau Terminals and the Authority of any excess of port revenue over debt service based on certain mutually agreed-upon conditions.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7. EXTENSION OF LETTER OF CREDIT AND GUARANTEE AGREEMENTS

The irrevocable letter of credit with the Bank and “Guarantee Agreement” with Nassau Terminals and Kinder Morgan collateralizing the Authority’s bond principal and interest payments expired on December 23, 2017. Nassau Terminals and Kinder Morgan have provided a letter of commitment to the Authority to continue to support the Authority by guaranteeing principal and interest payments on the Authority’s Series 1990 Bonds.

Should the Authority be unable to extend the terms of the letter of credit securing the bonds, the trustee could notify the Authority that it is in default with respect to the indenture agreement. Once notified, the Authority would have 30 days to cure the default or present a plan that would cure the default within a timeframe acceptable to the trustee.

Failure to remedy the default in the prescribed time could then result in the Trustee declaring the entire outstanding bond principal and interest accrued thereon, immediately due and payable. Every year, the Authority must obtain an extension to the guarantee with Nassau Terminals and its parent company to support future debt service obligations. Based on current and projected operations, failure to renew the current letter of credit and guarantee or obtain alternative financing each year would have a material adverse effect on the Authority’s ability to continue as a going concern.

NOTE 8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, including, but not limited to: theft of assets; damage to and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions of insurance coverage, and settlement amounts have not exceeded insurance coverage for the current or the three prior years. The operating agreement provides for the operating company to provide liability and workers’ compensation insurance for the facility.

NOTE 9. COMMITMENTS AND CONTINGENCIES

During 1995, the Authority installed water and wastewater facilities on Tradeplex County Road and Tradeplex Secondary Road as part of the Ocean Highway and Port Authority Nassau County Industrial Complex (the “Project”). On February 25, 1999, the Authority agreed to a long-term rent free, lease agreement for the equipment and facilities to United Water Florida, Inc. in exchange for the operation and maintenance of the leased facilities. The lease agreement expires on December 31, 2097.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10. SUBSEQUENT EVENTS

Nassau Terminals, LLC operates the Port of Fernandina under an Operating Contract with the Authority. In February 2018, Worldwide Terminals Fernandina, LLC acquired 100% of the ownership interest in Nassau Terminals, LLC from Kinder Morgan Port Terminals USA, LLC. Worldwide Terminals Fernandina, LLC has put in place a new management team at Nassau Terminal, LLC.

As part of this transfer of ownership, \$8,200,000 of variable rate Adjustable Demand Revenue Bonds (the 1990 Series) issued by the Authority were paid by Worldwide Terminals Fernandina, LLC. Therefore, as of February 2018, all outstanding Revenue Bonds issued by the Authority have been paid in full and retired.

OTHER INDEPENDENT AUDITOR'S REPORTS



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*

Board of Commissioners
Ocean Highway and Port Authority of Nassau County
Fernandina Beach, Florida

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 Ocean Highway and Port Authority of Nassau County (the "Authority"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 9, 2018.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 Authority's financial statements are free from 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 results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
April 9, 2018



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Commissioners
Ocean Highway and Port Authority of Nassau County
Fernandina Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Ocean Highway and Port Authority of Nassau County (the "Authority") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 9, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our 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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 9, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report requiring correction.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Ocean Highway and Port Authority of Nassau County is an independent special district, created by the Florida Legislature and established in Florida Statutes in 1941. The Authority has no component units.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Bradenton, Florida
April 9, 2018

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X No

Significant deficiency identified not considered
to be material weaknesses?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Federal and state single audits were not required as the Authority did not expend greater than \$750,000 of federal funds or state financial assistance during its fiscal year ended September 30, 2017.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

SECTION IV
PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.



INDEPENDENT ACCOUNTANT'S REPORT

**Board of Commissioners
Ocean Highway and Port Authority of Nassau County
Fernandina Beach, Florida**

We have examined the **Ocean Highway and Port Authority of Nassau County's** (the "Authority") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Authority and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
April 9, 2018