

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

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2018 AND 2017**

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

---

TABLE OF CONTENTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT..... 1 – 3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 4 – 8

FINANCIAL STATEMENTS

    Statements of Net Position..... 9

    Statements of Revenues, Expenses and Changes in Net Position ..... 10

    Statements of Cash Flows..... 11 and 12

    Notes to Financial Statements..... 13 – 23

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*..... 24 and 25

Independent Auditor's Report on Compliance for Each Major State Project and Report  
on Internal Control Over Compliance Required by Chapter 10.550, *Rules of the*  
*Auditor General*..... 26 and 27

Independent Auditor's Management Letter ..... 28 and 29

Schedule of Expenditures of State Financial Assistance ..... 30

Schedule of Findings and Questioned Costs..... 31

Schedule of Prior Year Findings..... 32

Independent Accountant's Report – Investment Compliance ..... 33

## **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, 2018 and 2017, 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, 2018 and 2017, 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 4 through 8) 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis and is required by Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

---

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, 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  
May 20, 2019

# 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, 2018. 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)*

#### 2018 vs. 2017

The Authority's operating revenue from all cargo, including container and break-bulk, was \$433 during fiscal year 2018, compared to \$1,636 in the prior fiscal year. Fiscal year 2018 operating expenses (excluding depreciation) of \$512 were 15% lower than the previous fiscal year of \$600. Depreciation and amortization expense increased to \$1,067 compared to \$1,064 in the prior fiscal year. As a result, the Authority had an operating loss of (\$1,147) for the fiscal year ended September 30, 2018, compared to the operating loss of (\$28) for the previous fiscal year. The Authority recognized net non-operating revenue of \$11 in fiscal year 2018, compared to net non-operating expense of (\$57) in the prior year. During fiscal year 2018, the Authority made principal payments of \$9,300 to pay off the balance of outstanding revenue bonds from Authority funds, restricted funds, and contributions from Worldwide Terminals. The interest cost decreased from \$248 to \$183, due to debt repayments. The Authority received \$308 in Florida Department of Transportation grants in fiscal year 2018, and \$0 in 2017. The Authority withdrew \$128 from the new line of credit towards the cost of the ship to shore crane. At the close of fiscal year 2018, the Authority had a net position of \$5,737.

### **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

##### 2018 vs. 2017

Net position is a key indicator of an entity's financial position. At September 30, 2018, the Authority's net position was \$5,737. This represented a change from the prior year of \$5,757. 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.

	<b>Net Position</b>		
	<i>(In thousands of dollars)</i>		
	<b>2018</b>	2017	2016
Current assets	<u>\$ 1,056</u>	\$ 1,616	\$ 1,802
Non-current assets (excluding capital assets)	-	2,201	2,200
Capital assets	<u>9,751</u>	10,258	11,322
Total assets	<u>10,807</u>	<u>14,075</u>	<u>15,324</u>
Current liabilities	<u>1,736</u>	1,539	1,603
Long-term liabilities outstanding	<u>3,334</u>	12,556	13,656
Total liabilities	<u>5,070</u>	<u>14,095</u>	<u>15,259</u>
Net position			
Net investment in capital assets	<u>9,751</u>	958	822
Restricted for debt service	-	2,201	2,200
Unrestricted	<u>(4,014)</u>	(3,179)	(2,957)
Total net position	<u>\$ 5,737</u>	<u>\$ (20)</u>	<u>\$ 65</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Revenues, Expenses and Changes in Net Position

#### 2018 vs. 2017

Operating revenues for fiscal year 2018 were \$433, a decrease from the prior fiscal year. Operating expenses, including depreciation and amortization, for fiscal year 2018, were \$1,580, a decrease of \$84 (5%) compared to the prior fiscal year. As a result, the operating loss for fiscal year 2018 was (\$1,147), as compared to operating loss of (\$28) in fiscal year 2017.

The Authority experienced net non-operating revenues of \$11 in 2018, compared to a net non-operating (expense) of (\$57) in 2017.

As a result of the items addressed above, the Authority experienced a \$5,757 increase in net position during fiscal year 2018, compared to a \$(85) decrease for fiscal year 2017.

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

	<b>2018</b>	2017	2016
Operating revenues	\$ 433	\$ 1,636	\$ 1,855
Operating expenses	<b>1,580</b>	1,664	1,467
Operating income	<b>(1,147)</b>	(28)	388
Non-operating income, net	<b>11</b>	(57)	167
Capital contributions	<b>6,893</b>	-	-
Change in net position	<b>5,757</b>	(85)	555
Beginning net position (deficit)	<b>(20)</b>	65	(490)
Ending net position (deficit)	<b>\$ 5,737</b>	\$ (20)	\$ 65

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Cash Flows

#### 2018 vs. 2017

Net cash used in operating activities was (\$149) a (\$1,390) decrease from 2017. Net cash provided by non-capital financing activities was \$190, a (\$58) decrease from 2017. Net cash used in capital and related financing activities was (\$3,523) a \$2,075 increase from 2017. 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, 2018 and 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

#### 2018 vs. 2017

The Authority had \$9,752 net of accumulated depreciation, invested in capital assets as of September 30, 2018, compared to \$10,259 as of September 30, 2017. There were \$561 in port improvement projects added to capital assets in 2018. The addition of capital assets of \$561, netted against depreciation expense of \$1,068, results in a net decrease in capital assets of \$507 from 2018.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 3,184	\$ 3,184	\$ 3,184
Port improvements	5,829	6,265	7,251
Tradeplex improvements	210	243	283
Machinery and equipment	100	113	125
Security projects	429	454	479
Total	<u>\$ 9,752</u>	<u>\$ 10,259</u>	<u>\$ 11,322</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Long-Term Debt

#### 2018 vs. 2017

As of September 30, 2018, the Authority had long term outstanding bonds payable of \$0, and \$4,556 in advances from Nassau Terminals. Outstanding bonds payable decreased by \$9,300 during fiscal year 2018. This decrease was due to a principal payment of \$9,300. 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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Unrestricted cash and cash equivalents	\$ 81,488	\$ 1,358,033
Accounts receivable, (less allowance for doubtful accounts of \$1,237,245 and \$0 for 2018 and 2017, respectively)	88,768	248,091
Due from other governments	499,707	-
Prepaid expenses	386,380	10,272
Total current assets	<u>1,056,343</u>	<u>1,616,396</u>
<b>Non-current assets</b>		
Restricted cash and cash equivalents	-	2,201,406
Capital assets		
Non-depreciable	3,183,736	3,183,736
Depreciable, net of accumulated depreciation	6,567,052	7,074,530
Total non-current assets	<u>9,750,788</u>	<u>12,459,672</u>
Total assets	<u>\$ 10,807,131</u>	<u>\$ 14,076,068</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Current portion of revenue bonds	\$ -	\$ 1,100,000
Accounts and contracts payable	380,185	234,480
Accrued liabilities	6,250	4,964
Current portion of advances from Nassau Terminals	1,350,000	200,000
Total current liabilities	<u>1,736,435</u>	<u>1,539,444</u>
<b>Non-current liabilities</b>		
Revenue bonds payable	-	8,200,000
Line of credit	128,000	-
Advances from Nassau Terminals	3,205,986	4,355,986
Total non-current liabilities	<u>3,333,986</u>	<u>12,555,986</u>
Total liabilities	<u>5,070,421</u>	<u>14,095,430</u>
<b>Net position</b>		
Net investment in capital assets	9,750,788	958,266
Restricted for debt service	-	2,201,406
Unrestricted	(4,014,078)	(3,179,034)
Total net position (deficit)	<u>\$ 5,736,710</u>	<u>\$ (19,362)</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating revenues</b>		
Break-bulk	\$ 1,640,249	\$ 1,593,703
Bad debt	(1,237,245)	-
Rental income	24,926	26,919
Miscellaneous	4,667	15,624
Operating revenues	<u>432,597</u>	<u>1,636,246</u>
<b>Operating expenses</b>		
Port security	189,617	185,594
Professional fees	131,613	56,200
Commissioners fees	60,000	60,000
Annual fees to the City of Fernandina Beach	50,000	200,000
Miscellaneous	37,739	31,007
Re-marketing bond fees	5,693	11,999
Dues and subscriptions	22,422	25,900
Trustee fees	1,600	14,050
Outside services	10,703	13,000
Contributions	2,500	2,500
Depreciation	1,067,641	1,063,563
Operating expenses	<u>1,579,528</u>	<u>1,663,813</u>
Operating loss	<u>(1,146,931)</u>	<u>(27,567)</u>
<b>Non-operating income (expense)</b>		
Investment income	4,160	5,151
Interest expense	(183,277)	(248,011)
Port security reimbursements	189,617	185,594
Non-operating income (expense), net	<u>10,500</u>	<u>(57,266)</u>
<b>Capital contributions</b>	<u>6,892,503</u>	<u>-</u>
<b>Change in net position</b>	5,756,072	(84,833)
<b>Total net position (deficit), beginning of year</b>	<u>(19,362)</u>	65,471
<b>Total net position (deficit), end of year</b>	<u>\$ 5,736,710</u>	<u>\$ (19,362)</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 591,920	\$ 1,803,358
Payments to suppliers	(682,290)	(502,893)
Payments to employees	(58,714)	(60,000)
Net cash provided by (used in) operating activities	<u>(149,084)</u>	<u>1,240,465</u>
<b>Cash Flows From Investing Activities</b>		
Interest income on investments	4,160	5,151
Net cash provided by investing activities	<u>4,160</u>	<u>5,151</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Receipts from operating grants	189,617	248,094
Net cash provided by non-capital financing activities	<u>189,617</u>	<u>248,094</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchases of capital assets	(560,163)	-
Receipts from capital grants	307,707	-
Receipts from Worldwide Terminals for bond retirement	6,085,089	-
Proceeds from line of credit	128,000	-
Principal payments on revenue bonds	(9,300,000)	(1,200,000)
Interest paid on long-term borrowings	(183,277)	(248,011)
Net cash used in capital and related financing activities	<u>(3,522,644)</u>	<u>(1,448,011)</u>
Net increase (decrease) in cash and cash equivalents	(3,477,951)	45,699
Cash and cash equivalents		
Beginning	<u>3,559,439</u>	<u>3,513,740</u>
Ending	<u>\$ 81,488</u>	<u>\$ 3,559,439</u>
<b>Classified as</b>		
Unrestricted cash and cash equivalents	\$ 81,488	\$ 1,358,033
Restricted cash and cash equivalents	-	2,201,406
	<u>\$ 81,488</u>	<u>\$ 3,559,439</u>

(Continued)

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

---

<b>Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities</b>	<u>2018</u>	<u>2017</u>
Operating loss	\$ (1,146,931)	\$ (27,567)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,067,641	1,063,563
Changes in assets and liabilities		
Decrease in accounts receivable	159,323	167,112
Increase in prepaid expenses	(376,108)	-
Increase in accounts payable and accrued liabilities	146,991	37,357
Net cash provided by (used in) operating activities	<u>\$ (149,084)</u>	<u>\$ 1,240,465</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 of Nassau County (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") through February 2018 and Worldwide Terminals thereafter. In addition, the distribution of funds was governed by a bond indenture agreement utilizing the Bank of New York, as bond trustee also through February 2018.

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.

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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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, 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. There are no remaining bond reserve funds as of September 30, 2018.

**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 \$0 and \$2,201,406 at September 30, 2018 and 2017, respectively, which was required by bond covenants and was invested 100% in U.S. Treasury funds.

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated</b>					
Land	\$ 3,183,736	\$ -	\$ -	\$ -	\$ 3,183,736
<b>Total</b>	<u>3,183,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,183,736</u>
<b>Capital assets, being depreciated</b>					
Port improvements	28,498,287	560,163	-	-	29,058,450
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
<b>Total</b>	<u>32,779,882</u>	<u>560,163</u>	<u>-</u>	<u>-</u>	<u>33,340,045</u>
<b>Less accumulated depreciation for</b>					
Port improvements	(22,233,759)	(995,963)	-	-	(23,229,722)
Tradeplex improvements	(769,890)	(33,778)	-	-	(803,668)
Machinery and equipment	(692,554)	(12,500)	-	-	(705,054)
Buildings	(772,000)	-	-	-	(772,000)
Security projects	(308,065)	(25,400)	-	-	(333,465)
Dredge project	(929,084)	-	-	-	(929,084)
<b>Total</b>	<u>(25,705,352)</u>	<u>(1,067,641)</u>	<u>-</u>	<u>-</u>	<u>(26,772,993)</u>
<b>Total capital assets, being depreciated, net</b>	<u>7,074,530</u>	<u>(507,478)</u>	<u>-</u>	<u>-</u>	<u>6,567,052</u>
<b>Total capital assets, net</b>	<u>\$ 10,258,266</u>	<u>\$ (507,478)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,750,788</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, 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>

Depreciation expense for the years ended September 30, 2018 and 2017, was \$1,067,641 and \$1,063,563, 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, 2018, 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	\$ 9,300,000	\$ -	\$ (9,300,000)	\$ -	\$ -
Line of credit	-	128,000	-	128,000	-
Advances from Nassau Terminals	4,555,986	-	-	4,555,986	1,350,000
<b>Total long-term liabilities</b>	<b>\$ 13,855,986</b>	<b>\$ 128,000</b>	<b>\$ (9,300,000)</b>	<b>\$ 4,683,986</b>	<b>\$ 1,350,000</b>

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
<b>Total long-term liabilities</b>	<b>\$ 15,055,986</b>	<b>\$ -</b>	<b>\$ (1,200,000)</b>	<b>\$ 13,855,986</b>	<b>\$ 1,300,000</b>

**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 revenue bonds were paid in full during the year ended September 30, 2018.

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

**Advances from Nassau Terminals:**

The advances 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, 2018, Nassau Terminals was due \$4,555,986. Nassau Terminals did not request payment to be made during the 2018 fiscal year. A payment of \$1,350,000 is anticipated to be paid during fiscal year 2019, 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, 2018, 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>
2019	\$ 1,350,000	\$ 1,350,000	\$ -
2020	1,350,000	1,350,000	-
2021	1,350,000	1,350,000	-
2022	505,986	505,986	-
	<u>\$ 4,555,986</u>	<u>\$ 4,555,986</u>	<u>\$ -</u>

**Line of Credit:**

On September 1, 2018, the Authority entered into a line of credit agreement with a financial institution for an amount up to \$2,000,000 for which the Authority had drawn \$128,000 as of September 30, 2018. The line of credit was obtained to finance the cost of a new ship to shore crane at the Port of Fernandina. Principal and interest are due and payable monthly and the line of credit bears interest at the adjusted LIBOR rate. Principal and interest are computed on a fully amortizing basis with a maturity date of September 19, 2023. There were no principal or interest payments made on the line of credit as of September 30, 2018.

# 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, 2018 and 2017.

### **NOTE 6. MANAGEMENT AGREEMENT**

Through October 18, 2018, Nassau Terminals operated 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 2018 and 2017, the annual fee was \$84,648 and \$84,648, respectively. In addition, Nassau Terminals agreed 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 provided 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 6. MANAGEMENT AGREEMENT (CONTINUED)**

Effective October 19, 2018, the above agreement was amended and the duration extended for a period of ten years, with two optional additional terms of twelve years. Nassau Terminals agrees to pay the Authority \$251,675 annually for the entire term of the contract. In addition, Nassau Terminals agrees to contribute \$50,000 in 2019 and 2020 toward the Development of Regional Impact payments due from the Authority to the City of Fernandina Beach. Nassau Terminals further agrees to pay the Authority \$1.50 per short ton up to 549,999 tons per annum, \$1.25 per short ton from 550,000 tons up to 649,999 tons per annum, \$1.00 per short ton over 650,000 tons per annum, and \$.91 per short ton in facility use fees for bulk and general cargo. The agreement provides for equal distribution to Nassau Terminals and the Authority of any new revenue streams added subsequent to the date of the agreement.

### **NOTE 7. EXTENSION OF LETTER OF CREDIT AND GUARANTEE AGREEMENTS**

The Authority maintained an 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. Nassau Terminals and Kinder Morgan had 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.

As the bonds were retired in February 2018, no extension was required during the year ended September 30, 2018, and the letter of credit was no longer needed to secure the bonds.

### **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**

In March 2019, the Authority Board approved resolution 2019-03, which amends the agreement between the Authority and Nassau Terminals. This resolution eliminates any amounts owed to either party under the original agreement dated December 1, 1990. As such, the advance from Nassau Terminals in the amount of \$4,555,986 was forgiven as of this date. Additionally, amounts due from Nassau Terminals in the amount of \$1,237,245 were forgiven by the Authority. This receivable is offset in the current fiscal year by an allowance for the same amount.

**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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 20, 2019.

**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.

Bradenton, Florida  
May 20, 2019

*Mauldin & Jenkins, LLC*



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

---

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

**Report on Compliance for Each Major State Project**

We have audited the Ocean Highway and Port Authority of Nassau County's (the "Authority") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Authority's major state projects for the year ended September 30, 2018. The Authority's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with state statutes, regulation, and the terms and conditions of its state projects applicable to its state projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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*. Those standards and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major State Project***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2018.

---

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida  
May 20, 2019

*Mauldin & Jenkins, LLC*



## 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, 2018, and have issued our report thereon dated May 20, 2019.

### **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*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 May 20, 2019, 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, 2018, 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, 2018. In connection with our audit, we determined that these two reports were in agreement.

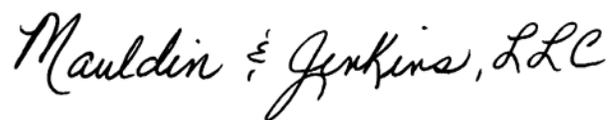
**Additional Matters**

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  
May 20, 2019



**OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

---

	CSFA Number	Grant ID Number	Expenditures
<b>Florida Department of Transportation</b>			
Local Transportation Projects	55.039	N/A	\$ 386,380
Seaport Grant Program	55.005	ART16	420,122
<b>Total expenditures of state financial assistance</b>			<b>\$ 806,502</b>

**Notes to the Schedule**

The above schedule is presented using the modified accrual basis of accounting and is presented in accordance with Chapter 10.550, *Rules of the Auditor General*. As such, some amounts presented in this schedule may differ from amounts in, or used in the preparation of the basic financial statements.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2018

SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified?  Yes  No

Significant deficiency identified not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**State Financial Assistance Projects**

Internal control over major program:

Material weaknesses identified?  Yes  No

Significant deficiency identified not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with Chapter 10.557?  Yes  No

Identification of major state projects:

<u>CSFA Number</u>	<u>Name of State Project or Cluster</u>
55.005	Seaport Grant Program
55.039	Local Transportation Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None noted.

SECTION III  
STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None noted.

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

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

---

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, 2018. 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, 2018.

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.

Bradenton, Florida  
May 20, 2019

A handwritten signature in cursive script that reads "Mauldin &amp; Jenkins, LLC".