

**OSCEOLA COUNTY  
EXPRESSWAY AUTHORITY**  
An Independent Special District of the State of Florida

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2017 and 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

Chairman and Members of  
Osceola County Expressway Authority  
Kissimmee, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Osceola County Expressway Authority (the "Authority") as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2017 and 2016, and the respective changes in financial position, and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITOR'S REPORT**  
*(Concluded)*

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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



**MOORE STEPHENS LOVELACE, P.A.**

Certified Public Accountants

Orlando, Florida

March 9, 2018

## **BASIC FINANCIAL STATEMENTS**

**OSCEOLA COUNTY EXPRESSWAY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Years Ended June 30, 2017 and 2016**

As financial management of the Osceola County Expressway Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2017 and 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights**

Operating revenue recorded by the Authority during fiscal year 2017 and 2016 was \$3,646,602 and \$159,824 respectively. The Poinciana Parkway Road was completed during fiscal year 2017. The Authority incurred \$2,067,099, \$770,377, and \$132,607, in operating expenses for fiscal years 2017, 2016, and 2015, respectively, and net non-operating revenue/(expenses) of (\$2,417,909), (\$69,017), and \$11,176 for fiscal years 2017, 2016, and 2015, respectively. Fiscal year 2017 non-operating revenues and expenses resulted from net amount of interest revenue of \$104,753 and cost associated with debt service of \$2,522,662. Fiscal year 2016 non-operating revenues and expenses resulted from net amount of investment interest of \$3,693 and cost associated with debt services of \$72,710.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Authority is comprised of a single enterprise fund, fund-level financial statements are not shown.

***Basic financial statements*** - The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statements of financial position present information on all of the Authority's assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition. The statements of revenues, expenses and changes in net position present information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

***Notes to the financial statements*** - The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

***Other information*** - In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Authority's debt service information.

## Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$11,749,872, \$12,588,278, and \$13,267,848 for fiscal years 2017, 2016, and 2015, respectively. A decrease in the net position of \$838,406 for fiscal year 2017 was the result of interest expense that cannot be capitalized of \$2,522,662, as the project was completed, and depreciation expense of \$1,512,565. Information about depreciation policy is found in Note 1.

The Authority's net position for fiscal year 2017 reflects an investment in capital assets of \$15,366,431, a restricted balance of \$200,000, which corresponds to the remaining balance of the grant received for the Osceola Parkway Extension and a negative unrestricted amount of \$3,816,559. Fiscal year 2016 reflects an investment in capital assets of \$15,086,785, a restricted balance of \$200,000 for the grant, and a negative unrestricted net position of \$2,698,507. The Authority's net position for fiscal year 2015 in investment in capital assets was \$13,799,233, a restricted amount of \$200,000 related to the grant, and a negative unrestricted net position of \$731,385. The Authority intended to use the investment in capital assets to provide service and, consequently, these assets are not available for liquidating liabilities or for other spending.

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. It operates like a business where the rates established by the Authority will generate sufficient funds to pay the costs of operation.

### Osceola County Expressway Authority Net Position

	FY 2017	FY 2016	FY 2015
<b>Assets:</b>			
Current and Other Assets	\$ 19,769,677	\$ 23,112,171	\$ 41,624,128
Capital Assets	84,889,634	82,455,124	58,998,802
Total Assets	<u>104,659,311</u>	<u>105,567,295</u>	<u>100,622,930</u>
<b>Liabilities:</b>			
Current Liabilities			
Accrued Interest	608,332	878,877	446,614
Accounts Payable	4,735	934,599	-
Lease Payable	307,061	822,662	-
Total Current Liabilities	<u>920,128</u>	<u>2,636,138</u>	<u>446,614</u>
Long-term Liabilities			
Lease Payable	88,425,301	86,778,869	84,594,458
Loan Payable	3,564,010	3,564,010	2,314,010
Total Long-term Liabilities	<u>91,989,311</u>	<u>90,342,879</u>	<u>86,908,468</u>
<b>Change in Net Position</b>			
Net Investment in Capital Assets	15,366,431	15,086,785	13,799,233
Restricted	200,000	200,000	200,000
Unrestricted	(3,816,559)	(2,698,507)	(731,385)
Total Net Position	<u>\$ 11,749,872</u>	<u>\$ 12,588,278</u>	<u>\$ 13,267,848</u>

**Osceola County Expressway Authority**  
**Change in Net Position**

	FY 2017	FY 2016	FY 2015
Revenues	\$ 3,646,602	\$ 159,824	\$ -
Total Revenues	<u>3,646,602</u>	<u>159,824</u>	<u>-</u>
Operating Expenses:			
Accounting and Auditing	10,000	11,000	9,000
Contract Services	448,426	589,712	118,321
Other Current Charges	94,453	13,598	3,225
Depreciation Expense	1,512,565	154,405	-
Travel	1,655	1,662	2,061
Total Operating Expenses	<u>2,067,099</u>	<u>770,377</u>	<u>132,607</u>
Non-operating Revenues (Expense):			
Interest Income	104,753	3,693	325
Debt Service Costs	<u>(2,522,662)</u>	<u>(72,710)</u>	<u>10,851</u>
Total Non-operating Revenue (Expenses)	<u>(2,417,909)</u>	<u>(69,017)</u>	<u>11,176</u>
Change in Net Position	<u>\$ (838,406)</u>	<u>\$ (679,570)</u>	<u>\$ (143,783)</u>

**Current Assets**

The Authority's current assets for fiscal year 2017 in the amount of \$19,769,677 represents cash still available from the proceeds of the Expressway System Senior Lien Revenue Bonds, Series 2014A, B-1 and B-2 issued by the Osceola County BOCC and SIB Loan on behalf of the Authority of \$19,542,190 and \$200,000 from the grant received from the State of Florida Department of Transportation, a due from Greater Osceola Partnership for Prosperity ("GOPEP") in the amount of \$20,470 and \$7,017 of prepaid operating expenses. Current assets for fiscal year 2016 of \$23,112,171 represented cash that was available for operation from Osceola County's lease and loan proceeds of \$22,912,171 and \$200,000 unused portion of the grant. Current assets for fiscal year 2015 represented cash from Osceola County's lease and loan proceeds of \$41,424,128 and \$200,000 unused portion of the grant.

**Capital Assets and Debt Administration**

**Capital Assets** - The Authority's noncurrent assets amount to \$84,889,634, \$82,455,124, and \$58,998,802 for fiscal years 2017, 2016, and 2015, respectively. Capital assets include equipment for the toll collection, Poinciana Parkway Toll Road, and construction in progress for Osceola Parkway Extension. More information about the capital assets can be found in the notes to financial statements.

Major capital asset events during fiscal year 2017, 2016, and 2015 include the following:

- Construction in progress of the Osceola Parkway Extension project, a 9-mile extension from west of Boggy Creek Road to the proposed Northeast Connector Expressway, and Boggy Creek Road/SR 417 Access Road.
- Completion of the Poinciana Parkway Toll Road. This project is a new, two-lane facility extending from the intersection of U.S. 17-92 and Kinney Harmon Road in Polk County to Cypress Parkway in Osceola County.



### ***Long-term Debt***

The Authority has an outstanding lease and loan payable to the Osceola County BOCC of \$88,732,362 and \$2,000,000, respectively, and \$1,564,010 to CFX as of June 30, 2017. The outstanding lease and loan payable to the Osceola County BOCC as of June 30, 2016 was \$87,601,531 and \$3,564,010, respectively. For fiscal year 2015, the outstanding lease and loan payable to the Osceola County BOCC was \$84,594,458 and \$2,314,010, respectively. The increase in total long-term liability of \$1,952,872 for fiscal year 2017 was basically the result of additional funds issued to the Osceola County BOCC by the Florida Department of Transportation SIB Loan on behalf of the Authority. The outstanding loan as of fiscal year 2017 of \$3,564,010 was the result of a loan agreement with Osceola County and the Authority for the startup costs of the Authority's operation for \$2,000,000, and a loan from CFX of \$1,564,010 based on an agreement dated August 26, 2016. More information about this agreement and long-term debt can be found in the notes to the financial statements.

### **Construction Commitments**

As of June 30, 2017, the Authority was committed, or was in the process of committing, to the capital outlay expenses for the construction design of Osceola Parkway Extension at an approximate cost of \$200,000.

As of June 30, 2016, the Authority was committed, or was in the process of committing, to two capital outlay expenses as follows:

- Construction in progress for Poinciana Parkway at an approximate cost of \$6,487,714
- Construction design of Osceola Parkway Extension at an approximate cost of \$200,000

As of June 30, 2015, the Authority was committed, or was in the process of committing, to two capital outlay expenses as follows:

- Construction in progress for Poinciana Parkway at an approximate cost of \$39,419,390
- Construction design of Osceola Parkway Extension project at an approximate cost of \$200,000

### **Economic Factors**

- Unemployment rate for Osceola County as of June 30, 2017, 2016, and 2015 was 5.1%, 5.8%, and 6.3%, respectively. These rates are slightly higher than that of the national and state averages.
- The population estimate for Osceola County by the Census Bureau for fiscal year 2017 was 337,614, for 2016 was 323,993, an increase of 13,621, a 4.2% increase from the fiscal year 2016 estimate. The population estimate by the Office of Economic and Demographic Research for fiscal year 2015 was 308,327, an increase of 12,774 from fiscal year 2014.
- Tourist statistical data from Experience Kissimmee as of April 2017 shows an increase in Hotel/Motel Occupancy Rates compared to fiscal year 2017 of 3.1%. Osceola County Average Daily Rate was \$122.66, up 8.8% compared to fiscal year 2016.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, 1 Courthouse Square, Suite 2100, Kissimmee, FL 34741.

# OSCEOLA COUNTY EXPRESSWAY AUTHORITY

## STATEMENTS OF NET POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Restricted Cash and Cash Equivalents	\$ 19,742,190	\$ 22,955,308
Prepaid Items	7,017	-
Due from Other Government	20,470	156,863
<b>Total Current Assets</b>	<u>19,769,677</u>	<u>23,112,171</u>
<b>Noncurrent Assets</b>		
Equipment	997,652	997,652
Infrastructure	83,258,953	55,526,884
Construction in Progress	2,300,000	26,084,994
Less Accumulated Depreciation	(1,666,971)	(154,406)
<b>Total Noncurrent Assets</b>	<u>84,889,634</u>	<u>82,455,124</u>
<b>Total Assets</b>	<u>104,659,311</u>	<u>105,567,295</u>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	4,735	934,599
Accrued Interest	608,332	878,877
Lease Payable	307,061	822,662
<b>Total Current Liabilities</b>	<u>920,128</u>	<u>2,636,138</u>
<b>Noncurrent Liabilities</b>		
Payable from Restricted Assets		
Lease Payable	18,928,500	20,119,209
Lease Payable	69,496,801	66,659,660
Loan Payable	3,564,010	3,564,010
<b>Total Noncurrent Liabilities</b>	<u>91,989,311</u>	<u>90,342,879</u>
<b>Total Liabilities</b>	<u>92,909,439</u>	<u>92,979,017</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	15,366,431	15,086,785
Restricted	200,000	200,000
Unrestricted	(3,816,559)	(2,698,507)
<b>Total Net Position</b>	<u>\$ 11,749,872</u>	<u>\$ 12,588,278</u>

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

# OSCEOLA COUNTY EXPRESSWAY AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Toll revenues	\$ 3,646,602	\$ 159,824
<b>Total Operating Revenues</b>	<u>3,646,602</u>	<u>159,824</u>
<b>Operating Expenditures</b>		
Accounting and Auditing	10,000	11,000
Travel and Per Diem	1,655	1,662
Contracted Services	448,426	589,712
Depreciation Expense	1,512,565	154,405
Other Current Charges	94,453	13,598
<b>Total Operating Expenditures</b>	<u>2,067,099</u>	<u>770,377</u>
<b>Net Operating Income (Loss)</b>	<u>1,579,503</u>	<u>(610,553)</u>
<b>Non-operating Revenues (Expenses)</b>		
Interest Income	104,753	3,693
Debt Service Costs	(2,522,662)	(72,710)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(2,417,909)</u>	<u>(69,017)</u>
<b>Change in Net Position</b>	(838,406)	(679,570)
<b>Net Position - Beginning</b>	<u>12,588,278</u>	<u>13,267,848</u>
<b>Net Position - Ending</b>	<u><u>\$ 11,749,872</u></u>	<u><u>\$ 12,588,278</u></u>

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

# OSCEOLA COUNTY EXPRESSWAY AUTHORITY

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 3,782,995	\$ -
Payments to Vendors	<u>(1,491,415)</u>	<u>(613,011)</u>
<b>Net Cash Provided by (Used) by Operating Activities</b>	<u>2,291,580</u>	<u>(613,011)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal Payments	(535,306)	-
Interest Payments	(2,793,207)	(72,710)
Purchase of Capital Assets	(3,947,075)	(22,243,865)
Loan Proceeds	<u>1,666,137</u>	<u>4,257,073</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(5,609,451)</u>	<u>(18,059,502)</u>
<b>Cash Flows from Investing Activities</b>		
Interest Revenue	<u>104,753</u>	<u>3,693</u>
<b>Net Cash Provided by Investing Activities</b>	<u>104,753</u>	<u>3,693</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(3,213,118)	(18,668,820)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>22,955,308</u>	<u>41,624,128</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 19,742,190</u></u>	<u><u>\$ 22,955,308</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ 1,579,503	\$ (610,553)
Depreciation Expense	1,512,565	154,405
Increase in Prepaid	(7,017)	-
(Increase) Decrease in Due from Other Government	136,393	(156,863)
Decrease in Accounts Payable	<u>(929,864)</u>	<u>-</u>
<b>Net Cash Provided by (Used) by Operating Activities</b>	<u><u>\$ 2,291,580</u></u>	<u><u>\$ (613,011)</u></u>

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

# OSCEOLA COUNTY EXPRESSWAY AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** - The Osceola County Expressway Authority (the "Authority") is an agency of the State of Florida and was created in 2010 under Chapter 348 of the Florida Statutes for the purpose of construction and operation of an expressway road system (the "System") in Osceola County, Florida (the "County"). With the consent of the County within whose jurisdictional boundaries the following activities occur: the Authority has the right to construct, operate, and maintain roads, bridges, avenues of access, thoroughfares, and boulevards, together with the right to construct, repair, replace, operate, install, and maintain electronic toll payment systems thereon. The Authority is composed of six members, three of whom are appointed by the governing body of the County, two members appointed by the Governor of the State of Florida, and the District Five Secretary of the FDOT, ex-officio. The Authority is authorized to issue revenue bonds to finance portions of the System and to execute the refunding of existing revenue bonds.

For financial reporting purposes, the Authority is a stand-alone entity; there are no component units included in the accompanying financial statements, and the Authority is not considered a component unit of another entity.

**Basis of Accounting** - The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private-business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

The assets, liabilities, and net position of the Authority are reported in a self-balancing set of accounts, which include restricted and unrestricted resources, representing funds available for support of the Authority's operations.

**Operating Revenues and Expenses** - The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its System.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, demand deposit accounts with commercial banks, and cash invested in commercial money market funds are considered cash equivalents. For investments that are held separately from the pools, those which are highly liquid, with an original maturity of 90 days or less when purchased or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, are considered to be cash equivalents.

The Authority entered into a custody of funds agreement with the County whereby the Authority's funds may be invested in a common investment pool. As such, the Authority's equity in the County's investment pool is considered to be a cash equivalent, since the Authority can deposit or effectively withdraw cash at any time without prior notice or penalty. Investment income is allocated based upon the average daily balance in the pool. The cash and cash equivalent restricted in fiscal years 2017 and 2016 of \$19,742,190 and \$22,955,308, respectively, which represents the amount deposited in the trust account and pooled cash account of \$19,542,190 and \$22,755,308, respectively, that can only be used for the construction projects according to the lease agreement between the Authority and the County, and \$200,000 from last year's grant that is restricted for the Osceola Parkway Extension project.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

**Capital Assets**

**Cost Basis** - All capital assets are recorded at historical cost. The cost of property and equipment includes costs for infrastructure assets (right-of-way, highways and bridges substructure, and highways and bridges), toll equipment, buildings, toll facilities, other related costs (including software), and furniture and equipment. Highways and bridges substructure includes road sub-base, grading, land clearing, embankments and other related costs. Costs for infrastructure assets include construction costs, design and engineering fees, administrative and general expenses paid from construction monies, and bond interest expense incurred during the period of construction.

**Capitalization Policy** - Costs to acquire additional capital assets and to replace existing assets or otherwise prolong their useful lives, are capitalized for toll equipment, buildings, toll facilities, other related costs, and furniture and equipment. It is the Authority's policy to capitalize amounts equal to or in excess of \$1,000.

**Depreciation Policy** - Depreciation of toll equipment, buildings, toll facilities, other related costs, signs, software, and furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Toll equipment	8 years
Buildings, toll facilities and other	30 years
Signs	20 years
Software	3 years
Furniture and equipment	7 years
Infrastructure	50 years

**Construction in Progress** - Construction in progress represents costs incurred by the Authority for in-process activities designed to expand, replace, or extend useful lives of existing property and equipment.

**Capitalized Interest** - Interest costs on funds used to finance the construction of capital assets are capitalized based upon the blended cost of debt and depreciated over the life of the related assets in accordance with the above policies.

**Budgets and Budgetary Accounting** - The Authority adheres to the following procedures in establishing budgetary data:

On or before the last business day of April each year, the Executive Director shall cause to be delivered to each member of the Governing Board a preliminary operating and other capital (non-work program) budget of the Authority for the next fiscal year. The preliminary budget shall include all expenditures expected to be made by the Authority in the ensuing fiscal year, and shall be divided into the following four categories: Operations, Maintenance, Administration, and Capital (non-work program expenses). The preliminary budget shall also set forth the amounts, if any, required to be deposited in funds and accounts in order to satisfy financial covenants made to creditors by which the Authority may then be bound. The Executive Director shall cause the preliminary budget to be presented by category and shall cause each category to be divided into such further classifications as the Executive Director shall determine to be necessary or appropriate in order to inform the Governing Board as to the nature of anticipated expenditures.

On or before the last business day of May each year, the Budget and Finance Committee shall meet to consider the preliminary budget and may recommend to the Executive Director revisions thereto. On or before June 15 each year, the Authority shall hold a workshop of the Governing Board to consider such revised budget, and to adopt a budget for the ensuing fiscal year. Such workshop may be held as part of a regular meeting of the Authority.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

**Budgets and Budgetary Accounting** *(Continued)*

When, in the course of a fiscal year, the Executive Director shall deem it advisable for the Authority to make an expenditure within a category that would cause the amount budgeted for such category (including allocable budgeted contingency amounts from any legally available source in an amount per category not to exceed ten percent (10%) of the amount budgeted for such category) to be exceeded, the Executive Director and Director of Finance may approve, in writing, a budget allocation between categories that would cause an increase of up to ten percent (10%) in a category's budget.

When deemed appropriate by the Governing Board, the Authority may develop and approve a Five-Year Work Program for Authority Projects. Upon activation of a Five-Year Work Program process, the following provisions shall apply:

On or before January 15 each year, the Executive Director shall cause to be delivered to each member of the Governing Board a preliminary budget of the Authority's Five-Year Work Program ("Work Program Budget"). The preliminary Work Program Budget shall include an upper limiting amount to be expended per project ("Total Project Cost") for all projects to be undertaken in the five-year period covered by the Work Program Budget. On or before January 31 each year, the Operations Committee shall meet to consider the preliminary Work Program Budget and may recommend to the Executive Director revisions thereto. On or before the last day of February each year, the Executive Director shall cause a revised Work Program Budget to be delivered to each member of the Governing Board. The Governing Board shall consider such revised Work Program Budget, and adopt a Work Program Budget for the ensuing five years. Budgeted funds not spent in a prior fiscal year shall be rolled into the next year's budget. In no circumstance shall the approved Total Project Cost for any project be exceeded without the approval of the Governing Board.

When, in the course of a fiscal year, the Executive Director shall deem it advisable to propose any amendment to the adopted Operating Budget or the Work Program Budget, the Executive Director shall cause such amendment to be considered by the Governing Board (or to a Committee established by the Governing Board with jurisdiction over the particular Budget, which, in turn, may recommend such amendment to the Governing Board) for adoption. The Executive Director shall cause an amendment so presented to the applicable Committee or to the Governing Board to set forth such level of detail as shall be necessary in order to inform the Governing Board as to the nature of the proposed amendment.

## NOTE 2 - DEPOSITS AND INVESTMENTS

**Cash and Cash Equivalents, and Investment Portfolio** - On May 8, 2012, the Authority entered into a Custody of Funds Agreement with the County to maintain and invest its cash. As of June 30, 2017 and 2016, the Authority's cash and cash equivalents includes \$1,217,027 and \$1,592,792, respectively, in the County's pooled cash program and are held primarily in the Florida PRIME (formerly the Local Government Surplus Funds Trust Fund). In addition, as of June 30, 2017 and 2016, \$18,525,163 and \$21,362,516, respectively, is maintained at BB&T in an interest-bearing account.

The Authority is authorized to invest in all state-approved investments identified in Section 218.415(17), Florida Statutes, which include:

1. The Florida PRIME administered by the State Board of Administration or any authorized intergovernmental investment pool;
2. Securities and Exchange Commission ("SEC") registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories; and
4. Direct obligations of the U.S. Treasury.

The Authority has no investment policy that would further limit its investment choices.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority maintains its cash and cash equivalents in the County's pooled cash program, which limits its interest rate risk by limiting investments maturities to no longer than five years. The average aggregate maturity of the investment portfolio is limited to a maximum of two years. In addition, the Authority has interest-bearing accounts at BB&T for the Poinciana Road Project, in a trustee capacity that are subject to interest rate risk. Money held for the credit of all funds, accounts and subaccounts with BB&T shall be continuously invested and reinvested by the trustee in investment obligations or held as cash to the extent investment obligations are not practicable.



### NOTE 3 - CAPITAL ASSETS

Capital assets are summarized as follows:

	June 30, 2016	Additions	Reclassifications	June 30, 2017
Capital assets not being depreciated/amortized				
Construction in progress	<u>\$26,084,994</u>	<u>\$ 3,947,075</u>	<u>\$ (27,732,069)</u>	<u>\$ 2,300,000</u>
Capital assets being depreciated				
Equipment	997,652	-	-	997,652
Infrastructure	<u>55,526,884</u>	<u>-</u>	<u>27,732,069</u>	<u>83,258,953</u>
Total assets being depreciated	56,524,536	-	27,732,069	84,256,605
Less accumulated depreciation	<u>(154,406)</u>	<u>(1,512,565)</u>	<u>-</u>	<u>(1,666,971)</u>
Total assets being depreciated, net	<u>56,370,130</u>	<u>(1,512,565)</u>	<u>27,732,069</u>	<u>82,589,634</u>
Total capital assets	<u>\$82,455,124</u>	<u>\$ 2,434,510</u>	<u>\$ -</u>	<u>\$84,889,634</u>
	June 30, 2015	Additions	Reclassifications	June 30, 2016
Capital assets not being depreciated/amortized				
Construction in progress	<u>\$ 58,998,802</u>	<u>\$ 23,610,728</u>	<u>\$ (56,524,536)</u>	<u>\$26,084,994</u>
Capital assets being depreciated				
Equipment	-	-	997,652	997,652
Infrastructure	<u>-</u>	<u>-</u>	<u>55,526,884</u>	<u>55,526,884</u>
Total assets being depreciated	-	-	56,524,536	56,524,536
Less accumulated depreciation	<u>-</u>	<u>(154,406)</u>	<u>-</u>	<u>(154,406)</u>
Total assets being depreciated, net	<u>-</u>	<u>(154,406)</u>	<u>-</u>	<u>56,370,130</u>
Total capital assets	<u>\$ 58,998,802</u>	<u>\$ 23,456,322</u>	<u>\$ -</u>	<u>\$82,455,124</u>

#### NOTE 4 - LONG-TERM DEBT

On April 11, 2014, a Lease Purchase Agreement was made and entered into by and between the Authority and the County in which the County issued its Expressway System Senior Lien Revenue Bonds, Series 2014A and B, to pay a portion of the costs of the Poinciana Parkway Road and make the proceeds available for requisition by the Authority, pursuant to Section 5.05 of the Development Agreement. The County had entered into a State-Funded Infrastructure Bank Loan Agreement ("SIB Loan") with the State of Florida Department of Transportation ("FDOT") to pay a portion of the costs of the Poinciana Parkway Road, and the County agreed to make the SIB Loan proceeds available to the Authority. Under this lease agreement, the Authority agreed to assume certain obligations of the County related to Poinciana Parkway Road. The Authority's lease payable to the County was \$88,732,362 and \$87,601,531 as of June 30, 2017 and 2016, respectively. This amount is to be repaid within 15 years of funding and shall accrue interest computed at a rate per annum equal to the Parkway Construction Bond Yield. Interest accrued at 5.82%, interest expense for the construction of Poinciana Parkway Road was capitalized, net of interest income following GASB statements. Interest income was \$104,753 and \$83,466 for fiscal years 2017 and 2016, respectively; capitalized interest expense, net of interest revenue incurred by the Authority during the fiscal years ended June 30, 2017 and 2016, was \$0 and \$2,147,635, respectively.

On August 6, 2012, the Authority entered into a Contribution Agreement with the County to provide funding for operation and startup costs. On September 26, 2016, Central Florida Expressway Authority ("CFX") paid \$1,564,010 according to an Interlocal Agreement between the Authority and CFX. The total loan amount was \$3,564,010 as of June 30, 2017 and 2016. Amounts are to be repaid within 15 years of funding and shall accrue interest computed at a rate per annum equal to the Parkway Construction Bond Yield. Interest accrued in the amount of \$106,511 and \$83,561 for this loan as of June 30, 2017 and 2016, respectively.

The following is a schedule by years of the minimum future payments on the amounts due to governmental agencies:

	<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
	2018	\$ 307,061	\$ 2,173,200	\$ 2,480,261
	2019	24,935	2,455,326	2,480,261
	2020	704,831	2,454,579	3,159,410
	2021	1,016,165	2,453,808	3,469,973
	2022	1,242,267	2,453,014	3,695,281
	2023 – 2027	5,310,259	19,971,535	25,281,794
	2028 – 2032	6,558,015	26,846,706	33,404,721
	2033 – 2037	14,402,681	22,809,036	37,211,717
	2038 – 2042	18,345,154	17,022,902	35,368,056
	2043 – 2047	32,583,983	5,975,883	38,559,866
	2048 – 2052	11,801,021	245,192	12,046,208
		<u>\$ 92,296,372</u>	<u>\$ 104,861,180</u>	<u>\$ 197,157,552</u>

  

	Principal Balance 6/30/2016	Additions	Deletions	Principal Balance 6/30/2017	Due Within One Year
Debt					
Loan Payable	\$ 3,564,010	\$ 1,564,010	\$ 1,564,010	\$ 3,564,010	\$ -
Lease Payable	87,601,531	1,666,137	535,306	88,732,362	307,061
Total Long-Term Debt	<u>\$91,165,541</u>	<u>\$ 3,230,147</u>	<u>\$2,099,316</u>	<u>\$ 92,296,372</u>	<u>\$ 307,061</u>

**NOTE 4 - LONG-TERM DEBT (Continued)**

Debt	Principal Balance 6/30/2015	Additions	Deletions	Principal Balance 6/30/2016	Due Within One Year
Loan Payable	\$ 2,314,010	\$ 1,250,000	\$ -	\$ 3,564,010	\$ -
Lease Payable	84,594,458	3,007,073	-	87,601,531	822,662
Total Long-Term Debt	<u>\$86,908,468</u>	<u>\$ 4,257,073</u>	<u>\$ -</u>	<u>\$ 91,165,541</u>	<u>\$ 822,662</u>

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

**Commitments** - Outstanding construction for Poinciana Parkway and other significant commitments for improvements, maintenance and operation of the System totaled approximately \$6,487,714 as of June 30, 2016; Poinciana Parkway project was completed during fiscal year 2017, and there is no outstanding commitment as of June 30, 2017.

An Interlocal Agreement between the Authority and CFX was signed on August 26, 2016 where the Authority and CFX agree to request appropriate legislative amendment to Enabling Legislation to allow CFX the ability to acquire the Parkway as a System Project in its respective annual legislative programs before January 1, 2020, if some of the conditions in the Interlocal Agreement are met.

**Pending Litigation** - There are no lawsuits and claims arising in the ordinary course of the Authority's operations pending against the Authority. The Authority has not accrued any liability.

**NOTE 6 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority has assumed the risk for and will later purchase commercial insurance as operations increase.



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

Chairman and Members of  
Osceola County Expressway Authority  
Kissimmee, 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 Osceola County Expressway Authority (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 9, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting 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.

Chairman and Members of  
Osceola County Expressway Authority

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management in a separate letter dated March 9, 2018.

### **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.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A.".

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 9, 2018



## INDEPENDENT ACCOUNTANT'S REPORT

Chairman and Members of  
Osceola County Expressway Authority  
Kissimmee, Florida

We have examined the Osceola County Expressway Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended June 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 with those requirements. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of 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 fiscal year ended June 30, 2017.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
March 9, 2018



## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

Chairman and Members of  
Osceola County Expressway Authority  
Kissimmee, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Osceola County Expressway Authority (the "Authority") as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated March 9, 2018.

### **Auditor's Responsibility**

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

### **Other Reports**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 9, 2018, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and 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. The legal authority is disclosed in the notes to the financial statements.

### **Financial Condition and Management**

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

### **Financial Condition and Management (Continued)**

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

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

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended June 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 June 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the Authority for the fiscal year ended June 30, 2017.

### **Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address 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 have 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 Authority, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



**MOORE STEPHENS LOVELACE, P.A.**

Certified Public Accountants

Orlando, Florida  
March 9, 2018