

Mid-Bay Bridge Authority
Okaloosa County, Florida

Financial Statements

September 30, 2020 and 2019



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Mid-Bay Bridge Authority
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September 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Mid-Bay Bridge Authority (Authority), as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mid-Bay Bridge Authority, as of September 30, 2020 and 2019, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The Continuing Disclosure – Bond Series 2015A,B,C is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mid-Bay Bridge Authority's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Niceville, Florida
March 18, 2021

Management's Discussion and Analysis

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

This section of the Mid-Bay Bridge Authority's (the "Authority") annual financial report presents the analysis of the Authority's financial performance during the fiscal year ended September 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE AUTHORITY

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
SEPTEMBER 30, 2020 AND 2019**

NET POSITION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets			
Cash	\$ 0.10	\$ 0.08	\$ 0.14
Restricted cash	27.02	25.91	48.92
Due from other governments	1.17	1.06	1.20
Accrued interest	-	0.03	0.06
Non-current assets			
Restricted investments	26.76	26.60	-
Capital assets	0.27	0.29	0.31
Capital assets not depreciable	235.77	235.81	235.92
TOTAL ASSETS	<u>291.09</u>	<u>289.78</u>	<u>286.55</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>54.07</u>	<u>57.00</u>	<u>60.12</u>
Other liabilities	6.80	6.83	6.92
Due to other governments	10.61	7.30	4.57
Bonds payable	274.85	281.26	286.93
TOTAL LIABILITIES	<u>292.26</u>	<u>295.39</u>	<u>298.42</u>
DEFERRED INFLOWS OF RESOURCES	<u>0.03</u>	<u>0.07</u>	<u>0.10</u>
Net investment in capital assets	8.90	4.44	4.91
Restricted	46.43	46.06	42.21
Unrestricted (deficit)	(2.46)	0.82	1.03
TOTAL NET POSITION	<u>\$ 52.87</u>	<u>\$ 51.32</u>	<u>\$ 48.15</u>

Total assets increased by approximately \$1.31 million from 2019 to 2020. This increase is primarily the result of the reduction of preservation expenses incurred during the current year.

The decrease in deferred outflows of \$2.93 million is primarily attributable to the amortization of the deferred charges relating to the 2015 bond issue.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
SEPTEMBER 30, 2020 AND 2019**

CHANGES IN NET POSITION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATING REVENUES	<u>\$ 23.28</u>	<u>\$ 26.25</u>	<u>\$ 27.03</u>
OPERATING EXPENSES			
System operations and maintenance	3.98	3.92	3.46
Preservation	4.19	5.73	-
Administration	0.60	0.60	0.60
Bad debt (recovery)/expense	(0.08)	(0.21)	0.14
Depreciation	<u>0.02</u>	<u>0.02</u>	<u>0.02</u>
TOTAL OPERATING EXPENSES	<u>8.71</u>	<u>10.06</u>	<u>4.22</u>
NET OPERATING INCOME	14.57	16.19	22.81
NON-OPERATING REVENUES (EXPENSES)	<u>(13.02)</u>	<u>(13.02)</u>	<u>(14.38)</u>
CHANGE IN NET POSITION	1.55	3.17	8.43
NET POSITION AT BEGINNING OF YEAR	<u>51.32</u>	<u>48.15</u>	<u>39.71</u>
NET POSITION AT END OF YEAR	<u><u>\$ 52.87</u></u>	<u><u>\$ 51.32</u></u>	<u><u>\$ 48.14</u></u>

While the statements of net position show the change in net position, the statements of revenues, expenses and changes in net position provide answers as to the nature and source of these changes. As can be seen in the table above, the operating expenses of the Authority decreased from 2019 to 2020 primarily related to the reduction of preservation costs for life-cycle repairs on the Mid-Bay Bridge. Since the Authority accounts for recording infrastructure assets utilizing the modified approach under Governmental Accounting Standards Board Statement No. 34, it is required to maintain its infrastructure assets at certain levels. Fluctuations in expense levels from year to year will result based on management's assessment of the needed system preservation (primarily FDOT who possesses, operates, and maintains the system in accordance with the Authority's Lease Purchase Agreement). Debt service costs of approximately \$14.66 million and system operations, maintenance, and preservation costs of \$8.08 million represent the largest expenses of the Authority.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
SEPTEMBER 30, 2020 AND 2019**

CHANGES IN NET POSITION – CONTINUED

Toll revenues for the year were \$23,277,713, lagging behind prior year revenues of \$26,247,029 (-11%) and the traffic engineer forecasted revenues of \$29,154,000 (-20%). The difference between actual revenue and previous year/forecasted revenue is primarily attributed to the COVID-19 Pandemic which significantly reduced the tourism and economic activity during March and April 2020 (Note 12).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets consist of the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CAPITAL ASSETS, DEPRECIABLE			
Equipment	\$ 2,108	\$ 2,924	\$ 3,740
Buildings	173,625	178,719	183,813
Improvements other than buildings	97,786	107,709	117,632
CAPITAL ASSETS, DEPRECIABLE NET	<u>\$ 273,519</u>	<u>\$ 289,352</u>	<u>\$ 305,185</u>
CAPITAL ASSETS, NOT DEPRECIABLE			
Infrastructure	\$ 207,971,538	\$ 207,971,538	\$ 207,899,139
Air Force easement	26,690,000	26,690,000	26,690,000
Land	663,170	663,170	663,170
Construction in progress	450,067	498,820	668,059
CAPITAL ASSETS, NOT DEPRECIABLE	<u>\$ 235,774,775</u>	<u>\$ 235,823,528</u>	<u>\$ 235,920,368</u>

LONG-TERM DEBT

As of September 30, 2020, the Authority's Series 2015A, 2015B and 2015C Revenue Bonds remained outstanding. During 2020, the Authority made its scheduled principal and interest payments on the bonds. As of September 30, 2020, the Authority had bonds payable of \$274,851,529.

The Authority is in compliance with all applicable debt covenants contained in the various bond documents. Standard & Poor's (S&P) and Fitch Investor Services (Fitch) have rated the Authority's 2015A and 2015B bonds as BBB+ and the 2015C bonds as BBB.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
SEPTEMBER 30, 2020 AND 2019**

CHANGES IN NET POSITION – CONTINUED

ANNUAL BUDGET

During the month of May, the Authority develops an annual proposed budget and holds a public hearing before the citizens of Okaloosa County, Florida. At that time, the Authority adopts a resolution certifying the estimated expenses for the ensuing year. Before June 2, the budget is submitted to the Board of County Commissioners for the review, approval and possible modification.

Subsequent budget amendments increasing the total budget must be approved by the Board of County Commissioners. Otherwise, the budget remains in effect the entire year. The budgetary information is not reported in these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mid-Bay Bridge Authority expects traffic and toll revenue growth over the next several years. Some factors attributed to the growth include the area population and traffic growth for Okaloosa and Walton counties, the sustained military presence, continued ramp-up of traffic on the Spence Parkway, recovery from the effects of the global COVID-19 pandemic, highway constraints and improvements.

CONTACTING THE EXECUTIVE DIRECTOR

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

Basic Financial Statements

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 103,303	\$ 77,339
Restricted cash	27,015,619	25,908,118
Due from other governments, net of allowance (Note 4)	1,167,328	1,056,488
Prepaid expenses	2,500	2,500
Accrued interest	373	29,613
Total current assets	<u>28,289,123</u>	<u>27,074,058</u>
NON-CURRENT ASSETS		
Restricted investments (Note 2)	26,758,600	26,589,712
Capital assets, net of accumulated depreciation (Note 5)	273,519	289,352
Capital assets not being depreciated (Note 5)	<u>235,774,775</u>	<u>235,823,528</u>
Total non-current assets	<u>262,806,894</u>	<u>262,702,592</u>
TOTAL ASSETS	<u>291,096,017</u>	<u>289,776,650</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges related to pensions (Note 9)	118,116	113,892
Deferred charges on refunding (Note 8)	<u>53,955,383</u>	<u>56,884,472</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>54,073,499</u>	<u>56,998,364</u>

See accompanying notes and independent auditors' report.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
STATEMENTS OF NET POSITION – CONTINUED
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 13,361	\$ 13,990
Current liabilities payable from restricted assets		
Contracts payable	12,125	-
Accrued interest	6,360,416	6,465,648
Due to other governments (Note 8)	4,356,400	-
Bonds payable (Note 8)	6,115,000	5,345,000
Total current liabilities payable from restricted assets	16,843,941	11,810,648
Total current liabilities	16,857,302	11,824,638
NON-CURRENT LIABILITIES		
Net pension liability	418,934	341,335
Due to other governments, net of current portion (Note 8)	6,256,044	7,302,810
Bonds payable, net of current portion (Note 8)	268,736,529	275,914,257
Total noncurrent liabilities	275,411,507	283,558,402
TOTAL LIABILITIES	292,268,809	295,383,040
DEFERRED INFLOWS OF RESOURCES	29,889	71,607
NET POSITION		
Net investment in capital assets	8,896,104	4,435,285
Restricted	46,431,353	46,061,795
Unrestricted	(2,456,639)	823,287
TOTAL NET POSITION	\$ 52,870,818	\$ 51,320,367

See accompanying notes and independent auditors' report.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Toll revenues	\$ 23,277,713	\$ 26,247,029
OPERATING EXPENSES		
System operations and maintenance		
Maintenance – FDOT	797,376	841,897
Operations – FDOT	3,088,574	2,865,147
Operations – MBBA	36,137	112,035
Traffic engineer study – MBBA	55,374	96,840
Preservation		
FDOT	4,191,538	5,727,942
Administration		
Office, admin, staff, legal counsel	356,782	334,560
Accounting and auditing	88,400	80,860
Professional services	78,843	96,541
Advertising	80,280	92,530
Depreciation	15,833	15,833
Bad debt (recovery) expense	(78,216)	(206,403)
Total operating expenses	<u>8,710,921</u>	<u>10,057,782</u>
NET OPERATING INCOME	<u>14,566,792</u>	<u>16,189,247</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and dividends	1,406,635	1,197,518
Interest expense	(14,587,193)	(14,953,604)
Other debt service costs	(69,420)	(69,134)
Investment gains	168,888	794,367
Other revenue	64,749	14,102
Total non-operating expenses	<u>(13,016,341)</u>	<u>(13,016,751)</u>
CHANGE IN NET POSITION	1,550,451	3,172,496
NET POSITION AT BEGINNING OF YEAR	<u>51,320,367</u>	<u>48,147,871</u>
NET POSITION AT END OF YEAR	<u><u>\$ 52,870,818</u></u>	<u><u>\$ 51,320,367</u></u>

See accompanying notes and independent auditors' report.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tolls	\$ 23,245,089	\$ 26,592,893
Cash paid to vendors	(8,497,597)	(10,013,136)
Cash paid to employees	(183,801)	(138,850)
Net cash flows provided by operating activities	<u>14,563,691</u>	<u>16,440,907</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from other governments	8,077,488	9,434,986
Other revenue (expense)	(4,671)	(55,032)
Payments to other governments	(4,767,854)	(6,701,965)
Bond principal payments	(5,345,000)	(4,610,000)
Interest paid	(12,826,064)	(13,022,011)
Net cash flows used in capital and related financing activities	<u>(14,866,101)</u>	<u>(14,954,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(26,589,712)
Gain on investments	-	794,367
Interest and dividends	1,435,875	1,225,984
Net cash flows provided by (used in) investing activities	<u>1,435,875</u>	<u>(24,569,361)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,133,465	(23,082,476)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>25,985,457</u>	<u>49,067,933</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,118,922</u>	<u>\$ 25,985,457</u>

See accompanying notes and independent auditors' report.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 14,566,792	\$ 16,189,247
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	15,833	15,833
Bad debt expense (recovery)	(78,216)	(206,403)
Change in assets and liabilities:		
Due from (to) other governments, net	(32,624)	345,864
Capital assets not being depreciated	48,753	96,840
Accounts payable	(629)	(42,930)
Contracts payable	12,125	-
Net pension liability and related deferred inflows/outflows	31,657	42,456
Net cash flows provided by operating activities	\$ 14,563,691	\$ 16,440,907
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Unrestricted	\$ 103,303	\$ 77,339
Restricted	27,015,619	25,908,118
	\$ 27,118,922	\$ 25,985,457

See accompanying notes and independent auditors' report.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

Cash and Cash Equivalents

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Cash and Investments

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

Investments are recorded at fair value, except in limited circumstances where cost is required under generally accepted accounting principles.

Due from Other Governments

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

Budgets and Budgetary Accounting

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

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

Capital Assets

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

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

Buildings	40 years
Improvements	40 years
Equipment	5 years

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

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

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

Capitalized Interest

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position include a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category; deferred charges related to pensions, as more fully described in Note 9 to the financial statements, and deferred charges on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt on a straight-line basis.

In addition to liabilities, the statements of financial position include a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one item that qualifies for reporting in this category related to the defined benefit pension plan, as more fully described in Note 9.

Long-Term Obligations

Long-term obligations are reported at face value, net of applicable premiums and discounts.

Bond Premiums and Discounts

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Pension Liability

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

Revenues and Expenses

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

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

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to conform to the 2020 presentation.

Events Occurring After Year-End

The Authority has evaluated events and transactions that occurred between September 30, 2020 and March 18, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

The Authority maintains its deposits only with qualified public depositories as defined in Chapter 280, Florida Statutes, and in accordance with the master indenture of trust agreement between the Authority and Regions bank. The provisions of this statute generally require public funds to be deposited in a bank or savings association designated by the State Chief Financial Officer as a "Qualified Public Depository". All qualified public depositories must maintain deposit insurance. They also must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the greater of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. Collateral requirements may be increased according to statute if specified conditions exist. Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. In the event of default by a qualified public depository excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all Authority deposits, including certificates of deposit, are considered fully insured.

At September 30, 2020, the Authority's cash totaled \$27,118,922, which is presented as \$27,015,619 of restricted cash, and \$103,303 of unrestricted cash in the statement of net position.

At September 30, 2019, the Authority's cash totaled \$25,985,457, which is presented as \$25,908,118 of restricted cash, and \$77,339 of unrestricted cash in the statement of net position.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. DEPOSITS AND INVESTMENTS – CONTINUED

Custodial Credit Risk – Continued

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

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

2. DEPOSITS AND INVESTMENTS – CONTINUED

Interest rate risk

In accordance with the master indenture of trust agreement between the Authority and Regions bank, the exposure to declines in fair value of investments outside of the pools is managed by matching the investments to a specific cash flow requirement.

Credit risk

As of September 30, 2020 and 2019, Standard and Poor's rated the investment in Israel bonds AAA, fully guaranteed by the United States. The Authority is also authorized to enter into investment agreements with any bank or other financial institution, the unsecured debt of which is rated in either of the two highest full rating categories by a rating agency.

Concentration of credit risk

The Authority does not have a policy for the diversification of the investment portfolio.

The Authority had the following investment at September 30, 2020:

Security Type	Fair Value	Weighted Average Duration (Years)	Credit Rating	Percentage of Portfolio
Israel Coupon Bonds	\$ 26,758,600	4 years	AAA	100%

The Authority had the following investment at September 30, 2019:

Security Type	Fair Value	Weighted Average Duration (Years)	Credit Rating	Percentage of Portfolio
Israel Coupon Bonds	\$ 26,589,712	5 years	AAA	100%

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 Fair Value Measurements are described as follows:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. These valuations represent quoted prices in the active markets, and therefore, do not require significant management judgement.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, for the asset or liability such as: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in less active markets; or other inputs that can be derived principally from, or corroborated by, observable market data.
- Level 3 – Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

As of September 30, 2020	Level 1	Level 2	Level 3	Total
Fixed income	\$ -	\$ 26,758,600	\$ -	\$ 26,758,600

As of September 30, 2019	Level 1	Level 2	Level 3	Total
Fixed income	\$ 26,589,712	\$ -	\$ -	\$ 26,589,712

The following methods and assumptions were used to estimate the fair value for each class of investment, measured at fair value:

- Fixed income – Investments in debt securities which are comprised of direct bond holdings. As of September 30, 2020, the investments are classified as Level 2 as the measurement of fair value was estimate to be the present value of expected future cash flows. At September 30, 2019, the investments were classified as Level 1 as their inputs used to measure fair value were quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; or inputs other than quoted prices (e.g. interest rates and yield curves).

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

4. DUE FROM OTHER GOVERNMENTS

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

	<u>2020</u>	<u>2019</u>
Unremitted tolls from FDOT	\$ 1,473,319	\$ 1,440,695
Less allowance for uncollectible tolls	<u>(305,991)</u>	<u>(384,207)</u>
Due from other governments, net	<u>\$ 1,167,328</u>	<u>\$ 1,056,488</u>

The Authority had a bad debt recovery totaling \$78,216 in the current year for collections of tolls previously estimated to be uncollectible. The FDOT remits toll revenues to the Authority upon collection from toll user.

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2020 is as follows:

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance 9/30/2020</u>
Capital assets, depreciable					
Equipment	\$ 29,073	\$ -	\$ -	\$ -	\$ 29,073
Buildings	203,765	-	-	-	203,765
Improvements other than buildings	<u>153,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,667</u>
Capital assets	386,505	-	-	-	386,505
Accumulated depreciation	<u>(97,153)</u>	<u>(15,833)</u>	<u>-</u>	<u>-</u>	<u>(112,986)</u>
Capital assets, net of accumulated depreciation	<u>\$ 289,352</u>	<u>\$ (15,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,519</u>
Capital assets, not depreciable					
Infrastructure	\$ 207,971,538	\$ -	\$ -	\$ -	\$ 207,971,538
Air Force easement	26,690,000	-	-	-	26,690,000
Land	663,170	-	-	-	663,170
Construction in progress:					
Easement restoration	444,717	-	-	-	444,717
Mid-Bay Bridge System enhancements	<u>54,103</u>	<u>-</u>	<u>(48,753)</u>	<u>-</u>	<u>5,350</u>
Capital assets, not depreciable	<u>\$ 235,823,528</u>	<u>\$ -</u>	<u>\$ (48,753)</u>	<u>\$ -</u>	<u>\$ 235,774,775</u>

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

5. CAPITAL ASSETS – CONTINUED

A summary of changes in capital assets for the year ended September 30, 2019 is as follows:

	<u>Balance 10/1/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance 9/30/2019</u>
Capital assets, depreciable					
Equipment	\$ 29,073	\$ -	\$ -	\$ -	\$ 29,073
Buildings	203,765	-	-	-	203,765
Improvements other than buildings	153,667	-	-	-	153,667
Capital assets	386,505	-	-	-	386,505
Accumulated depreciation	(81,320)	(15,833)	-	-	(97,153)
Capital assets, net of accumulated depreciation	<u>\$ 305,185</u>	<u>\$ (15,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,352</u>
Capital assets, not depreciable					
Infrastructure	\$ 207,899,139	\$ -	\$ -	\$ 72,399	\$ 207,971,538
Air Force easement	26,690,000	-	-	-	26,690,000
Land	663,170	-	-	-	663,170
Construction in progress:					
Easement restoration	444,717	-	-	-	444,717
Mid-Bay Bridge System enhancements	223,342	-	(96,840)	(72,399)	54,103
Capital assets, not depreciable	<u>\$ 235,920,368</u>	<u>\$ -</u>	<u>\$ (96,840)</u>	<u>\$ -</u>	<u>\$ 235,823,528</u>

Outstanding contract commitments related to the Mid-Bay Bridge System enhancements, and easement restoration, totaled approximately \$77,000 at September 30, 2020.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

6. IN-KIND CONSIDERATION ESCROW AGREEMENT

Through a Grant of Easement, the United States of America, acting by and through the Secretary of the Air Force, granted and conveyed to the Authority a nonexclusive easement for a term of 50 years, for approximately 597 acres on Eglin Air Force Base in Okaloosa County for the Spence Parkway limited access roadway, associated storm water retention basins, and modification of existing roads. As consideration, the Authority deposited a total of \$26,690,000 into an interest-bearing In-kind Consideration Account (ICA) to be used to fund projects selected by the Air Force, performed services in-kind, and completed \$3,800,000 in Okaloosa Darter Restoration work. Accordingly, the Authority has reported \$26,690,000 as a non-depreciable capital asset – Air Force easement. As part of this agreement, the Authority was entitled to receive payment of a reasonable fee for supervision of work and administration of the ICA not to exceed 3% of the project cost. The last project payment was completed, and the ICA was closed on September 24, 2018. At this point, the Authority satisfied all its obligations for work for the Air Force nonexclusive easement.

7. LEASE-PURCHASE AGREEMENT

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LONG-TERM DEBT

Due to Other Governments

The following is a summary of amounts due to other governments for the years ended September 30, 2020 and 2019:

	<u>10/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/20</u>
Due to other governments	\$ 7,302,810	\$ 8,077,488	\$ (4,767,854)	\$ 10,612,444
Less current portion	<u>-</u>	<u>(4,356,400)</u>	<u>-</u>	<u>(4,356,400)</u>
Due to other governments – net of current portion	<u>\$ 7,302,810</u>	<u>\$ 3,721,088</u>	<u>\$ (4,767,854)</u>	<u>\$ 6,256,044</u>
	<u>10/01/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/19</u>
Due to other governments	\$ 4,569,789	\$ 9,434,986	\$ (6,701,965)	\$ 7,302,810
Less current portion	<u>(211,403)</u>	<u>-</u>	<u>211,403</u>	<u>-</u>
Due to other governments – net of current portion	<u>\$ 4,358,386</u>	<u>\$ 9,434,986</u>	<u>\$ (6,490,562)</u>	<u>\$ 7,302,810</u>

Due to other governments is comprised of the following as of September 30, 2020:

<u>Due to Other Governments</u>	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Advances from Florida Department of Transportation representing the costs of operations and maintenance of the Mid-Bay Bridge Authority system, which pursuant to the bond covenants and lease purchase agreement with FDOT are being paid back as toll revenues are available.	\$ 4,356,400	\$ 4,403,440	\$ 8,759,840
Amounts due to the Florida Department of Transportation for loan used for the construction of the Southern Approach.	<u>-</u>	<u>1,852,604</u>	<u>1,852,604</u>
Total due to other governments	<u>\$ 4,356,400</u>	<u>\$ 6,256,044</u>	<u>\$ 10,612,444</u>

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LONG-TERM DEBT – CONTINUED

Bonds Payable

A summary of revenue bond transactions of the Authority for the year ended September 30, 2020 is as follows:

	<u>10/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2020</u>
Revenue Series 2015A	\$ 227,040,000	\$ -	\$ -	\$ 227,040,000
Revenue Series 2015B	13,730,000	-	(4,670,000)	9,060,000
Revenue Series 2015C	31,995,000	-	(675,000)	31,320,000
Revenue bonds payable	272,765,000	-	(5,345,000)	267,420,000
Less unamortized bond discount	(23,765)	-	17,337	(6,428)
Plus unamortized bond premium	8,518,022	-	(1,080,065)	7,437,957
Less current portion of bonds payable	(5,345,000)	(6,115,000)	5,345,000	(6,115,000)
Revenue Bonds payable – net of current portion	<u>\$ 275,914,257</u>	<u>\$ (6,115,000)</u>	<u>\$ (1,062,728)</u>	<u>\$ 268,736,529</u>

A summary of revenue bond transactions of the Authority for the year ended September 30, 2019 is as follows:

	<u>10/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2019</u>
Revenue Series 2015A	\$ 227,040,000	\$ -	\$ -	\$ 227,040,000
Revenue Series 2015B	17,765,000	-	(4,035,000)	13,730,000
Revenue Series 2015C	32,570,000	-	(575,000)	31,995,000
Revenue bonds payable	277,375,000	-	(4,610,000)	272,765,000
Less unamortized bond discount	(52,868)	-	29,103	(23,765)
Plus unamortized bond premium	9,611,749	-	(1,093,727)	8,518,022
Less current portion of bonds payable	(4,610,000)	(5,345,000)	4,610,000	(5,345,000)
Revenue Bonds payable – net of current portion	<u>\$ 282,323,881</u>	<u>\$ (5,345,000)</u>	<u>\$ (1,064,624)</u>	<u>\$ 275,914,257</u>

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LONG-TERM DEBT – CONTINUED

Bonds Payable – Continued

Bonds payable are not considered direct placement or direct borrowing under the definition of GASB 88. Long-term debt is comprised of the following as of September 30, 2020:

<u>Bonds Payable</u>	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
\$227,040,000 1st Senior Lien Revenue Bonds, Series 2015A, due in annual installments of \$2,280,000 to \$17,710,000 beginning October 1, 2021 through October 1, 2040; interest ranging between 4% to 5% per annum, secured by a pledge of and lien upon adjusted revenues*.	\$ -	\$ 227,040,000	\$ 227,040,000
\$24,500,000 1st Senior Lien Taxable Revenue Bonds, Series 2015B, due in annual installments of \$3,305,000 to \$5,330,000 beginning October 1, 2016 through October 1, 2021; interest bearing at 3.784% per annum, secured by a pledge of and lien upon adjusted revenues*.	5,330,000	3,730,000	9,060,000
\$33,500,000 2nd Senior Lien Revenue Bonds, Series 2015C, due in annual installments of \$455,000 to \$2,605,000 beginning October 1, 2016 through October 1, 2040; interest bearing at 5% per annum, secured on a subordinate basis to the 1st Senior Lien Bonds by a pledge of and lien upon adjusted revenues*.	785,000	30,535,000	31,320,000
Total revenue bonds outstanding	<u>6,115,000</u>	<u>261,305,000</u>	<u>267,420,000</u>
Unamortized discount	-	(6,428)	(6,428)
Unamortized premium	-	7,437,957	7,437,957
Total revenue bonds	<u>\$ 6,115,000</u>	<u>\$ 268,736,529</u>	<u>\$ 274,851,529</u>

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LONG-TERM DEBT – CONTINUED

Advanced Refunding

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

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

The Refunded Bonds were defeased, and the liability was removed from the statement of net position. The difference between the reacquisition price and the net carrying amount of the Refunded Bonds at the time of refunding resulted in a deferred charge on refunding, which is reported as a deferred outflow on the Statements of Net Position and is being amortized over the shorter of the life of the new debt or the remaining life of the old debt at the time of refunding. As of September 30, 2020, the unamortized deferred outflow on refunding totaled \$53,955,383, consisting of \$52,728,847 of unamortized losses associated with the 2015 advanced refunding and \$1,226,535 of unamortized losses from prior refunding. Amortization expense of the deferred outflow totaled \$2,929,089 for the year ended September 30, 2020, and is included in interest expense on the Statements of Revenues, Expenses and Changes in Net Position.

Of the defeased bond issues for which the Authority has no liability, the following amounts are outstanding at September 30, 2020:

Revenue Bonds, Series 1991A	\$ 16,815,000
Revenue Bonds, Series 1993D	4,475,000
Springing Lien Revenue Bonds, Series 2011A	132,855,000
Springing Lien Revenue Refunding Bonds, Series 2011B	<u>8,725,000</u>
Total defeased debt	<u><u>\$ 162,870,000</u></u>

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

8. LONG-TERM DEBT – CONTINUED

Advanced Refunding – Continued

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

Debt Service to Maturity

Excluding the advances from the FDOT for operations and maintenance, the annual requirements to amortize all debts outstanding as of September 30, 2020, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 6,115,000	\$ 12,600,362
2022	6,910,000	12,329,822
2023	6,735,000	12,011,375
2024	7,520,000	11,655,000
2025	7,900,000	11,269,500
2026-2030	52,745,000	49,023,625
2031-2035	69,895,000	33,836,875
2036-2040	89,285,000	14,760,675
2041-2045	20,315,000	449,575
Total	<u>\$ 267,420,000</u>	<u>\$ 157,936,809</u>

Debt Covenant Requirements

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

The Authority's outstanding notes from other borrowings related to business type activities are secured with collateral of revenue and reserve funds. The outstanding notes from direct borrowings related to business type activities contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the Authority is unable to make a payment, outstanding amounts are due immediately. The Authority's outstanding notes from other borrowings related to business type activities contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM

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

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

Pension Plan

Plan Description

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

Benefits Provided

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

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Benefits Provided – Continued

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

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

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular—8.47% and 10.00% and Senior Management Service—25.41% and 27.29%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020.

The Authority's contributions, including employee contributions, to the Pension Plan totaled \$27,331 for the fiscal year ended September 30, 2020.

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

At September 30, 2020, the Authority reported a liability of \$356,522, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority's proportion of the net pension liability was based on the Authority's long-term share of the contributions to the FRS relative to the contributions of all participating governments. At June 30, 2020, the Authority's proportionate share was 0.000822590 percent, which was an increase of 0.000002301 percent from its proportionate share measured as of June 30, 2019.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

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

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$61,986. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,645	\$ -
Change of assumptions	64,541	-
Net difference between projected and actual earnings on Pension Plan investments	21,228	-
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	486	14,122
Authority Pension Plan contributions subsequent to the measurement date	7,630	-
	\$ 107,530	\$ 14,122

The deferred outflows of resources related to the Pension Plan, totaling \$7,630 resulting from Authority contributions to the Plan, subsequent to the measurement date, will be recognized as a reduction to the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense (income) as follows:

	Amount
Fiscal Year Ending September 30:	
2021	\$ 17,704
2022	29,124
2023	24,338
2024	13,430
2025	902
Thereafter	280
	\$ 85,778

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.20%	2.20%	1.20%
Fixed income	19.00%	3.00%	2.90%	3.50%
Global equity	54.20%	8.00%	6.70%	17.10%
Real estate (property)	10.30%	6.40%	5.80%	11.70%
Private equity	11.10%	10.80%	8.10%	25.70%
Strategic Investments	4.40%	5.50%	5.30%	6.90%
Total	100.00%			
Assumed inflation – mean			2.40%	1.70%

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

The following represents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Authority's proportionate share of the net pension liability	\$ 569,306	\$ 356,522	\$ 178,804

Pension Plan Fiduciary Net Position

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

HIS Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution for the period October 1, 2019 through June 30, 2020, and from July 1, 2020 through September 30, 2020, was 1.66%. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Authority's contributions to the HIS Plan totaled \$2,949 for the fiscal year ended September 30, 2020.

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

At September 30, 2020, the Authority reported a liability of \$62,412 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority's proportion of the net pension liability was based on the Authority's long-term share of the contributions to the HIS relative to the contributions of all participating governments. At June 30, 2020, the Authority's proportionate share was 0.000511793 percent, which was a decrease of 0.000014835 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$773. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,556	\$ 48
Change of assumptions	6,719	3,632
Net difference between projected and actual earnings on Pension Plan investments	50	-
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	522	12,087
Authority Pension Plan contributions subsequent to the measurement date	739	-
	<u>\$ 10,586</u>	<u>\$ 15,767</u>

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

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

The deferred outflows of resources related to the HIS Plan, totaling \$739 resulting from Authority contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2020	\$ (303)
2021	(706)
2022	(1,548)
2023	(1,130)
2024	(863)
Thereafter	<u>(1,370)</u>
	<u><u>\$ (5,920)</u></u>

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	2.21%

Mortality rates were based on the Generational PUB-2010 with Projection Scale of MP-2018.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

9. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

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

The following represents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Authority's proportionate share of the net pension liability	\$ 72,235	\$ 62,412	\$ 54,512

Pension Plan Fiduciary Net Position

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

10. RISK MANAGEMENT

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

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

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

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

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

11. RELATED ORGANIZATIONS

The Authority has entered into a lease-purchase agreement with the FDOT as discussed in Note 7. The FDOT is related to the Authority in that the FDOT is an agency of the State of Florida. The Governor appoints members to the Mid-Bay Bridge Authority. The Authority has been deemed by the FDOT to be a related organization. Revenue recognized from FDOT representing toll payments in 2020 and 2019 were \$23,277,713 and \$26,247,029, respectively.

The FDOT also pays for system operation, maintenance, and preservation, which the Authority must repay when funding is available. Total operations and maintenance paid by FDOT in 2020 and 2019 were \$3,885,950 and \$3,707,044, respectively. Total preservation paid by FDOT in 2020 and 2019 were \$4,191,538 and \$5,727,942 respectively. Amounts due to FDOT at September 30, 2020 and 2019 for advances for operations and maintenance for current and prior years totaled \$8,759,839 and \$5,450,206, respectively.

12. NONRECURRING EVENTS.

Bridge Tendon Repairs

In October 2018, Mid-Bay Bridge Authority tolls were suspended by the Governor of Florida in line with a declaration of emergency and an evacuation of low-lying areas in Okaloosa County. The tolls were reinstated after 11 days. The Authority estimated a loss of toll revenues of approximately \$800,000 for this period. Also in October 2018, routine bridge inspections identified three internal, post-tensioning tendons that required replacement and four that required further testing or investigation. The FDOT prepared a declaration of emergency to address immediate repairs to the superstructure of the bridge and restore its full structural capacity. Permitted loads were restricted from the bridge. On January 8, 2019, during additional testing, an eighth tendon was discovered to be compromised in a span that already contained a tendon identified for replacement. The FDOT closed the bridge to all traffic in an abundance of safety for the motoring public. Over the course of the following week, the FDOT conducted additional testing and procured/installed post-tensioning bars in the affected spans to reinforce the spans with compromised tendons. On January 16, 2019, the Bridge was reopened to two-axle traffic only. The FDOT executed a contract to replace all eight tendons, which amount to a little less than 1% of the tendons in the bridge. The Authority incurred \$5,450,206 in long-term debt to replace eight tendons, increasing their liability to the FDOT. The Authority updated its estimate to \$1 million for lost revenue due the Bridge closure and vehicle restrictions during the repair performance period.

The FDOT continued life-cycle repairs on the Mid-Bay Bridge in 2020. These repairs on the bridge included the replacement of 5 additional post tensioning tendons, the protection of 14 sealed tendons, the sealing of 8 tendons, and the impregnation of 21 tendons. The bridge continues to meet Florida Transportation Commission's performance requirements.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

12. NONRECURRING EVENTS – CONTINUED

COVID-19 Pandemic

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. In addition, both National and State Emergencies were declared, and local authorities took actions to mitigate the spread of the virus. These governmental actions had a negative impact on the toll revenues of the Mid-Bay Bridge Authority. As a result, Standard & Poor's Global Ratings revised to negative outlooks on nearly all long-term debt ratings in the U.S. transportation infrastructure sector, including the Mid-Bay Bridge Authority, due to the severe and ongoing impacts associated with the COVID-19 pandemic. Fitch Ratings Global Infrastructure subsequently followed suit and revised to negative its outlook of the Mid-Bay Bridge Authority. As of September 30, 2020, toll revenues of \$23,277,713 lagged behind 2019 revenues of \$26,247,029 by 11% and also lagged behind forecasted revenues of \$29,154,000 by 20%. The occurrence and extent of the overall impact will depend on future developments, including (i) the duration and spread of the virus, (ii) governmental restrictions, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Required Supplementary Information
(Other than MD&A)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mid-Bay Bridge Authority's proportion of the net pension liability (asset)	0.000822590%	0.000820288%	0.000826785%	0.000852377%	0.000862777%	0.001059051%	0.001617103%
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset)	\$ 356,522	\$ 282,496	\$ 249,032	\$ 252,129	\$ 217,852	\$ 136,793	\$ 98,667
Mid-Bay Bridge Authority's covered payroll	\$ 184,232	\$ 182,186	\$ 180,939	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	193.52%	155.06%	137.63%	138.93%	124.22%	46.23%	46.23%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

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

NOTE: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which is available.

See independent auditors' report on required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mid-Bay Bridge Authority's proportion of the net pension liability (asset)	0.000511793%	0.000526628%	0.000535844%	0.000545177%	0.000546517%	0.000672703%	0.001058933%
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset)	\$ 62,412	\$ 58,839	\$ 56,714	\$ 58,293	\$ 63,694	\$ 68,604	\$ 99,013
Mid-Bay Bridge Authority's covered payroll	\$ 184,232	\$ 182,186	\$ 180,939	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Mid-Bay Bridge Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.88%	32.30%	31.34%	32.12%	36.32%	41.81%	46.39%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

NOTE: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which is available.

See independent auditors' report on required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 27,331	\$ 25,435	\$ 23,563	\$ 22,189	\$ 21,040	\$ 25,821	\$ 35,421
Contributions in relation to the contractually required contribution	<u>(27,331)</u>	<u>(25,435)</u>	<u>(23,563)</u>	<u>(22,189)</u>	<u>(21,040)</u>	<u>(25,821)</u>	<u>(35,421)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mid-Bay Bridge Authority's covered payroll	\$ 184,232	\$ 182,186	\$ 180,939	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Contributions as a percentage of covered payroll	14.84%	13.96%	13.02%	12.23%	12.00%	15.74%	16.60%

* The amounts presented for each fiscal year were determined as of 9/30.

NOTE: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which is available.

See independent auditors' report on required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,949	\$ 2,924	\$ 2,906	\$ 2,885	\$ 2,801	\$ 2,571	\$ 3,628
Contributions in relation to the contractually required contribution	<u>(2,949)</u>	<u>(2,924)</u>	<u>(2,906)</u>	<u>(2,885)</u>	<u>(2,801)</u>	<u>(2,571)</u>	<u>(3,628)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mid-Bay Bridge Authority's covered payroll	\$ 184,232	\$ 182,186	\$ 180,939	\$ 181,473	\$ 175,371	\$ 164,071	\$ 213,430
Contributions as a percentage of covered payroll	1.60%	1.60%	1.61%	1.59%	1.60%	1.57%	1.70%

* The amounts presented for each fiscal year were determined as of 9/30.

NOTE: This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which is available.

See independent auditors' report on required supplementary information.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020**

NOTE 1: FLORIDA RETIREMENT SYSTEM (FRS)

The following actuarial assumptions changed in the year ended September 30, 2020:

- The long-term expected rate of return was decreased from 6.90% to 6.80%.
- The inflation rate was decreased from 2.6% to 2.4%.

NOTE 2: HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

The following actuarial assumptions changed in the year ended September 30, 2020:

- The municipal rate used to determine total pension liability was decreased from 3.50% to 2.21%.
- The inflation rate was decreased from 2.6% to 2.4%.
- The mortality table used was changed from Generational RP-2000 with Projection Schedule BB to Generational PUB-2010 with Projection Schedule MP-2018.

See independent auditors' report on required supplementary information.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
TREND DATA ON INFRASTRUCTURE CONDITION
SEPTEMBER 30, 2020**

Infrastructure

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

Roadway Maintenance

The FDOT assesses roadway maintenance performance through its Maintenance Rating Program (MRP). Copies of the MRP manual may be obtained from the State Maintenance Office, 605 Suwannee Street, Mail Station 52, Tallahassee, FL 32399-0450. The MRP manual provides a uniform evaluation system for maintenance features of the State Highway System. The roadways are rated on a 100-point scale, with 100 meaning that every aspect of the roadway is in new and perfect condition. The Authority's roadways are given an overall rating indicating the average maintenance status of its roadways. The assessment of maintenance is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Florida Transportation Commission's policy is to maintain tolled facility maintenance at an MRP rating of 90 or better.

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

<u>Year</u>	<u>Rating</u>
2020	91
2019	97
2018	94
2017	85
2016	83

Pavement Condition

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

See independent auditors' report on required supplementary information.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
TREND DATA ON INFRASTRUCTURE CONDITION – CONTINUED
SEPTEMBER 30, 2020**

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

<u>Year</u>	<u>Rating</u>
2020	100%
2019	100%
2018	100%
2016	100%
2015	100%

Bridge Performance

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

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

<u>Year</u>	<u>Rating</u>
2020	100%
2019	100%
2018	100%
2016	100%
2015	100%

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

<u>Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>
2020	\$ 1,050,000	\$ 4,989,000
2019	874,000	6,570,000
2018	359,000	289,000
2017	608,000	1,377,000
2016	690,000	881,000

The budget to actual variance in 2020 was due to unscheduled life-cycle repairs on the Mid-Bay Bridge. The budget to actual variance in 2019 was due to emergency bridge repairs as previously disclosed. The budgeted amounts for preservation expenses are scheduled as projected by the FDOT.

See independent auditors’ report on required supplementary information.

Other Information

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
CONTINUING DISCLOSURE – BOND SERIES 2015A,B,C
SEPTEMBER 30, 2020**

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

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

Series 2015A,B,C

Annual Traffic by Toll Classification

Fiscal Year Ended September 30,

	2020
2-axles - Automatic Electronic Tolls (SunPass/TBP)	7,095,000
2-axles - Cash	1,768,000
3-axles or greater	166,000
Non-Revenue	383,000
TOTAL	9,412,000

Series 2015A,B,C

Annual Toll Revenues by Toll Classification

Fiscal Year Ended September 30,

	2020
2-axles - Automatic Electronic Tolls (SunPass/TBP)	\$ 15,897,000
2-axles - Cash	6,040,000
3-axles or greater	1,209,000
TOTAL	\$ 23,146,000

Series 2015A,B,C

Historical Revenues

Fiscal Year	Tolls	Interest and Other Income	Total
2020	\$ 23,278,000	\$ 1,640,000	\$ 24,918,000

Series 2015A,B,C

Historical Adjusted Revenues

Fiscal Year	Gross Revenues	Administrative Expenses	Adjusted Revenues
2020	\$ 24,918,000	\$ 765,000	\$ 24,153,000

See independent auditors' report on supplementary information.

**MID-BAY BRIDGE AUTHORITY
OKALOOSA COUNTY, FLORIDA
CONTINUING DISCLOSURE – BOND SERIES 2015A,B,C – CONTINUED
SEPTEMBER 30, 2020**

Series 2015A,B,C

Historical Financial Data

Fiscal Year Ended September 30,

	2020
Revenue:	
Tolls	\$ 23,278,000
Interest and Other Income	1,640,000
Total Revenue	24,918,000
Operating Expenses:	
Authority Administrative	765,000
Total Operating Expenses	765,000
Adjusted Revenues Before Debt	\$ 24,153,000
Debt Service:	
1st Senior Lien Bonds	\$ 16,485,000
2nd Senior Lien Bonds	2,351,000
Total Debt Service	\$ 18,836,000
1st Senior Lien Debt Service Coverage	1.47
All Bonds Debt Service Coverage	1.28
Cash Available for Disbursements	5,317,000
Payments to the Department	\$ 4,768,000

See independent auditors' report on other information.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mid-Bay Bridge Authority (Authority), as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated March 18, 2021.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Niceville, Florida
March 18, 2021

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on Financial Statements

We have audited the financial statements of Mid-Bay Bridge Authority, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 18, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated March 18, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 to the financial statements for disclosure.

Financial Condition and Management

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

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

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

Additional Matters

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

Purpose of this letter

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

Carly Riggs & Ingram, L.L.C.

Niceville, Florida
March 18, 2021



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**INDEPENDENT ACCOUNTANTS' REPORT
ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415,
FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

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

We have examined Mid-Bay Bridge Authority's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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

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

Niceville, Florida
March 18, 2021