

Mid-Bay Bridge Authority  
Okaloosa County, Florida

Financial Statements

September 30, 2017 and 2016



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Mid-Bay Bridge Authority  
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September 30, 2017 and 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mid-Bay Bridge Authority  
Okaloosa County, Florida

We have audited the accompanying financial statements of the Mid-Bay Bridge Authority, as of and for the years ended September 30, 2017 and 2016, and the related notes to the 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Mid-Bay Bridge Authority, as of September 30, 2017 and 2016, and the changes in its financial position, and its 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 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Mid-Bay Bridge Authority's basic financial statements. The Continuing Disclosure – Bond Series 2015A,B,C information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the Mid-Bay Bridge Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mid-Bay Bridge Authority's internal control over financial reporting and compliance.

*Cary Riggs & Ingram, L.L.C.*

Niceville, Florida  
March 15, 2018

## Management's Discussion and Analysis

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2017 AND 2016**

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This section of the Mid-Bay Bridge Authority's (the "Authority") annual financial report presents the analysis of the Authority's financial performance during the fiscal year ended September 30, 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The basic financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statements of net position includes all of the Authority's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the consumption of resources applicable to a future reporting period (deferred outflows of resources) and the obligations to Authority's creditors (liabilities) and the acquisition of resources applicable to a future period (deferred inflows of resources). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as: where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The analysis of the Authority begins on page 4. The statements of net position and the statements of revenues, expenses, and changes in net position report the net position of the Authority and changes in them. The net position, the difference between assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources), is one way to measure the financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors should be considered such as economic conditions, population growth, and changing government legislation.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2017 AND 2016**

**NET POSITION**

The following table summarizes the statements of net position (in millions):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets			
Cash	\$ 0.18	\$ 0.33	\$ 0.23
Restricted cash	25.00	23.73	34.11
Due from other governments	0.95	0.93	0.66
Accrued interest	0.12	0.11	-
Non-current assets			
Restricted investments	21.22	21.22	-
Capital assets	0.32	0.64	0.71
Capital assets not being depreciated	235.87	235.45	235.17
<b>TOTAL ASSETS</b>	<u>\$ 283.66</u>	<u>\$ 282.41</u>	<u>\$ 270.88</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 62.92</u>	<u>\$ 65.86</u>	<u>\$ 68.91</u>
Other liabilities	\$ 7.04	\$ 7.02	\$ 4.63
Due to other governments	7.80	11.14	11.79
Bonds payable	293.22	297.47	297.95
<b>TOTAL LIABILITIES</b>	<u>\$ 308.06</u>	<u>\$ 315.63</u>	<u>\$ 314.37</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 0.11</u>	<u>\$ 0.12</u>	<u>\$ 0.47</u>
Net investment in capital assets	\$ 3.72	\$ 2.73	\$ 1.16
Restricted	35.36	29.71	20.27
Unrestricted	(0.69)	0.07	3.85
<b>TOTAL NET POSITION</b>	<u>\$ 38.39</u>	<u>\$ 32.51</u>	<u>\$ 25.28</u>

Total assets increased by approximately \$1.25 million from 2016 to 2017. This increase is primarily the result of the inflow of cash from toll revenues collected during the current year, held in cash and investment accounts.

The decrease in deferred outflows of \$2.94 million is primarily attributable to the amortization of the losses and issuance costs relating to the 2015 bond issue.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2017 AND 2016**

**CHANGES IN NET POSITION**

The following table summarizes the Authority's statements of revenues, expenses, and changes in net position (in millions):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>	<u>\$ 26.39</u>	<u>\$ 27.42</u>	<u>\$ 20.72</u>
<b>OPERATING EXPENSES</b>			
System operations and maintenance	3.18	2.94	3.27
Preservation	1.10	0.64	0.07
Administration	0.61	0.61	0.67
Bad debt (recovery)/expense	(0.02)	0.24	0.14
Depreciation	<u>0.02</u>	<u>0.03</u>	<u>0.02</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>4.89</u>	<u>4.46</u>	<u>4.17</u>
<b>NET OPERATING INCOME</b>	21.50	22.96	16.55
<b>NON-OPERATING REVENUES (EXPENSES)</b>	<u>(15.62)</u>	<u>(15.74)</u>	<u>(14.43)</u>
<b>CHANGE IN NET POSITION</b>	<u>5.89</u>	<u>7.23</u>	<u>2.12</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>32.51</u>	<u>25.28</u>	<u>23.16</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 38.39</u></u>	<u><u>\$ 32.51</u></u>	<u><u>\$ 25.28</u></u>

While the statements of net position show the change in net position, the statements of revenues, expenses, and changes in net position provides answers as to the nature and source of these changes. As can be seen in the table above, the operating expenses of the Authority remained consistent from 2016 to 2017. Since the Authority accounts for recording infrastructure assets utilizing the modified approach under Governmental Accounting Standards Board Statement No. 34, it is required to maintain its infrastructure assets at certain levels. Fluctuations in expense levels from year to year will result based on management's assessment of the needed system preservation. Interest expense and other debt service costs of approximately \$15.6 million and system operations and maintenance of \$3.2 million, represent the largest expenses of the Authority.

Gross revenues for the year were \$26,393,809 compared to \$27,417,335, in the prior year, which represents a decrease of \$1.03 million (or 4%), primarily as a result of the Governor's suspension of tolls from September 5 to September 21 to support the emergency evacuation and relocation of Florida citizens from the peninsula in preparation for Hurricane Irma.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2017 AND 2016**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital assets consist of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CAPITAL ASSETS, DEPRECIABLE, NET</b>			
Equipment	\$ 2,029	\$ 2,029	\$ 67,827
Buildings	188,907	498,608	559,245
Improvements other than buildings	127,575	137,549	82,540
<b>CAPITAL ASSETS, NET</b>	<u>\$ 318,511</u>	<u>\$ 638,186</u>	<u>\$ 709,612</u>
<b>CAPITAL ASSETS, NOT DEPRECIABLE</b>			
Infrastructure	\$ 207,899,139	\$ 207,557,883	\$ 206,878,246
Air Force easement	26,690,000	26,690,000	26,690,000
Land	663,168	663,168	663,168
Construction in progress	619,244	537,662	938,421
<b>CAPITAL ASSETS, NOT DEPRECIABLE</b>	<u>\$ 235,871,551</u>	<u>\$ 235,448,713</u>	<u>\$ 235,169,835</u>

During fiscal year 2017, the Authority sold its Construction Office.

**LONG-TERM DEBT**

As of September 30, 2017, the Authority's Series 2015A, 2015B, and 2015C Revenue Bonds remained outstanding. During 2017, the Authority continued scheduled interest payments on the bonds. As of September 30, 2017, the Authority had bonds payable of \$281,280,000.

The Authority is in compliance with all applicable debt covenants contained in the various bond documents. Standard & Poor's (S&P) and Fitch Investor Services (Fitch) have rated the Authority's 2015A and 2015B bonds as BBB+ and the 2015C bonds as BBB. In addition, S&P and Moody's rated the insured portion of the 2015A bonds as AA and A2, respectively.

**ANNUAL BUDGET**

During the month of May, the Authority develops an annual proposed budget and holds a public hearing before the citizens of Okaloosa County, Florida. At the time the Authority prepares its annual budget, it adopts a resolution to estimate the expected amounts to be expended by the Authority in the ensuing year. On or before the first day of June, the chairman of the Authority submits the budget to the Board of County Commissioners. The Board of County Commissioners examines the budget and the certified copy of the resolution, and may approve the budget or increase or reduce the total amount requested under the provisions in the budget and resolution for the expenditures.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
SEPTEMBER 30, 2017 AND 2016**

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**ANNUAL BUDGET – CONTINUED**

Any budget amendment adopted by the Authority that increases the total budget must be submitted to the Board of County Commissioners for approval. Otherwise, the budget remains in effect the entire year. The budgetary data are not reported on nor shown in the financial statement section of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mid-Bay Bridge Authority expects continued traffic and toll revenue growth over the next several years. Some factors attributed to continued growth include the area population and traffic growth for Okaloosa and Walton counties, the adjacent military base outlook, continued ramp-up of traffic on the Spence Parkway, highway constraints and improvements.

**CONTACTING THE EXECUTIVE DIRECTOR**

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of Mid-Bay Bridge Authority's finances and to demonstrate its accountability for the toll revenues it receives. If you have questions about this report or need additional information, contact Van Fuller, Executive Director of Mid-Bay Bridge Authority, Post Office Box 5037, Niceville, Florida 32578, e-mail address: [van.fuller@mid-bay.com](mailto:van.fuller@mid-bay.com), phone number: (850) 897-1428.

## Basic Financial Statements

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 179,592	\$ 328,307
Restricted cash	24,988,191	23,723,825
Due from other governments, net of allowance (Note 3)	946,271	932,457
Prepaid expenses	2,500	2,500
Accrued interest	115,202	107,492
Total current assets	<u>26,231,756</u>	<u>25,094,581</u>
<b>NON-CURRENT ASSETS</b>		
Restricted investments (Note 2)	21,220,501	21,220,501
Capital assets, net of accumulated depreciation (Note 4)	318,511	638,186
Capital assets not being depreciated (Note 4)	235,871,551	235,448,713
Total non-current assets	<u>257,410,563</u>	<u>257,307,400</u>
<b>TOTAL ASSETS</b>	<u>\$ 283,642,319</u>	<u>\$ 282,401,981</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges related to pensions (Note 8)	\$ 179,588	\$ 184,285
Deferred charges on refunding (Note 7)	62,742,653	65,671,743
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 62,922,241</u>	<u>\$ 65,856,028</u>

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

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
STATEMENTS OF NET POSITION – CONTINUED  
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 37,065	\$ 29,116
Current liabilities payable from restricted assets		
Contracts payable	58,390	-
Accrued interest	6,633,135	6,707,040
Due to other governments (Note 7)	3,443,187	6,698,984
Bonds payable (Note 7)	3,905,000	3,760,000
Total current liabilities payable from restricted assets	<u>14,039,712</u>	<u>17,166,024</u>
<b>NON-CURRENT LIABILITIES</b>		
Net pension liability	310,422	281,548
Non-current liabilities payable from restricted assets		
Due to other governments, net of current portion (Note 7)	4,358,387	4,445,494
Bonds payable, net of current portion (Note 7)	289,319,988	293,709,525
Total non-current liabilities payable from restricted assets	<u>293,678,375</u>	<u>298,155,019</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 308,065,574</u>	<u>\$ 315,631,707</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 107,756</u>	<u>\$ 120,266</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 3,723,468	\$ 2,725,629
Restricted	35,360,440	29,712,614
Unrestricted	(692,678)	67,793
<b>TOTAL NET POSITION</b>	<u>\$ 38,391,230</u>	<u>\$ 32,506,036</u>

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

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Toll revenues	\$ 26,393,809	\$ 27,417,335
<b>OPERATING EXPENSES</b>		
System operations and maintenance		
Maintenance – FDOT	276,433	236,557
Operations – FDOT	2,836,070	2,697,473
Traffic engineer study	60,953	-
Preservation		
FDOT	874,362	644,249
MBBA Asset Management	226,206	-
Administration		
Office, admin, staff, legal counsel	333,911	333,502
Accounting and auditing	69,946	108,255
Professional services	103,823	69,800
Advertising	98,227	101,930
Depreciation	22,960	26,037
Bad debt (recovery)/expense	(16,290)	237,423
Total operating expenses	<u>4,886,601</u>	<u>4,455,226</u>
<b>NET OPERATING INCOME</b>	<u>21,507,208</u>	<u>22,962,109</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and dividends	293,031	229,449
Interest expense	(15,710,821)	(16,030,413)
Loss on sale of assets	(120,324)	-
Other debt service costs	(86,863)	(85,459)
Other revenue	2,963	150,435
Total non-operating revenues (expenses)	<u>(15,622,014)</u>	<u>(15,735,989)</u>
<b>CHANGE IN NET POSITION</b>	<u>5,885,194</u>	<u>7,226,120</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>32,506,036</u>	<u>25,279,916</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 38,391,230</u></u>	<u><u>\$ 32,506,036</u></u>

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

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tolls	\$ 26,396,285	\$ 26,912,231
Cash paid to vendors	(4,566,124)	(3,955,153)
Cash paid to employees	(226,407)	(233,022)
Net cash flows provided by operating activities	<u>21,603,754</u>	<u>22,724,056</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from other governments	3,986,865	3,579,008
Other revenue (expense)	(86,863)	29,022
Payments to other governments	(7,329,769)	(4,226,508)
Bond principal payments	(3,760,000)	-
Interest paid	(13,340,173)	(11,103,877)
Proceeds from the sale of property	176,426	-
Capital expenditures	(422,873)	(189,624)
Net cash flows used in capital and related financing activities	<u>(20,776,387)</u>	<u>(11,911,979)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	-	(21,220,501)
Interest and dividends	288,284	123,449
Net cash flows provided by (used in) investing activities	<u>288,284</u>	<u>(21,097,052)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,115,651	(10,284,975)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>24,052,132</u>	<u>34,337,107</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 25,167,783</u></u>	<u><u>\$ 24,052,132</u></u>

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

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
STATEMENTS OF CASH FLOWS – CONTINUED  
FOR THE YEARS ENDED SEPTEMBER 30, 2017**

	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income	\$ 21,507,208	\$ 22,962,109
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	22,960	26,037
Bad debt expense	(16,290)	237,423
Change in assets and liabilities:		
Due from other governments	2,476	(505,104)
Prepaid expenses	-	(2,500)
Accounts payable	7,949	6,091
Contracts payable	58,390	-
Net pension liability and related deferred inflows/outflows	21,061	-
Net cash flows provided by operating activities	<b>\$ 21,603,754</b>	<b>\$ 22,724,056</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION</b>		
Unrestricted	\$ 179,592	\$ 328,307
Restricted	24,988,191	23,723,825
	<b>\$ 25,167,783</b>	<b>\$ 24,052,132</b>

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

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Mid-Bay Bridge Authority, Okaloosa County, Florida (hereinafter referred to as the Authority) was established in October 1986 by legislative action under Chapter 86-465, Laws of Florida. Chapter 2000-411, Laws of Florida, provided legislative intent; amending, codifying, and reenacting Chapters 86-465 and 88-542, Laws of Florida; providing for the repeal of all prior special acts related to the Mid-Bay Bridge Authority. The Authority consists of five members, all appointed by the Governor of Florida. The Authority was created for the purpose of planning, constructing, operating, and maintaining a bridge system, including a toll bridge which traverses Choctawhatchee Bay, toll collection facilities, approach roads and interchanges as necessary to the Mid-Bay Bridge.

The Department of Economic Opportunity, as required by the Uniform Special District Accountability Act of 1989 (the Act) (Chapter 189.069, Florida Statutes) and following the definitions set forth therein, compiled the official list of special districts in Florida as of October 13, 2015. The financial reporting status of the Authority is as a special dependent district of Okaloosa County; however, the County does not include the Authority in the County's Annual Financial Report of Units of Local Government due to the fact that the Authority functions independently of the County. The definitions of the Act differ from the reporting entity definition under accounting principles generally accepted in the United States of America. Based on these principles, the County has determined that the Authority is not part of their reporting entity and therefore, will not be included in their general-purpose financial statements.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The following is a summary of the more significant accounting policies of the Authority.

**Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The term measurement focus is used to denote what is being measured and reported in the Authority's operating statement. The Authority's financial activity is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting and Financial Statement Presentation – Continued**

The Authority has adopted the provisions of Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", as amended by statements No. 37, No. 63, and No. 65, which establishes standards for external financial reporting for all state and local government entities which include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Cash and Cash Equivalents**

The Authority's cash and cash equivalents excluding restricted cash are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Restricted Cash and Investments**

Cash and investments held with the Authority's trustee, which have been set aside for certain projects and repayment of debt are classified as restricted assets on the statements of net position because their use is limited by applicable debt covenants and project requirements.

Investments are reported at cost in accordance with GAAP. Investments consist of an investment agreement with redemption terms that do not consider market rates.

**Due from Other Governments**

Due from other governments includes toll receipts yet to be transferred to the Authority from the Florida Department of Transportation (FDOT). The Authority estimates any uncollectible amounts based on past collection history.

**Budgets and Budgetary Accounting**

The annual budget is adopted by the Authority; however, the budget is not legally required to be reported for business-type activities and is not included in these financial statements. The Authority's budget is established by the following procedures:

During the month of May, the Authority develops an annual proposed budget and holds a public hearing before the citizens of Okaloosa County. At the time the Authority prepares its annual budget, it adopts a resolution to estimate the amounts expected to be expended by the Authority in the ensuing year. On or before the first day of June, the Chairman of the Authority submits the budget to the Board of County Commissioners of Okaloosa County. The Board of County Commissioners examines the budget and the certified copy of the resolution and approve the budget or may increase or reduce the total amount requested under the provisions in the budget and resolution for the expenditures. Any budget amendment adopted by the Authority that increases the total budget must be submitted to the Board of County Commissioners for approval.

**Capital Assets**

Capital assets of the Authority are recorded at either historical cost or estimated historical cost. Donated assets are valued at their estimated acquisition value on the date donated. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Costs to acquire additional capital assets, and to replace existing assets or otherwise prolong their useful lives are capitalized for toll equipment, buildings and furniture and equipment. Under the Authority's policy of accounting for infrastructure assets pursuant to the "modified approach," property costs represent a historical accumulation of costs expended to acquire rights-of-way/easements and to construct, improve and place in operation the various projects and related facilities.

Depreciation is computed using the straight-line method over estimated asset lives as follows:

Buildings	40 years
Improvements	40 years
Equipment	5 years

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capital Assets – Continued**

Under the modified approach, infrastructure assets are considered to be "indefinite lived" assets; that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to renewal and replacement for these assets are not capitalized, but instead are included in preservation expense.

It is the policy of the Authority to capitalize assets exceeding \$1,000.

**Capitalized Interest**

Interest costs on funds borrowed to finance the construction of property and equipment during the asset's capitalization period, net of interest income, are capitalized.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial 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 will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category; deferred charges related to pensions as more fully described in Note 8 to the financial statements and deferred charges on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt on a straight-line basis.

In addition to liabilities, the statements of financial 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 a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one item that qualifies for reporting in this category related to the defined benefit pension plan as more fully described in Note 8.

**Long-Term Obligations**

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Net Pension Liability**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement Systems (FRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Bond Premiums and Discounts**

Bond premiums and discounts are deferred and amortized on the straight-line basis over the term of the bonds, which the Authority believes approximates the effective interest method. Unamortized bond discounts and unamortized bond premiums are deducted from and added to, respectively, the principal amounts of the bonds outstanding. These costs are reflected in the accompanying financial statements as a reduction or an increase in gross bonds payable as unamortized deferred amounts.

**Revenues and Expenses**

Operating revenues and expenses result from ongoing operations of the toll system. Non-operating revenues and expenses are primarily related to financing and investing type activities.

Restricted funds are used in accordance with the Master Indenture for Trust and primarily involve payments on debt and capital investment/construction. Unrestricted funds are used for any lawful purpose of the Authority.

**Estimates**

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

**Events Occurring After Reporting Date**

The Authority has evaluated events and transactions that occurred between September 30, 2017, and March 15, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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## **2. DEPOSITS AND INVESTMENTS**

Unless otherwise authorized by law or by ordinance, the Authority is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time, in:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Securities of, or other interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States Government obligations or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- Other investments authorized by resolution.

The Authority is also authorized to enter in investment agreements with any bank or other financial institution, the unsecured debt of which is rated in either of the two highest full rating categories by a rating agency.

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**2. DEPOSITS AND INVESTMENTS – CONTINUED**

The Mid-Bay Bridge Authority chooses to disclose its investments by specifically identifying each.

As of September 30, 2017 and 2016, the Authority's investments were as follows:

<u>Investment</u>	<u>Maturity (fiscal year ending)</u>	<u>Cost Value</u>
Bayerische Landesbank Investment Agreement	2018	<u>\$ 21,220,501</u>
		<u><u>\$ 21,220,501</u></u>

The Authority abides by State law that limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The investments are considered non-participating investments and are valued at cost. The Authority complies with provisions contained in its Master Indenture of Trust.

The Authority's investment credit ratings concentrations as of September 30, 2017, were as follows:

<u>Investment</u>	<u>% of Total Investment</u>	<u>Credit Rating (Moody's)</u>
Bayerische Landesbank Investment Agreement	100.00%	A1

**MID-BAY BRIDGE AUTHORITY  
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**3. DUE FROM OTHER GOVERNMENTS**

Due from other governments was comprised of the following at September 30:

	<u>2017</u>	<u>2016</u>
Tolls yet to be remitted from FDOT	\$ 1,441,900	\$ 1,444,376
Less allowance for uncollectible tolls	<u>(495,629)</u>	<u>(511,919)</u>
Due from other governments, net	<u>\$ 946,271</u>	<u>\$ 932,457</u>

**4. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2017, is as follows:

	<u>Balance 10/1/2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance 9/30/2017</u>
Capital assets, depreciable					
Equipment	\$ 24,993	\$ -	\$ -	\$ -	\$ 24,993
Buildings	582,550	35	(378,820)	-	203,765
Improvements other than buildings	<u>153,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,667</u>
Capital assets	761,210	35	(378,820)	-	382,425
Accumulated depreciation	<u>(123,024)</u>	<u>(22,960)</u>	<u>82,070</u>	<u>-</u>	<u>(63,914)</u>
Capital assets, net of accumulated depreciation	<u>\$ 638,186</u>	<u>\$ (22,925)</u>	<u>\$ (296,750)</u>	<u>\$ -</u>	<u>\$ 318,511</u>
Capital assets, not depreciable					
Infrastructure	\$ 207,557,883	\$ -	\$ -	\$ 341,256	\$ 207,899,139
Air Force easement	26,690,000	-	-	-	26,690,000
Land	663,168	-	-	-	663,168
Construction in progress:					
Easement restoration	386,719	58,000	-	-	444,719
Mid-Bay Bridge System enhancements	<u>150,943</u>	<u>364,838</u>	<u>-</u>	<u>(341,256)</u>	<u>174,525</u>
Capital assets, not depreciable	<u>\$ 235,448,713</u>	<u>\$ 422,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,871,551</u>

**MID-BAY BRIDGE AUTHORITY  
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**4. CAPITAL ASSETS – CONTINUED**

A summary of changes in capital assets for the year ended September 30, 2016, is as follows:

	<u>Balance</u> <u>10/1/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>9/30/2016</u>
Capital assets, depreciable					
Equipment	\$ 24,993	\$ -	\$ -	\$ -	\$ 24,993
Buildings	668,249	-	(85,699)	-	582,550
Improvements other than buildings	154,267	500	(1,100)	-	153,667
Capital assets	847,509	500	(86,799)	-	761,210
Accumulated depreciation	(137,897)	(26,037)	40,910	-	(123,024)
Capital assets, net of accumulated depreciation	<u>\$ 709,612</u>	<u>\$ (25,537)</u>	<u>\$ (45,889)</u>	<u>\$ -</u>	<u>\$ 638,186</u>
Capital assets, not depreciable					
Infrastructure	\$ 206,878,246	\$ -	\$ -	\$ 679,637	\$ 207,557,883
Air Force easement	26,690,000	-	-	-	26,690,000
Land	663,168	-	-	-	663,168
Construction in progress:					
Easement restoration	933,071	133,285	-	(679,637)	386,719
Mid-Bay Bridge System enhancements	5,350	145,593	-	-	150,943
Capital assets, not depreciable	<u>\$ 235,169,835</u>	<u>\$ 278,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,448,713</u>

In 2015, the Authority purchased an office building and listed its former construction office and office suite for sale. The Authority sold the office suite in 2016 and the construction office in 2017. The net book value of the buildings and related improvements held for sale at September 30, 2016 was \$314,076 and \$2,643, respectively. As of September 30, 2017, the Authority has no assets held for sale.

The increases to construction in progress of \$422,838 and \$278,878 for the years ended September 30, 2017 and 2016, respectively, are a result of the Walter Francis Spence Parkway ("Spence Parkway") project additions, enhancements and easement restoration. During fiscal year 2017, various system enhancement projects were completed, resulting in \$341,256 being transferred from construction in progress to infrastructure. Outstanding contract commitments related to the Mid-Bay Bridge System enhancements, and easement restoration, totaled approximately \$490,000 at September 30, 2017.

During fiscal year 2016, a portion of the remaining easement restoration projects were completed, resulting in \$679,637 being transferred from construction in progress to infrastructure.

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**5. IN-KIND CONSIDERATION ESCROW AGREEMENT**

Through a Grant of Easement, the United States of America, acting by and through the Secretary of the Air Force, granted and conveyed to the Authority a nonexclusive easement for a term of 50 years, a total of 597 acres, more or less, on Eglin Air Force Base in the County of Okaloosa, State of Florida, for the Spence Parkway limited access roadway, associated storm water retention basins, and modification of existing roads. As consideration, the Authority deposited a total of \$26,690,000 into an interest-bearing In-kind Consideration Account (ICA) to be used to fund projects selected by the Air Force, perform services in-kind, and is completing \$3,800,000 in Okaloosa Darter Restoration work. Accordingly, the Authority has reported this expense of \$26,690,000 as a non-depreciable capital asset; Air Force easement. As part of this agreement, the Authority is entitled to receive payment of a reasonable fee for supervision of work and administration of the ICA not to exceed 3% of the project cost. For the years ended September 30, 2017 and 2016, the Authority received \$0 and \$42,280, respectively, for supervision and administration, which is included in other non-operating revenues.

**6. LEASE-PURCHASE AGREEMENT**

The Authority has entered into a lease purchase agreement with the State of Florida Department of Transportation (FDOT) in 1990 and amended in 1991 and 2004. In 2015, the agreement was rewritten and reaffirmed to accommodate the issuance of the Series 2015 Bonds under the Master Indenture of Trust. The FDOT maintains and operates the Mid-Bay Bridge Authority System and collects and remits all tolls to the Authority. The tolls deposited with the Trustee, as well as payment of the Cost of Operation and the Cost of Maintenance with respect to the System are both considered the payments for the lease by the FDOT and Authority. Upon the payment of the outstanding bonds and amounts owed to the FDOT, the Authority's system ownership will transfer to the FDOT. Accounting principles generally accepted in the United States of America require that a lease of this nature be recorded based on its substance rather than its form. Therefore, the bridge system has been recorded under the caption "infrastructure."

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**7. LONG-TERM DEBT**

**Due to Other Governments**

The following is a summary of due to other governments for the years ending September 30, 2017 and 2016:

	<u>10/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/17</u>
Due to other governments	\$ 11,144,478	\$ 3,986,865	\$ (7,329,769)	\$ 7,801,574
Less current portion	<u>(6,698,984)</u>	<u>(3,443,187)</u>	<u>6,698,984</u>	<u>(3,443,187)</u>
Due to other governments – net of current portion	<u>\$ 4,445,494</u>	<u>\$ 543,678</u>	<u>\$ (630,785)</u>	<u>\$ 4,358,387</u>
	<u>10/01/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/16</u>
Due to other governments	\$ 11,791,978	\$ 3,579,008	\$ (4,226,508)	\$ 11,144,478
Less current portion	<u>(3,971,508)</u>	<u>(6,698,984)</u>	<u>3,971,508</u>	<u>(6,698,984)</u>
Due to other governments – net of current portion	<u>\$ 7,820,470</u>	<u>\$ (3,119,976)</u>	<u>\$ (255,000)</u>	<u>\$ 4,445,494</u>

Due to other governments is comprised of the following as of September 30, 2017:

<u>Due to Other Governments</u>	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Advances from Florida Department of Transportation representing the costs of operations and maintenance of the Mid-Bay Bridge Authority system, which pursuant to the bond covenants and lease purchase agreement with FDOT are being paid back as toll revenues are available.	\$ 3,443,187	\$ -	\$ 3,443,187
Amounts due to the Florida Department of Transportation for loan used for the construction of the Southern Approach.	-	<u>4,358,387</u>	<u>4,358,387</u>
Total due to other governments	<u>\$ 3,443,187</u>	<u>\$ 4,358,387</u>	<u>\$ 7,801,574</u>

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**7. LONG-TERM DEBT – CONTINUED**

**Bonds Payable**

A summary of revenue bond transactions of the Authority for the year ended September 30, 2017, is as follows:

	<u>10/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2017</u>
Revenue Series 2015A	\$ 227,040,000	\$ -	\$ -	\$ 227,040,000
Revenue Series 2015B	24,500,000	-	(3,305,000)	21,195,000
Revenue Series 2015C	<u>33,500,000</u>	<u>-</u>	<u>(455,000)</u>	<u>33,045,000</u>
Revenue bonds payable	285,040,000	-	(3,760,000)	281,280,000
Less unamortized bond discount	(210,975)	-	42,223	(168,752)
Plus unamortized bond premium	12,640,500	-	(526,760)	12,113,740
Less current portion of bonds payable	<u>(3,760,000)</u>	<u>(3,905,000)</u>	<u>3,760,000</u>	<u>(3,905,000)</u>
Revenue Bonds payable – net of current portion	<u>\$ 293,709,525</u>	<u>\$ (3,905,000)</u>	<u>\$ (484,537)</u>	<u>\$ 289,319,988</u>

A summary of revenue bond transactions of the Authority for the year ended September 30, 2016, is as follows:

	<u>10/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2016</u>
Revenue Series 2015A	\$ 227,040,000	\$ -	\$ -	\$ 227,040,000
Revenue Series 2015B	24,500,000	-	-	24,500,000
Revenue Series 2015C	<u>33,500,000</u>	<u>-</u>	<u>-</u>	<u>33,500,000</u>
Revenue bonds payable	285,040,000	-	-	285,040,000
Less unamortized bond discount	(253,198)	-	42,223	(210,975)
Plus unamortized bond premium	13,167,260	-	(526,760)	12,640,500
Less current portion of bonds payable	<u>-</u>	<u>(3,760,000)</u>	<u>-</u>	<u>(3,760,000)</u>
Revenue Bonds payable – net of current portion	<u>\$ 297,954,062</u>	<u>\$ (3,760,000)</u>	<u>\$ (484,537)</u>	<u>\$ 293,709,525</u>

**MID-BAY BRIDGE AUTHORITY  
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**7. LONG-TERM DEBT – CONTINUED**

**Bonds Payable – Continued**

Long-term debt is comprised of the following as of September 30, 2017:

<u>Bonds Payable</u>	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
\$227,040,000 1st Senior Lien Revenue Bonds, Series 2015A, due in annual installments of \$2,280,000 to \$17,710,000 beginning October 1, 2021, through October 1, 2040; interest ranging between 4% to 5% per annum, secured by a pledge of and lien upon adjusted revenues*.	\$ -	\$227,040,000	\$227,040,000
\$24,500,000 1st Senior Lien Taxable Revenue Bonds, Series 2015B, due in annual installments of \$3,305,000 to \$5,330,000 beginning October 1, 2016, through October 1, 2021; interest bearing at 3.784% per annum, secured by a pledge of and lien upon adjusted revenues*.	3,430,000	17,765,000	21,195,000
\$33,500,000 2nd Senior Lien Revenue Bonds, Series 2015C, due in annual installments of \$455,000 to \$2,605,000 beginning October 1, 2016, through October 1, 2040; interest bearing at 5% per annum, secured on a subordinate basis to the 1st Senior Lien Bonds by a pledge of and lien upon adjusted revenues*.	<u>475,000</u>	<u>32,570,000</u>	<u>33,045,000</u>
Total revenue bonds outstanding	<u>3,905,000</u>	<u>277,375,000</u>	<u>281,280,000</u>
Unamortized discount	-	(168,752)	(168,752)
Unamortized premium	-	12,113,740	12,113,740
Total revenue bonds	<u>\$ 3,905,000</u>	<u>\$289,319,988</u>	<u>\$293,224,988</u>

*\*Adjusted revenues is defined as revenues for such period remaining after deduction of amounts for the payment of, or as a reserve for the payment of, current expenses in accordance with the bond indenture.*

**MID-BAY BRIDGE AUTHORITY  
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**7. LONG-TERM DEBT – CONTINUED**

**Advanced Refunding**

In June 2015, the Authority issued \$227,040,000, \$24,500,000, and \$33,500,000 of Series 2015A, Series 2015B, and Series 2015C bonds (Series 2015 Bonds), respectively, to provide: (i) resources placed in escrow for the purpose of generating resources for full payment of the Authority's Revenue Refunding Bonds, Series 1993A, Capital Appreciation Bonds, Series 1997A, Revenue Bonds, Series 2007A and 2007B, Revenue Refunding Bonds, Series 2008A and Springing Lien Revenue Bonds, Series 2011A and 2011B (collectively, the "Refunded Bonds", including paying the purchase price of certain of the Refunded Bonds tendered for purchase; (ii) monies necessary to fund the 1<sup>st</sup> and 2<sup>nd</sup> Senior Lien Bonds Reserve Funds; and (iii) funding certain costs of issuance relating to the Series 2015 Bonds.

Debt service requirements of the Refunded Bonds total \$546,687,940; debt service for the Series 2015 Bonds total \$508,753,070, resulting in a cash flow savings of \$37,934,870. After paying debt issuance costs of \$2,299,639, there was a net present value savings of \$3,387,330.

The Refunded Bonds are defeased, and the liability has been removed from the statement of net position. The difference between the reacquisition price and the net carrying amount of the Refunded Bonds at the time of refunding resulted in deferred charges on refunding, which is reported as a deferred outflow on the Statements of Net Position and is being amortized over the shorter of the life of the new debt or the remaining life of the old debt at the time of refunding. As of September 30, 2017, the unamortized deferred outflow on refunding totaled \$62,742,653, consisting of \$60,383,038 of unamortized losses associated with the 2015 advanced refunding and \$2,359,615 of unamortized losses from prior refundings. Amortization expense of the deferred outflow totaled \$2,929,090 for the year ended September 30, 2017, and is included in interest expense on the Statements of Revenues, Expenses and Changes in Net Position.

As of September 30, 2016, the unamortized deferred outflow on refunding totaled \$65,671,743, consisting of \$62,934,435 of unamortized losses associated with the 2015 advanced refunding and \$2,737,308 of unamortized losses from prior refundings. For the year ended September 30, 2016, amortization expense of the deferred outflows on refunding totaled \$3,223,529, and is included in interest expense on the statements of revenues, expenses, and changes in net position.

Of the defeased bond issues, for which the Authority has no liability, the following amounts are outstanding at September 30, 2017:

Revenue Bonds, Series 1991A	\$ 56,640,000
Revenue Bonds, Series 1993D	4,475,000
Revenue Bonds, Series 1997A	12,977,608
Revenue Bonds, Series 2007AB	47,830,000
Revenue Refunding Bonds, Series 2008A	21,240,000
Springing Lien Revenue Bonds, Series 2011A	132,855,000
Springing Lien Revenue Refunding Bonds, Series 2011B	<u>8,725,000</u>
Total defeased debt	<u>\$ 284,742,608</u>

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**7. LONG-TERM DEBT – CONTINUED**

**Advanced Refunding - Continued**

Revenue derived from the operation of the System and funds on deposit are to be used to meet the debt service requirements on the Series 2015A 1<sup>st</sup> Senior Lien Revenue Bonds, Series 2015B 1<sup>st</sup> Senior Lien Taxable Revenue Bonds, and Series 2015C 2<sup>nd</sup> Senior Lien Revenue Bonds.

**Debt Service to Maturity**

Except for the advances from the FDOT for operations and maintenance, the annual requirements to amortize all debts outstanding as of September 30, 2017 on the bonds are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 3,905,000	\$ 13,189,498
2019	4,610,000	13,022,010
2020	5,345,000	12,826,062
2021	6,115,000	12,600,362
2022	6,910,000	12,329,822
2023-2027	41,725,000	56,113,375
2028-2032	58,750,000	43,467,000
2033-2037	77,680,000	26,498,100
2038-2041	<u>80,598,387</u>	<u>6,928,150</u>
Total	<u>\$ 285,638,387</u>	<u>\$ 196,974,379</u>
Reconciliation to revenue bonds outstanding:		
Less amounts due to other governments	<u>(4,358,387)</u>	
Total revenue bonds outstanding	<u>\$ 281,280,000</u>	

**Debt Covenant Requirements**

There are a number of limitations and restrictions contained in the Master Bond Indenture. Management is of the opinion that the Authority is in compliance with all significant limitations and restrictions.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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## **8. FLORIDA RETIREMENT SYSTEM**

All of the Authority's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/](http://www.dms.myflorida.com/)

### **Pension Plan**

#### Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

#### Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
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**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

*Benefits Provided – Continued*

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

*Contributions*

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92% and Senior Management Service—21.77% and 22.71%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017.

The Authority's contributions, including employee contributions, to the Pension Plan totaled \$36,904 for the fiscal year ended September 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2017, the Authority reported a liability of \$252,129, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the net pension liability was based on the Authority's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the Authority's proportionate share was 0.000852377 percent, which was a decrease of 0.000010400 percent from its proportionate share measured as of June 30, 2016.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued*

For the fiscal year ended September 30, 2017, the Authority recognized pension expense of \$44,674. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 23,139	\$ 1,397
Change of assumptions	84,733	-
Net difference between projected and actual earnings on Pension Plan investments	-	6,248
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	48,466	65,972
Authority Pension Plan contributions subsequent to the measurement date	5,935	-
	<b>\$ 162,273</b>	<b>\$ 73,617</b>

The deferred outflows of resources related to the Pension Plan, totaling \$5,935 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as an addition to the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	<b>Amount</b>
2018	\$ 15,763
2019	37,452
2020	12,243
2021	(3,749)
2022	14,821
Thereafter	6,190
	<b>\$ 82,721</b>

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real estate (property)	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	9.70%
Total	100.00%			
Assumed inflation – mean			2.60%	1.90%

(1) As outlined in the Pension Plan's investment policy

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Authority's proportionate share of the net pension liability	\$ 456,335	\$ 252,129	\$ 82,588

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**HIS Plan**

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**HIS Plan – Continued**

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66%. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Authority's contributions to the HIS Plan totaled \$2,885 for the fiscal year ended September 30, 2017.

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

At September 30, 2017, the Authority reported a liability of \$58,293 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the net pension liability was based on the Authority's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the Authority's proportionate share was 0.000545177 percent, which was a decrease of 0.000001340 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the Authority recognized pension expense of \$548. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 121
Change of assumptions	8,194	5,041
Net difference between projected and actual earnings on Pension Plan investments	32	-
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	8,363	28,978
Authority Pension Plan contributions subsequent to the measurement date	726	-
	<u>\$ 17,315</u>	<u>\$ 34,140</u>

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**HIS Plan – Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued*

The deferred outflows of resources related to the HIS Plan, totaling \$726 resulting from Authority contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2016	\$ (2,931)
2017	(2,937)
2018	(2,940)
2019	(5,267)
2020	(2,351)
Thereafter	<u>(1,125)</u>
	<u>\$ (17,551)</u>

*Actuarial Assumptions*

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

*Discount Rate*

The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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**8. FLORIDA RETIREMENT SYSTEM – CONTINUED**

**HIS Plan – Continued**

*Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate*

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
Authority's proportionate share of the net pension liability	\$ 66,520	\$ 58,293	\$ 51,440

*Pension Plan Fiduciary Net Position*

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**9. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases insurance through commercial carriers and participates in the Florida Municipal Liability Self Insurers Program, which is a public entity risk pool. Coverage through the Florida Municipal Liability Self Insurers Program includes Workers Compensation and is self-sustained through members' premiums. The remaining insurance coverage which includes but is not limited to Property, Flood, Machinery, Fiduciary, and Director's and Officer's liability is purchased from a commercial carrier.

The State of Florida, Department of Transportation, also carries Bridge, Property, Terrorism including Sabotage, and Business Interruption Insurance on the Mid-Bay Bridge Authority System.

The Authority does not retain a risk of loss as a participant in the public entity municipal pool. The Authority maintains minimal deductibles for insurance policies purchased through various commercial carriers.

There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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**10. RELATED ORGANIZATIONS**

The Authority has entered into a lease-purchase agreement with the FDOT as discussed in Note 6. The FDOT is related to the Authority in that the FDOT is an agency of the State of Florida. The Governor appoints members to the Mid-Bay Bridge Authority. The Authority has been deemed by the FDOT to be a related organization. Revenue recognized from FDOT representing toll payments in 2017 and 2016 were \$26,393,809 and \$27,417,335, respectively.

The FDOT also pays for system operation, maintenance, and preservation, which the Authority must repay when funding is available. Total operations and maintenance paid by FDOT in 2017 and 2016 were \$3,112,503 and \$2,934,030, respectively. Total preservation paid by FDOT in 2017 and 2016 were \$874,362 and \$644,249, respectively. Amounts due to FDOT at September 30, 2017 and 2016 for advances for operations and maintenance for current and prior years totaled \$3,443,347 and \$6,786,092, respectively.

**11. COMMITMENTS**

During fiscal year 2017, the Authority approved preservation and capital investment expenditures in support of the Florida Department of Transportation (FDOT) work program. The work upgrades to the bridge toll plaza and DMS sign installation for a total cost of approximately \$2,100,000 are reimbursable to FDOT. FDOT will assume all responsibility for design, installation, and maintenance as well as traffic management message control. As of September 30, 2017, approximately \$1,650,000 of the costs had been incurred and are included in amounts due to other governments on the balance sheet. As of September 30, 2017, approximately \$450,000 of the total costs had not been incurred.

Required Supplementary Information  
(Other than MD&A)

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FLORIDA RETIREMENT SYSTEM  
LAST FOUR YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mid-Bay Bridge Authority's proportion of the net pension liability (asset)	0.000852377%	0.000862777%	0.001059051%	0.001617103%
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset)	\$ 252,129	\$ 217,852	\$ 136,793	\$ 98,667
Mid-Bay Bridge Authority's covered-employee payroll	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	138.93%	124.22%	83.37%	46.23%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

\* The amounts presented for each fiscal year were determined as of 6/30.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
HEALTH INSURANCE SUBSIDY  
LAST FOUR YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mid-Bay Bridge Authority's proportion of the net pension liability (asset)	0.000545177%	0.000546517%	0.000672703%	0.001058933%
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset)	\$ 58,293	\$ 63,694	\$ 68,604	\$ 99,013
Mid-Bay Bridge Authority's covered-employee payroll	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.12%	36.32%	41.81%	46.39%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

\* The amounts presented for each fiscal year were determined as of 6/30.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
SCHEDULE OF CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM  
LAST FOUR YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 22,189	\$ 21,040	\$ 25,821	\$ 35,421
Contributions in relation to the contractually required contribution	<u>(22,189)</u>	<u>(21,040)</u>	<u>(25,821)</u>	<u>(35,421)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mid-Bay Bridge Authority's covered-employee payroll	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Contributions as a percentage of covered-employee payroll	12.23%	12.00%	15.74%	16.60%

\* The amounts presented for each fiscal year were determined as of 6/30.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
SCHEDULE OF CONTRIBUTIONS  
HEALTH INSURANCE SUBSIDY  
LAST FOUR YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,885	\$ 2,801	\$ 2,571	\$ 3,628
Contributions in relation to the contractually required contribution	<u>(2,885)</u>	<u>(2,801)</u>	<u>(2,571)</u>	<u>(3,628)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mid-Bay Bridge Authority's covered-employee payroll	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Contributions as a percentage of covered-employee payroll	1.59%	1.60%	1.57%	1.70%

\* The amounts presented for each fiscal year were determined as of 6/30.

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
TREND DATA ON INFRASTRUCTURE CONDITION  
SEPTEMBER 30, 2017**

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**Infrastructure**

The Authority has elected to use the Modified Approach to account for maintenance of its infrastructure assets. The Florida Department of Transportation (the "FDOT") annually inspects the Authority's system and assesses its roadway maintenance, pavement condition, and bridge condition.

**Roadway Maintenance**

The FDOT assesses roadway maintenance performance through its Maintenance Rating Program (MRP). Copies of the MRP manual may be obtained from the State Maintenance Office, 605 Suwannee Street, Mail Station 52, Tallahassee, FL 32399-0450. The MRP manual provides a uniform evaluation system for maintenance features of the State Highway System. The roadways are rated on a 100-point scale, with 100 meaning that every aspect of the roadway is in new and perfect condition. The Authority's roadways are given an overall rating, indicating the average maintenance status of its roadways. The assessment of maintenance is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. In 2017, the Authority conducted an independent MRP assessment through its General Engineer Consultant contract. The FDOT's policy is to maintain roadway maintenance at a MRP rating of 80 or better.

Maintenance Rating Program results for the past five years were as follows:

<u>Year</u>	<u>Rating</u>
2017	85
2016	83
2015	86
2014	94
2013	91

**Pavement Condition**

With 100% of its System's lane miles rated "good," the Mid-Bay Bridge Authority's system pavement condition exceeds the Florida Transportation Commission's performance measure requiring greater than 85% of lane miles with pavement condition rated "excellent" or "good."

Pavement Condition performance ratings for the past five years were as follows:

<u>Year</u>	<u>Rating</u>
2017	100%
2016	100%
2015	100%
2014	100%
2013	100%

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
TREND DATA ON INFRASTRUCTURE CONDITION – CONTINUED  
SEPTEMBER 30, 2017**

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**Bridge Performance**

The Florida Transportation Commission performance measure requires greater than 95% of bridge structures be rated “excellent” or “good.” The Mid-Bay Bridge Authority system exceeded its goal with 100% of its bridges being rated as “excellent” or “good.”

Bridge performance ratings for the past five years were as follows:

<u>Year</u>	<u>Rating</u>
2017	100%
2016	100%
2015	92%
2014	92%
2013	80%

The budget-to-actual expenditures for maintenance and preservation for the past five years were as follows:

<u>Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>
2017	\$ 2,034,246	\$ 1,377,000
2016	1,434,596	880,806
2015	79,232	385,721
2014	164,881	2,238,398
2013	209,674	858,240

## Other Information

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
CONTINUING DISCLOSURE – BOND SERIES 2015A,B,C  
SEPTEMBER 30, 2017**

The following information, in addition to the compiled financial statements, is provided in accordance with the Continuing Disclosure Certificate for the Series 2015A,B,C bonds.

Mid-Bay Bridge Authority \$285,040,000, 1st Senior Lien Revenue Bonds, Series 2015A, \$227,040,000; 1st Senior Lien Taxable Revenue Bonds, Series 2015B, \$24,500,000 and 2nd Senior Lien Revenue Bonds, Series 2015C, \$33,500,000, Dated: June 3, 2015

Series 2015A,B,C

**Annual Traffic by Toll Classification**

Fiscal Year Ended September 30,

	<b>2017</b>
2-axles - Automatic Electronic Tolls (SunPass/TBP)	7,345,500
2-axles - Cash	2,246,500
3-axles or greater	233,000
Non-Revenue	501,000
<b>TOTAL</b>	<b>10,326,000</b>

Series 2015A,B,C

**Annual Toll Revenues by Toll Classification**

Fiscal Year Ended September 30,

	<b>2017</b>
2-axles - Automatic Electronic Tolls (SunPass/TBP)	\$ 16,870,000
2-axles - Cash	7,769,000
3-axles or greater	1,755,000
<b>TOTAL</b>	<b>\$ 26,394,000</b>

Series 2015A,B,C

**Historical Revenues**

Fiscal Year	Tolls	Interest and Other Income	Total
2017	\$ 26,394,000	\$ 472,000	\$ 26,866,000

Series 2015A,B,C

**Historical Adjusted Revenues**

Fiscal Year	Gross Revenues	Administrative Expenses	Adjusted Revenues
2017	\$ 26,866,000	\$ 693,000	\$ 26,173,000

**MID-BAY BRIDGE AUTHORITY  
OKALOOSA COUNTY, FLORIDA  
CONTINUING DISCLOSURE – BOND SERIES 2015A,B,C – CONTINUED  
SEPTEMBER 30, 2017**

Series 2015A,B,C

**Historical Financial Data**

Fiscal Year Ended September 30,

	<b>2017</b>
Revenue:	
Tolls	\$ 26,394,000
Interest and Other Income	472,000
Total Revenue	26,866,000
Operating Expenses:	
Authority Administrative	693,000
Total Operating Expenses	693,000
Adjusted Revenues Before Debt	\$ 26,173,000
Debt Service:	
1st Senior Lien Bonds	\$ 15,044,000
2nd Senior Lien Bonds	2,127,000
Total Debt Service	\$ 17,171,000
1st Senior Lien Debt Service Coverage	1.74
All Bonds Debt Service Coverage	1.52
Cash Available for Disbursements	9,002,000
Payments to the Department	\$ 7,330,000

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

To the Board of Directors  
Mid-Bay Bridge Authority  
Okaloosa County, 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 Mid-Bay Bridge Authority, as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise Mid-Bay Bridge Authority's basic financial statements, and have issued our report thereon dated March 15, 2018.

**Internal Control Over Financial Reporting**

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

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

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 Mid-Bay Bridge 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Niceville, Florida  
March 15, 2018

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors  
Mid-Bay Bridge Authority  
Okaloosa County, Florida

### Report on Financial Statements

We have audited the financial statements of Mid-Bay Bridge Authority, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 15, 2018.

### Auditor's Responsibility

We conducted our audits 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, and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' 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*, Section AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated March 15, 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 recommendations made in the preceding annual financial audit report.

### 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. See Note 1 to the financial statements for disclosure.

## **Financial Condition and Management**

Sections 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 Mid-Bay Bridge Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Mid-Bay Bridge Authority did not meet any of the conditions described in the 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 for the Mid-Bay Bridge Authority. It is management's responsibility to monitor the Mid-Bay Bridge 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**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Mid-Bay Bridge 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 Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carly Riggs & Ingram, L.L.C.*

Niceville, Florida  
March 15, 2018



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## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Mid-Bay Bridge Authority  
Okaloosa County, Florida

We have examined Mid-Bay Bridge Authority's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, 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 judgment, 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 management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Niceville, Florida  
March 15, 2018