

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

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2023 AND 2022**

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OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Ocean Highway and Port Authority of Nassau County (the "Authority") as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4 through 7) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of revenues, expenses and changes in net position – budget and actual but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 7, 2024

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OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Ocean Highway and Port Authority of Nassau County, Florida's (the "Authority"), annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year, which ended September 30, 2023. The discussion is intended to assist readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. All presented amounts are in thousands. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS *(in thousands of dollars)*

2023 vs. 2022

The Authority's operating revenue was \$484 during fiscal year 2023, compared to \$399 in the prior fiscal year. Fiscal year 2023 operating expenses (excluding depreciation) of \$1,228 were approximately 12% higher than the previous fiscal year of \$1,096. Depreciation expense decreased to \$800 compared to \$865 in the prior year. As a result, the Authority had an operating loss of (\$1,545) for the fiscal year ended September 30, 2023, compared to the operating loss of (\$1,561) for the previous fiscal year. The Authority recognized net non-operating revenue of \$256 in fiscal year 2023, compared to net non-operating revenue of \$223 in the prior year. The Authority received \$398 in Florida Department of Transportation grants in fiscal year 2023 and \$1,069 in 2022 and \$372 in ARPA reimbursements in 2023 and \$219 in 2022. The Authority also received \$126 in contributions from Worldwide Terminals in 2023. At the close of fiscal year 2023, the Authority had a net position of \$14,638.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the financial statements

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

2023 vs. 2022

Net position is a key indicator of an entity's financial position. At September 30, 2023, the Authority's net position was \$14,638. This represented a change from the prior year net of \$15,031. The Authority is engaged in a capital-intensive industry and, as such, its largest portion of net position is invested in capital assets (e.g., land, buildings, etc.).

Net Position *(In thousands of dollars)*

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 479	\$ 462	\$ 460
Capital assets	14,414	15,214	14,136
Total assets	<u>14,893</u>	<u>15,676</u>	<u>14,596</u>
Current liabilities	<u>255</u>	645	487
Total liabilities	<u>255</u>	<u>645</u>	<u>487</u>
Net position			
Net investment in capital assets	14,414	15,214	14,136
Unrestricted	224	(183)	(27)
Total net position	<u>\$ 14,638</u>	<u>\$ 15,031</u>	<u>\$ 14,109</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues, Expenses and Changes in Net Position

2023 vs. 2022

Operating revenues for fiscal year 2023 were \$484, an increase from the prior fiscal year. Operating expenses, including depreciation and amortization, for fiscal year 2023 were \$2,029, an increase of (\$69) compared to the prior fiscal year. As a result, the operating loss for fiscal year 2023 was (\$1,545), as compared to operating loss of (\$1,561) in fiscal year 2022.

The Authority experienced net non-operating revenues of \$256 in 2023, compared to a net non-operating revenue of \$223 in 2022. Additionally, capital contributions including state and federal grants \$896 in 2023, as compared to \$2,260 in 2022.

As a result of the items addressed above, the Authority experienced a (\$393) decrease in net position during fiscal year 2023, compared to a \$922 increase for fiscal year 2022.

Change in Net Position (In thousands of dollars)

	2023	2022	2021
Operating revenues	\$ 484	\$ 399	\$ 312
Operating expenses	2,029	1,960	1,486
Operating loss	(1,545)	(1,561)	(1,174)
 Non-operating income, net	 256	 223	 230
 Capital contributions	 896	 2,260	 4,812
 Change in net position	 (393)	 922	 3,868
 Beginning net position	 15,031	 14,109	 10,241
Ending net position	\$ 14,638	\$ 15,031	\$ 14,109

Cash Flows

2023 vs. 2022

Net cash used by operating activities was (\$1084) in 2023 and (\$572) in 2022. Net cash provided by non-capital financing activities was \$256 in 2023 and \$223 in 2022. Net cash provided by capital and related financing activities was \$972 in 2023 and \$277 in 2022. Net cash provided by investing activities was nominal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

The Ocean Highway and Port Authority of Nassau County, Florida, approves and adopts the Authority's annual operating and capital budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

2023 vs. 2022

The Authority had \$14,414 net of accumulated depreciation, invested in capital assets as of September 30, 2023 compared to \$15,214 as of September 30, 2022.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 3,184	\$ 3,184	\$ 3,184
Port improvements	3,298	3,656	4,079
Tradeplex improvements	40	74	108
Machinery and equipment	7,590	7,973	3,047
Security projects	302	327	352
Construction in progress	-	-	3,366
Total	<u>\$ 14,414</u>	<u>\$ 15,214</u>	<u>\$ 14,136</u>

Long-Term Debt

2023 vs. 2022

As of September 30, 2023, the Authority had no long-term debt outstanding.

REQUESTS FOR INFORMATION

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022**

	2023	2022
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	\$ 273,703	\$ 129,868
Accounts receivable, (less allowance for doubtful accounts of \$0 and \$0 for 2023 and 2022, respectively)	128,424	179,028
Due from other governments	77,261	153,339
Total current assets	479,388	462,235
Non-current assets		
Capital assets		
Non-depreciable	3,183,736	3,183,736
Depreciable, net of accumulated depreciation	11,230,239	12,030,541
Total non-current assets	14,413,975	15,214,277
Total assets	\$ 14,893,363	\$ 15,676,512
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts and contracts payable	\$ 227,389	\$ 622,222
Accrued liabilities	27,437	23,157
Unearned revenue	60	60
Total current liabilities	254,886	645,439
Total liabilities	254,886	645,439
Net position		
Investment in capital assets	14,413,975	15,214,277
Unrestricted	224,502	(183,204)
Total net position	\$ 14,638,477	\$ 15,031,073

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
Operating revenues		
Contract payments	\$ 332,246	\$ 285,215
Miscellaneous	151,733	113,969
Operating revenues	483,979	399,184
Operating expenses		
Port security	255,943	223,194
Professional fees	357,094	460,801
Commissioners fees	120,000	120,000
Miscellaneous	476,514	275,354
Dues and subscriptions	18,453	16,385
Depreciation	800,302	864,589
Operating expenses	2,028,306	1,960,323
Operating loss	(1,544,327)	(1,561,139)
Non-operating income		
Investment income	-	3
Port security reimbursements	255,943	223,194
Non-operating income, net	255,943	223,197
Capital contributions	895,788	2,260,270
Change in net position	(392,596)	922,328
Total net position, beginning of year	15,031,073	14,108,745
Total net position, end of year	\$ 14,638,477	\$ 15,031,073

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
Cash flows from operating activities		
Receipts from customers and users	\$ 534,583	\$ 365,348
Payments to suppliers	(1,502,837)	(827,256)
Payments to employees	(115,720)	(110,297)
Net cash used in operating activities	(1,083,974)	(572,205)
Cash flows from investing activities		
Interest income on investments	-	3
Net cash provided by investing activities	-	3
Cash flows from non-capital financing activities		
Receipts from operating grants	255,943	223,194
Net cash provided by non-capital financing activities	255,943	223,194
Cash flows from capital and related financing activities		
Purchases of capital assets	-	(1,943,177)
Receipts from capital grants	846,070	1,248,425
Capital contributions	125,796	971,589
Net cash provided by capital and related financing activities	971,866	276,837
Net change in cash and cash equivalents	143,835	(72,171)
Cash and cash equivalents		
Beginning	129,868	202,039
Ending	\$ 273,703	\$ 129,868

(Continued)

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,544,327)	\$ (1,561,139)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	800,302	864,589
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	50,604	(33,836)
Increase (decrease) in accounts payable and accrued liabilities	(390,553)	158,181
Net cash used in operating activities	<u>\$ (1,083,974)</u>	<u>\$ (572,205)</u>

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Ocean Highway and Port Authority of Nassau County (the "Authority") was created by the Florida Legislature and established in Florida Statutes on June 16, 1941 as an "Independent Special District" (specifically Chapters 2005-293 and 2015-196, Laws of Florida). The Authority provides oversight of the Port of Fernandina and aids in the establishment and expansion of commercial enterprises for the benefit of the citizens of Nassau County and the State of Florida. The Authority's facilities handle import and export containerized, bulk and general cargos.

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

Significant Accounting Policies:

Basis of Accounting:

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

The Authority is considered a special purpose government engaged in business-type activities which are those activities primarily supported by user fees and charges. As such, the Authority presents only the statements required of enterprise funds, which includes the statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows.

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Significant Accounting Policies: (Continued)

Basis of Accounting: (Continued)

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

Revenues are invoiced and collected per the contractual agreement with the port operator, Nassau Terminals, a subsidiary of Worldwide Terminals.

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

Cash and Cash Equivalents:

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

Accounts Receivable:

Trade accounts receivable include billed, but uncollected amounts. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions. Determination as to the collectability is based on the aging of the receivable and payment history of the customer.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies: (Continued)

Capital Assets:

Capital assets constructed or purchased are stated at cost. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of one year. Expenditures for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation is eliminated from the accounts and gain or loss is recognized. There were no gains or losses recognized on disposals for the years ended September 30, 2023 and 2022.

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

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

Management Estimates:

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

Budgets and Budgetary Accounting:

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies: (Continued)

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not have any items that qualified for reporting in this category.

NOTE 2. CASH AND CASH EQUIVALENTS

As of September 30, 2023 and 2022, deposits that are considered cash and cash equivalents include bank demand accounts and bond reserve funds which are invested in U.S. Treasury funds. The Authority maintains its cash balances at various financial institutions, which are insured by the FDIC for up to \$250,000. As of September 30, 2023 and 2022, the Authority did not have any uninsured demand account cash balances.

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

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As the Authority currently has no investments, credit risk is not applicable as of September 30, 2023.

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 3,183,736	\$ -	\$ -	\$ -	\$ 3,183,736
Total	<u>3,183,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,183,736</u>
Capital assets, being depreciated					
Port improvements	29,356,433	-	-	-	29,356,433
Tradeplex improvements	1,013,339	-	-	-	1,013,339
Machinery and equipment	9,351,603	-	-	-	9,351,603
Buildings	772,000	-	-	-	772,000
Security projects	762,118	-	-	-	762,118
Dredge project	929,084	-	-	-	929,084
Total	<u>42,184,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,184,577</u>
Less accumulated depreciation for					
Port improvements	(25,700,243)	(358,223)	-	-	(26,058,466)
Tradeplex improvements	(938,780)	(33,778)	-	-	(972,558)
Machinery and equipment	(1,378,848)	(382,897)	-	-	(1,761,745)
Buildings	(772,000)	-	-	-	(772,000)
Security projects	(435,081)	(25,404)	-	-	(460,485)
Dredge project	(929,084)	-	-	-	(929,084)
Total	<u>(30,154,036)</u>	<u>(800,302)</u>	<u>-</u>	<u>-</u>	<u>(30,954,338)</u>
Total capital assets, being depreciated, net	<u>12,030,541</u>	<u>(800,302)</u>		-	<u>11,230,239</u>
Total capital assets, net	<u>\$ 15,214,277</u>	<u>\$ (800,302)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,413,975</u>

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 3,183,736	\$ -	\$ -	\$ -	\$ 3,183,736
Construction in progress	3,365,630	1,943,177	-	(5,308,807)	-
Total	<u>6,549,366</u>	<u>1,943,177</u>	<u>-</u>	<u>(5,308,807)</u>	<u>3,183,736</u>
Capital assets, being depreciated					
Port improvements	29,356,433	-	-	-	29,356,433
Tradeplex improvements	1,013,339	-	-	-	1,013,339
Machinery and equipment	4,042,796	-	-	5,308,807	9,351,603
Buildings	772,000	-	-	-	772,000
Security projects	762,118	-	-	-	762,118
Dredge project	929,084	-	-	-	929,084
Total	<u>36,875,770</u>	<u>-</u>	<u>-</u>	<u>5,308,807</u>	<u>42,184,577</u>
Less accumulated depreciation for					
Port improvements	(25,277,733)	(422,510)	-	-	(25,700,243)
Tradeplex improvements	(905,002)	(33,778)	-	-	(938,780)
Machinery and equipment	(995,951)	(382,897)	-	-	(1,378,848)
Buildings	(772,000)	-	-	-	(772,000)
Security projects	(409,677)	(25,404)	-	-	(435,081)
Dredge project	(929,084)	-	-	-	(929,084)
Total	<u>(29,289,447)</u>	<u>(864,589)</u>	<u>-</u>	<u>-</u>	<u>(30,154,036)</u>
Total capital assets, being depreciated, net	<u>7,586,323</u>	<u>(864,589)</u>	<u>-</u>	<u>5,308,807</u>	<u>12,030,541</u>
Total capital assets, net	<u>\$ 14,135,689</u>	<u>\$ 1,078,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,214,277</u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$800,302 and \$864,589, respectively.

NOTE 4. CONDUIT DEBT

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

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CONDUIT DEBT (CONTINUED)

Conduit debt is collateralized by the property financed and is payable solely from payments received on the underlying mortgage loans. Upon repayment of the revenue bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issue. None of the assets or revenues of the Authority are pledged to the payment of the revenue bonds and under the constitution and laws of Florida, the Authority may not legally pledge any of its revenues or assets to the payment thereof. Neither the Authority, the state nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The private sector entity was unable to provide the carrying amount of the outstanding bonds at September 30, 2023 and 2022.

NOTE 5. MANAGEMENT AGREEMENT

Through October 18, 2018, Nassau Terminals operated the Port of Fernandina under an 11 year contract, with an option of an additional 11 year term. Nassau Terminals exercised its option for an additional 11 year term on December 1, 2011. Under the terms of the contract, Nassau Terminals agrees to pay the Authority an annual fee, which is adjusted annually by the consumer price index. During fiscal year 2019, the annual fee was \$84,648. In addition, Nassau Terminals agreed to pay the Authority dockage and wharfage that is invoiced and collected. The current tariff for wharfage is \$3.05 and \$2.50 per ton on general and containerized cargo, respectively. In addition, Nassau Terminals pays the Authority \$1.50 per short ton as a use fee. The agreement provided for equal distribution to Nassau Terminals and the Authority of any excess of port revenue over debt service based on certain mutually agreed-upon conditions.

Effective October 19, 2018, the above agreement was amended and the duration extended for a period of ten years, with two optional additional terms of 12 years. Nassau Terminals agrees to pay the Authority \$251,675 (can be adjusted for inflation) annually for the entire term of the contract. During 2023, this amount was increased to \$316,590 for inflation. In addition, Nassau Terminals agrees to contribute \$50,000 in 2019 and 2020 toward the Development of Regional Impact payments due from the Authority to the City of Fernandina Beach. Nassau Terminals further agrees to pay the Authority \$1.50 per short ton up to 549,999 tons per annum, \$1.25 per short ton from 550,000 tons up to 649,999 tons per annum, \$1.00 per short ton over 650,000 tons per annum, and \$.91 per short ton in facility use fees for bulk and general cargo. The agreement provides for equal distribution to Nassau Terminals and the Authority of any new revenue streams added subsequent to the date of the agreement.

The agreement meets the requirements of GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RISK MANAGEMENT

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

NOTE 7. COMMITMENTS AND CONTINGENCIES

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

The Authority receives revenues from various federal and state grants. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in disallowed expenditures under the terms of the grants. Based upon prior experience, Authority management believes such disallowances, if any, would be immaterial.

The Authority is involved in legal actions which, in the opinion of management, will not have a material effect on the financial statements of the Authority.

NOTE 8. SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through February 7, 2024 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Operating revenues			
Contract payments	\$ 332,017	\$ 332,246	\$ 229
Miscellaneous	72,262	151,733	79,471
Operating revenues	<u>404,279</u>	<u>483,979</u>	<u>79,700</u>
Operating expenses			
Port security	216,262	255,943	(39,681)
Professional fees	332,700	357,094	(24,394)
Commissioners fees	120,000	120,000	-
Miscellaneous	234,341	476,514	(242,173)
Dues and subscriptions	1,854	18,453	(16,599)
Depreciation	-	800,302	(800,302)
Operating expenses	<u>905,157</u>	<u>2,028,306</u>	<u>(1,123,149)</u>
Operating loss	<u>(500,878)</u>	<u>(1,544,327)</u>	<u>(1,043,449)</u>
Non-operating income			
Port security reimbursements	216,262	255,943	39,681
Non-operating income, net	<u>216,262</u>	<u>255,943</u>	<u>39,681</u>
Capital contributions	<u>529,597</u>	<u>895,788</u>	<u>366,191</u>
Change in net position	244,981	(392,596)	(637,577)
Total net position, beginning of year	<u>15,031,073</u>	<u>15,031,073</u>	<u>-</u>
Total net position, end of year	<u>\$ 15,276,054</u>	<u>\$ 14,638,477</u>	<u>\$ (637,577)</u>

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

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OTHER INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ocean Highway and Port Authority of Nassau County (the "Authority"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 7, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 7, 2024

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Ocean Highway and Port Authority of Nassau County (the "Authority") as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated February 7, 2024.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; 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 February 7, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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 Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. 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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Authority reported:

- a. There were seven employees compensated in the last pay period of the Authority's fiscal year.
- b. There were no independent contractors to whom nonemployee compensation was paid in the last month of the Authority's fiscal year.
- c. Total compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency for the year was \$276,947.
- d. The compensation earned or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency for the year was \$0.
- e. There were no construction projects with a total cost of at least \$65,000 approved by the Authority that began on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the Authority amends a final adopted budget under Section 189.016(6), Florida Statutes, is reflected on page 20.

Additional Matters

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

Purpose of this Letter

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

Mauldin & Jenkins, LLC

Bradenton, Florida
February 7, 2024

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OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2023

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Programs and State Financial Assistance Projects

There was not an audit of major federal award programs or state financial assistance projects as of September 30, 2023 due to the total amount expended being less than \$750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None noted.

SECTION III
STATE AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

None reported.

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Ocean Highway and Port Authority of Nassau County's (the "Authority") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2023. Management of the Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 during the year ended September 30, 2023.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
February 7, 2024

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