

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

AGENDA
CENTRAL FLORIDA EXPRESSWAY AUTHORITY
AUDIT COMMITTEE MEETING
OCTOBER 27, 2020
10:00 AM
Meeting location: Microsoft Teams Virtual Meeting
Call (321) 430-0870
Input Conference ID: 391 152 423#

A. CALL TO ORDER

- B. PUBLIC COMMENT** – Pursuant to Original Executive Order 20-69 issued by Governor Ron DeSantis and as extended by additional Executive Orders including most recently 20-246 "local government bodies may utilize communications media technology, such as telephonic and video conferencing, as provided in section 120.54(5)(b)2., Florida Statutes," in order to establish quorums. As such, procedures for CFX public meetings have been temporarily modified to allow public meetings to occur remotely and reduce the spread of transmission of the COVID-19 virus. Any public comments to the Audit Committee were noticed and requested to be emailed to auditcomments@cfxway.com and were to be received by 8 a.m. on October 26, 2020 to be included as part of the record. Such comments were to be limited to any such items that are either identified on this meeting agenda as requiring action or anticipated to come before the Committee for action in reasonable future. Public comments will be read into the record except that if the comments exceeded 3 minutes in length, when read, they will only be attached as part of the minutes. In any case, all comments received were to be distributed electronically to all members in advance of the meeting date.

C. APPROVAL OF THE JUNE 17, 2020 MINUTES – (Action Item)

D. EXTERNAL AUDIT MATTERS – MSL, P.A.

1. Review and Acceptance of Audit of Fiscal 2020 Financial Statements and Required Communications – (Action Item)

E. INTERNAL AUDIT MATTERS – Protiviti

1. Status Update: Fiscal 2021 Internal Audit Plan – (Info Item)
2. Review and Acceptance of Completed Internal Audit Reports – (Action Items)
 - a. Public Records Review (Fiscal 2020)
 - b. Prior Audit Recommendations: Semi-Annual Follow-Up (Fiscal 2021)
 - c. Procurement and Contract Billing Audits (Fiscal 2021)
3. Other Internal Audit Items:
 - a. Public Records Review Maturity Model – (Info Item)
 - b. ERP Requirements Support Update and Supplemental Agreement – (Action Item)

F. OTHER BUSINESS

G. CONFIDENTIAL SECURITY AUDIT

1. NIST Cybersecurity Framework Review (Fiscal 2020)

H. ADJOURNMENT

THIS MEETING IS OPEN TO THE PUBLIC

Section 286.0105, Florida Statutes states that if a person decides to appeal any decision made by a board, agency, or commission with respect to any matter considered at a meeting or hearing, he or she will need a record of the proceedings, and that, for such purpose, he or she may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

Persons who require translation services, which are provided at no cost, should contact CFX at (407) 690-5000 x5316 or by email at Iranetta.dennis@CFXway.com at least three business days prior to the event.

Please note that participants attending meetings held at the CFX Headquarters Building are subject to certain limitations and restrictions in order to adhere to CDC guidelines and ensure the safety and welfare of the public.

In accordance with the Americans with Disabilities Act (ADA), if any person with a disability as defined by the ADA needs special accommodation to participate in this proceeding, then not later than two (2) business days prior to the proceeding, he or she should contact the Central Florida Expressway Authority at (407) 690-5000.

C.

**APPROVAL OF
MINUTES**

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

DRAFT MINUTES

CENTRAL FLORIDA EXPRESSWAY AUTHORITY AUDIT COMMITTEE MEETING

June 17, 2020

Location: Virtual Meeting
Call (321) 430-0870
Conference ID: 804 465 49#

Committee Members Present:

Kristy Mullane, Lake County Representative, Chairwoman
Lorie Bailey Brown, Seminole County Representative
Kaye Dover, Osceola County Representative
Michelle McCrimmon, City of Orlando Representative
Randy Singh, Orange County Representative

Committee Members Not Present:

Kathy Wall, Brevard County Representative

Also Present:

Lisa Lumbar, Chief Financial Officer
Michael Carlisle, Director of Accounting and Finance
Jim Greer, Chief Technology Officer
Michelle Maikisch, Chief of Staff/Public Relations Officer
Rita Moore, Recording Secretary/Executive Assistant
Son Nguyen, Risk Manager
Woody Rodriguez, General Counsel
Aneth Williams, Director of Procurement
Jeff Tecau, Protiviti
Emily Picard, Protiviti
Chris Porter, Protiviti
David Taylor, Protiviti

A. CALL TO ORDER

The meeting was called to order at approximately 01:33 p.m. by Chairman Mullane.

B. PUBLIC COMMENT

There was no public comment.

C. APPROVAL OF THE MARCH 03, 2020 MINUTES

A motion was made by Ms. Dover and seconded by Ms. Bailey Brown to approve the March 03, 2020 minutes as presented. The motion carried unanimously with four (4) members voting AYE by voice vote; Ms. McCrimmon was not yet present; Ms. Wall was not present.

D. INTERNAL AUDIT MATTERS

1. Status Update: Fiscal 2020 Internal Audit Plan – (Info Item)
Jeff Tecau of Protiviti summarized the progress of the Fiscal Year 2020 Internal Audit Plan. Mr. Tecau informed the Committee that this would be the last meeting for Fiscal Year 2020. Six (6) Audits have been completed since the March 3rd, 2020 Audit Committee Meeting; A couple of projects are still flagged 'in process'; Board and Audit Committee Meetings, Public Records and Information Management Review, NIST Cybersecurity Framework Review. Mr. Tecau recommended Lane Scheduling and Customer Service Review be canceled.

Discussion was had around the savings to CFX due to canceling the Lane Scheduling Audit.

(This item was presented for information only. No formal committee action was taken.)

Ms. McCrimmon joined the meeting at this time – 1:41 pm.

2. Review and Acceptance of Fiscal 2020 Internal Audit Reports – (Action Items)

- a. COSO ERM Governance Review

Emily Picard of Protiviti presented the COSO ERM Governance Review. This is a 5 year rotational audit report with 77 points of focus. Five observations were made; Business Continuity Documentation, Define and Assign Responsibility for Risk Management, Integrate Risk with Strategy Setting, Align Risk Response with Risk Appetite, Utilize Data to Monitor Risk.

A discussion was had around the position of Risk Manager being created due to the audit observations or the position being already planned. Lisa Lumbard, CFX Chief Financial Officer, confirmed the position was already planned.

A discussion was had regarding financial impacts based on the Audit observations. No financial impacts were identified.

A motion was made by Ms. Dover and seconded by Mr. Singh to accept the COSO ERM Governance Review as presented. The motion carried unanimously with five (5) members voting AYE by voice vote; Ms. Wall was not present.

b. Robotics Process Automation (RPA) and Automation Review

Emily Picard of Protiviti presented the RPA and Automation Audit report. Eleven (11) RPA candidates were identified for future automation. Next year Protiviti will spend time focusing on the Enterprise Resource Planning Software (ERP).

A motion was made by Mr. Singh and seconded by Ms. Dover to accept the RPA and Automation Audit report as presented. The motion carried unanimously with five (5) members voting AYE by voice vote; Ms. Wall was not present

c. P-Card and Gas Card Audit Report

Emily Picard of Protiviti presented the P-Card and Gas Card Audit Report. Six (6) observations were identified; Policies and Procedures, Digital Workflow Opportunities, Monitoring of Active Cards, Pool Vehicle Gas Cards, ERP Integration, and Quarterly Audit.

A discussion was had around monthly reviews in addition to the quarterly review. Ms. Picard confirmed that a monthly review already takes place.

A discussion was had around if an odometer reading is required on pooled vehicles. Ms. Picard confirmed it is required.

A motion was made by Ms. Dover and seconded by Ms. McCrimmon to accept the P-Card and Gas Card Audit Report as presented. The motion carried unanimously with five (5) members voting AYE by voice vote; Ms. Wall was not present.

d. Marketing and Social Media Audit

Emily Picard of Protiviti presented the Marketing and Social Media Audit and identified four (4) observations; Social Media Use Guidelines and Awareness, Password Policy and User Access Provisioning, User Access Review, and Procedural Documentation.

A motion was made by Ms. Dover and seconded by Ms. McCrimmon to accept the Marketing and Social Media Audit Report as presented. The motion carried unanimously with five (5) members voting AYE by voice vote; Ms. Wall was not present.

e. FY 2021 Internal Audit Plan and Risk Assessment

Jeff Tecau of Protiviti presented the FY 2021 Internal Audit Plan and Risk Assessment summarizing that Protiviti interviewed 14 individuals (CFX Executives, CFX Directors, and Audit Committee Chair) to discuss the 2021 Audit plan.

A discussion was had around budget for travel for consultants. Mr. Tecau confirmed that they will discuss those instances with CFX on case by case basis.

A discussion was had around pushing back IT Controls. Mr. Tecau identified that CFX had 9 overall IT Audits, therefore it was decided to spread out the IT audits so as not to overwhelm anyone.

A motion was made by Mr. Singh and seconded by Ms. Dover to accept the FY2021 Internal Audit Plan and Risk Assessment Report as presented. The motion carried unanimously with five (5) members voting AYE by voice vote; Ms. Wall was not present.

3. Other Internal Audits

a. Lane Scheduling and Customer Service Review

Jeff Tecau of Protiviti informed the Committee that the Lane Scheduling and Customer Service Review Audit Report would be cancelled for now.

(This item was presented for information only. No formal committee action was taken.)

b. NIST Cyber Security Review – Update

Jeff Tecau of Protiviti informed the Committee that the NIST Cyber Security Review is still in progress and will be completed by the end of the year.

(This item was presented for information only. No formal committee action was taken.)

c. Public Records and Information Management Review

Jeff Tecau of Protiviti informed the Committee that the Public Records and Information Management Review is still in progress and will be completed by the end of the year.

(This item was presented for information only. No formal committee action was taken.)

4. Annual Confirmation of No Disagreements with Management

Jeff Tecau of Protiviti stated that the collaboration between Protiviti and CFX has been healthy, and the group has openly received our recommendations. The effort and collaboration have been good.

(This item was presented for information only. No formal committee action was taken.)

E. ANNUAL MANAGEMENT REVIEW OF INTERNAL CONTROL MATTERS

1. Effectiveness of the Internal Control System, Including IT Security and Control

Lisa Lombard, CFX Chief Financial Officer, reported that staff works with the internal and external auditors. We have put our policies and procedures in place to ensure security and controls.

2. Process for Assessing, Monitoring and Controlling Significant Risks

Lisa Lombard, CFX Chief Financial Officer, and Michael Carlisle, CFX Director of Accounting and Finance, check the financial systems regularly to ensure only appropriate people have access.

3. System for Monitoring Compliance with Laws and Regulations and Results of Investigation of any Instances of Non-Compliance

Woody Rodriguez, CFX General Counsel, reported that CFX has not had any investigations since 10/2/2019. We are a very lean organization that does an effective job. Any concerns we have about laws and regulations are addressed proactively. CFX's Chief of Staff, Michelle Maikisch spends time in Tallahassee during the Legislative session to help CFX understand any new laws or regulations that are passed that pertain to us.

4. Adequacy, Administration and Compliance with the Authority's Code of Ethics

Woody Rodriguez, CFX General Counsel, reported that in May 2020 the CFX Code of Ethics was approved. The Committee members deadline to file the Conflict Disclosure form was moved to August 1st.

5. Procedures for Hotline Reporting

Woody Rodriguez, CFX General Counsel, reported that the procedures for Hotline reporting are published in CFX materials for the Board members, employees, and vendors. No complaints have been received. CFX Legal Department's process for handling any complaints would be to handle

them in house unless a conflict of interest was identified, in which case CFX Legal Department would utilize outside counsel.

F. ANNUAL DISCUSSION REGARDING INTERNAL AUDITOR PERFORMANCE AND EFFECTIVENESS

Chairman Mullane reported that the Audit Committee is pleased with the performance and effectiveness of Protiviti and commends everyone for the audits that were covered during the COVID-19 pandemic.

G. ANNUAL DISCUSSION REGARDING THE AUDIT COMMITTEE AND INDIVIDUAL PERFORMANCE

Chairman Mullane reported that she is very impressed with the dedication of the Audit Committee members.

H. CONFIRMATION OF COMPLETION OF RESPONSIBILITIES IN THE AUDIT COMMITTEE CHARTER

Chairman Mullane confirmed completion of responsibilities in the Audit Committee Charter.

I. OTHER BUSINESS

No other business was reported.

J. ADJOURNMENT

Chairman Mullane adjourned the meeting at approximately 3:36 p.m.

Minutes approved on _____, 2020.

Pursuant to the Florida Public Records Law and CFX Records Management Policy, audio tapes of all Board and applicable Committee meetings are maintained and available upon request to the Records Management Liaison Officer at publicrecords@CFXway.com or 4974 ORL Tower Road, Orlando, FL 32807.

D.1

REVIEW AND ACCEPTANCE OF AUDIT OF FISCAL 2020 FINANCIAL STATEMENTS AND REQUIRED COMMUNICATIONS

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Required Auditor Communications
Fiscal Year Ended June 30, 2020

Presented by:
Daniel J. O'Keefe, CPA, CFE, MBA
Joel A. Knopp, CPA



CPAs & ADVISORS



Audit Overview



FLORIDA ROOTS. GLOBAL REACH.

Services and Deliverables

- Engaged to audit CFX's financial statements for the year ended June 30, 2020
- Issue an opinion as to whether or not CFX's financial statements are presented fairly, in all material respects, in conformity with GAAP (pages 1-2)

Other Reports

- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (pages 58-59)
- Report on Compliance with Bond Covenants (page 60)
- Examination Report on Investment Compliance (page 61)
- Management Letter (pages 62-63)

Internal Controls

- We considered CFX's internal controls over financial reporting as a basis for designing our audit procedures
- We did not express an opinion on the effectiveness of CFX's internal controls

Compliance

- We performed tests of the CFX's compliance with laws, regulations, contracts, bond covenants, and grant agreements, as applicable.

Communication of Significant Matters



There were no audit adjustments made during the course of the audit

There were no unreported or unadjusted differences

We had no disagreements with management

As far as we know, management did not receive opinions from other accountants

Management Representations



We will request certain representations from management, including:

- Records provided complete
- No known communications from regulatory agencies concerning noncompliance
- Responsible for internal controls
- No undisclosed knowledge of fraud or suspected fraud
- Financial statements complete
- Responsible for compliance
- Complied with contractual obligations

Assigned Individual

CFX identified Lisa Lombard, CFO, as the management-level individual to oversee our work and take responsibility for CFX's financial statements

Audit Schedule



Audit Stage	Dates
Interim fieldwork	June 2020
Year-end fieldwork	Sept. 2020
Review of Financial Statements	Oct. 2020
Presentation to the Audit Committee	Oct. 27, 2020
Presentation to the Board	Nov. 12, 2020
Submission of CAFR to GFOA	Dec. 2020

The background of the slide is a low-angle photograph of several tall palm trees reaching towards a clear blue sky. In the upper right, a portion of a white, multi-story building with blue accents is visible. The image is split diagonally by a white line that runs from the bottom left to the top right.

Financial Highlights

The MSL logo consists of the letters "MSL" in a bold, white, sans-serif font, centered within a black rectangular box. A thin blue horizontal line is positioned directly beneath the letters.

MSL

FLORIDA ROOTS. GLOBAL REACH.

Financial Highlights - Overview

(in thousands)



	Year Ended 6/30/20	Year Ended 6/30/19
Total Assets and Deferred Outflows	\$ 6,668,000	\$ 5,872,000
Total Liabilities and Deferred Inflows	\$ 4,007,000	\$ 3,415,000
Net Position	\$ 2,661,000	\$ 2,457,000
Operating Revenue	\$ 467,000	\$ 476,000
Operating Expenses	\$ 150,000	\$ 136,000
Operating Income	\$ 317,000	\$ 340,000
Change in Net Position	\$ 204,000	\$ 247,000
% Incr (Decr) in Operating Revenue	(1.9%)	5.3%
% Incr (Decr) in Operating Expense	10.4%	(0.01%)

Financial Highlights - Balance Sheets

(in thousands)



	2020	2019
Unrestricted Assets	\$ 430,000	\$ 312,000
Restricted Assets	743,000	372,000
Capital Assets	5,102,000	4,832,000
Deferred Outflows of Resources	<u>393,000</u>	<u>356,000</u>
Total Assets and Deferred Outflows	<u>\$ 6,668,000</u>	<u>\$ 5,872,000</u>
Revenue Bonds Outstanding	3,398,000	2,802,000
Other Liabilities	603,000	607,000
Deferred Inflows of Resources	<u>6,000</u>	<u>6,000</u>
Total Liabilities and Deferred Inflows	4,007,000	3,415,000
Total Net Position	<u>2,661,000</u>	<u>2,457,000</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 6,668,000</u>	<u>\$ 5,872,000</u>

Financial Highlights - Operation Overview *(in thousands)*



	2020	2019
Operating Revenues	\$ 467,000	\$ 476,000
Investment and Other Income	<u>23,000</u>	<u>30,000</u>
Total Revenues	<u>490,000</u>	<u>506,000</u>
Operating Expenses	150,000	136,000
Interest Expense	134,000	122,000
Other Expense	<u>2,000</u>	<u>1,000</u>
Total Expenses	<u>286,000</u>	<u>259,000</u>
Change in Net Position	204,000	247,000
Net Position, Beginning of Year	<u>2,457,000</u>	<u>2,210,000</u>
Net Position, End of Year	<u>\$ 2,661,000</u>	<u>\$ 2,457,000</u>
Debt Service Ratio	2.02	2.33

Questions or Comments



"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA
EXPRESSWAY AUTHORITY**

**Financial Statements and
Supplementary Information**

For Years Ended June 30, 2020 and 2019

"DRAFT FOR DISCUSSION PURPOSES ONLY"
CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 10
BASIC FINANCIAL STATEMENTS	
Balance Sheets	11 - 12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 53
REQUIRED SUPPLEMENTARY INFORMATION	
Trend Data on Infrastructure Condition	54
Schedule of CFX's Proportionate Share of the Net Pension Liability – Florida Retirement System (FRS) and Retiree Health Insurance Subsidy (HIS) Program	55
Schedule of CFX Contributions – Florida Retirement System (FRS) and Retiree Health Insurance Subsidy (HIS) Program	56
OTHER SUPPLEMENTARY INFORMATION	
Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents	57
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58 - 59
Independent Auditor's Report on Compliance with Bond Covenants	60
Independent Accountant's Report	61
Management Letter	62 - 63



INDEPENDENT AUDITOR'S REPORT

To the Members of the
Central Florida Expressway Authority
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Florida Expressway Authority ("CFX") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise CFX's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 in the first paragraph present fairly, in all material respects, the financial position of CFX as of June 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.

To the Members of the
Central Florida Expressway Authority

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CFX's basic financial statements. The calculation of composite debt service ratio, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits, of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Certified Public Accountants

Orlando, Florida

DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Central Florida Expressway Authority (CFX), we offer readers of these financial statements this narrative overview and analysis of the financial activities of CFX for the fiscal years ended June 30, 2020 and 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Operating income for CFX was \$317,094,000 (a decrease of 2%) and \$340,026,000 (an increase of 8%) for fiscal years 2020 and 2019, respectively. The decrease in operating income in fiscal year 2020 is primarily due to a decrease in toll traffic which was part of the fallout from restrictions created by the COVID-19 virus that plagued the global economy as a whole, and an increase to preservation expenses. The increase in operating income in fiscal year 2019 is primarily due to higher toll traffic.

Net income produced an increase in net position of \$203,751,000 and \$247,242,000 for fiscal years 2020 and 2019, respectively. The term "net position" refers to the difference of assets and deferred outflows less liabilities and deferred inflows. At the close of fiscal year 2020, CFX had a net position of \$2,660,650,000, an increase of 8% over fiscal year 2019. At the close of fiscal year 2019, CFX had a net position of \$2,456,899,000, an increase of 11% over fiscal year 2018. CFX's overall financial position has improved, as shown by the increase in net position.

Overview of the Financial Statements

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

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

The balance sheets present information on all of CFX's assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of CFX is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.

The statements of revenues, expenses and changes in net position present information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning CFX's composite debt service ratio, as defined by the bond resolutions, as well as trend data on infrastructure condition and pension schedules.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of CFX, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,660,650,000 at the close of the most recent fiscal year. This represents an increase of \$203,751,000 (8%) over the previous year, which is attributable to operations. Unrestricted net position increased from \$495,086,000 at June 30, 2019 to \$567,069,000 at June 30, 2020, an increase of \$73,983,000 (15%). This increase was also due to operations and funding CFX's capital plan with bond construction funds.

By far, the largest portion of CFX's net position reflects its investment in capital assets (e.g., right-of-way, roads, bridges, buildings, toll equipment, etc.), less any related debt used to acquire those assets that is still outstanding. CFX uses these capital assets to provide service and, consequently, these assets are not available for liquidating liabilities or for other spending.

Of the \$5,101,819,000 in capital assets, net of accumulated depreciation, \$40,058,000 represents the roadway, toll plaza and equipment on the Goldenrod Road Extension. This project, which opened to traffic in March 2003, was jointly funded by CFX, the Greater Orlando Aviation Authority, the City of Orlando, Orange County, Florida, and private developers, with CFX serving as the lead agency on the project. The Goldenrod Road Extension extends from the previous terminus of Goldenrod Road at Narcoossee Road south to Cargo Road. This facility intersects SR 528 (Martin B. Andersen Beachline Expressway), east of the Orlando International Airport, at a system interchange. Each partner contributing to this project will be repaid through toll revenues generated by this road. After all operational expenses are met and the partners are reimbursed for their contributions, the toll plaza will be demolished, and the roadway will be transferred to the City of Orlando. CFX will retain ownership of the interchange to SR 528 and certain portions of the right-of-way.

Since the Goldenrod Road Extension is a non-system projects, it is accounted for on individual lines in the statements of revenues, expenses and changes in net position, in the non-operating revenues (expenses) section. The toll revenues on this non-system project are not pledged to CFX's bond indebtedness.

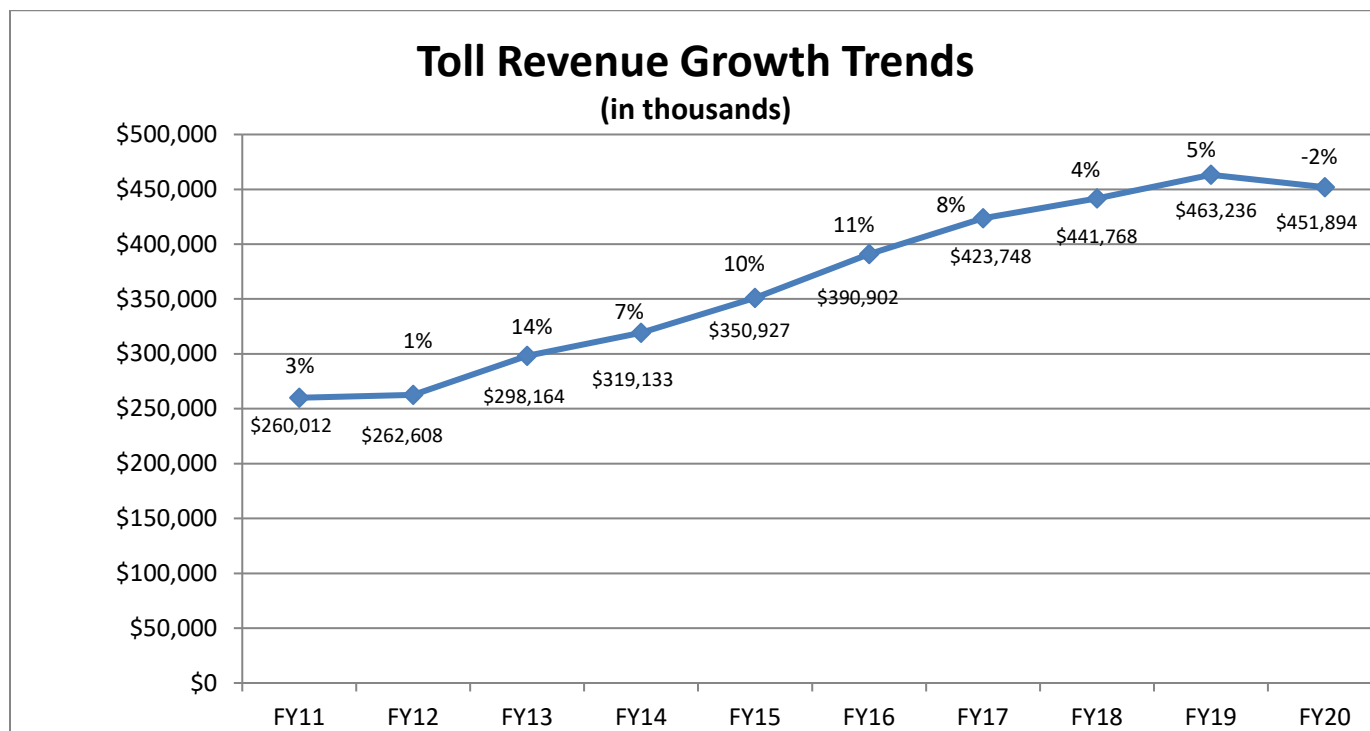
In December of 2019 CFX purchased the Poinciana Parkway from Osceola County. Poinciana Parkway is a 7.2-mile roadway stretching from the Polk-Osceola County line to the Cypress Parkway (CR 580). In December of 2018 CFX had assumed control of the Poinciana Parkway system from Osceola County and held the \$82,559,000 in capital assets as a non-system project. With the purchase of the Poinciana Parkway system, CFX transferred the capital assets to the CFX general fund.

Central Florida Expressway Authority's Net Position

	June 30,		
	2020	2019	2018
	(in thousands)		
Current and other assets	\$ 608,923	\$ 447,334	\$ 361,336
Non-current restricted assets	563,838	236,992	81,362
Capital assets	5,101,819	4,831,730	4,546,615
Total assets	6,274,580	5,516,056	4,989,313
Deferred outflows of resources	392,764	356,066	330,640
Total assets and deferred outflows	6,667,344	5,872,122	5,319,953
Current liabilities:			
Payable from unrestricted assets	56,176	58,415	278,013
Payable from restricted assets	179,062	134,743	107,610
Revenue bonds outstanding (net of current portion)	3,325,414	2,738,514	2,569,820
Other long-term liabilities	440,336	477,510	148,944
Total liabilities	4,000,988	3,409,182	3,104,387
Deferred inflows of resources	5,706	6,041	5,909
Total liabilities and deferred inflows	4,006,694	3,415,223	3,110,296
Net position:			
Net investment in capital assets	2,064,051	1,922,707	1,881,712
Restricted	29,530	39,106	19,704
Unrestricted	567,069	495,086	308,241
Total net position	\$ 2,660,650	\$ 2,456,899	\$ 2,209,657

CFX's toll revenues decreased 2% and increased 5% during the fiscal years ended June 30, 2020 and 2019, respectively.

Toll revenue represents approximately 97% of all operating revenues. CFX's toll revenue annual growth rate has averaged 6% over the last 10 years.



Central Florida Expressway Authority's Changes in Net Position

	2020	2019	2018
	(in thousands)		
Revenues:			
Toll revenues	\$ 451,894	\$ 463,236	\$ 441,768
Transponder sales	820	648	297
Other operating revenue	14,650	12,313	10,370
Investment income	21,237	14,082	2,847
Goldenrod Road Extension - net	1,491	1,518	546
Poinciana Parkway - net	-	1,862	-
Other non-operating revenue	452	374	318
Capital Contribution	-	12,294	-
Total revenues	<u>490,544</u>	<u>506,327</u>	<u>456,146</u>
Expenses:			
Operations	64,937	62,123	53,373
Maintenance	18,022	17,753	17,606
Administrative	8,910	8,447	7,743
Depreciation	15,384	14,194	13,438
Preservation	31,002	21,586	33,837
Other	12,015	12,068	11,166
Interest expense	134,089	121,608	105,865
Loss on capital assets	2,434	1,306	435
Total expenses	<u>286,793</u>	<u>259,085</u>	<u>243,463</u>
Change in net position	203,751	247,242	212,683
Net position, beginning of year	<u>2,456,899</u>	<u>2,209,657</u>	<u>1,996,974</u>
Net position, end of year	<u>\$ 2,660,650</u>	<u>\$ 2,456,899</u>	<u>\$ 2,209,657</u>

CFX's Operations, Maintenance and Administration ("OM&A") expenses for fiscal year 2020 increased 4.0% from fiscal year 2019 and ended the year 6.6% under budget. CFX came in under budget due primarily to the following reasons: 1) There were several roadway maintenance programs that came in under budget; 2) multiple departments had positions that were budgeted for but not filled for part of the year; 3) due to a variety of reasons such as lower bank fees and less staff required, the operation of the plazas came in under budget.

Transponder sales increased by 27% between fiscal years 2019 and 2020 due to a significant focus on branding and marketing E-PASS.

Investment income increased by 51% between fiscal years 2019 and 2020 due to an increase in available cash, a rise in corresponding investments and more favorable interest rates for the first half of the fiscal year.

Other operating revenue consists of various fees that are collected, such as statement fees, Pay by Plate fees and fees received for collecting revenue on behalf of other entities. Other operating revenue increased by 19% between fiscal years 2018 and 2019 and by another 19% between fiscal years 2019 and 2020. In fiscal year 2016, CFX replaced its unpaid toll notice program, with a Pay by Plate initiative, assessing a new fee schedule on every transaction not paid in the lane. This new fee schedule is beneficial to the customer and has resulted in a reduction of fees per transaction. CFX saw significant growth in customers choosing to post pay transactions, which is why there has been high growth the last 2 fiscal years.

Capital Contributions decreased from \$12,294,000 in fiscal year 2019 to \$0 in fiscal year 2020. The net position of the Poinciana Parkway was recognized as contributed capital when CFX took over the operations and maintenance of the road during fiscal year 2019.

Preservation expense includes such items as resurfacing and restriping. The budgeted amounts are based on projected requirements to keep the roadway in good condition and, therefore, the expenses related to preservation can vary significantly from year to year. Preservation expense decreased 36% in fiscal year 2019 and then increased 44% in fiscal year 2020. Fiscal year 2019 saw preservation expense dip from its all-time high the prior year, however fiscal year 2020 saw that expense climb back up, which coincides with the system's growth and continued maturity.

Other expenses are expenses that were not part of CFX's OM&A budget, but also were not capitalized. These expenses are expected to fluctuate from year to year depending upon the amount spent on non-capitalized projects. Other expenses increased 8% between fiscal years 2018 and 2019 and then decrease by less than 1% between fiscal year 2019 and 2020. This level of increased expense over historical years is due to program support and a rise in new pilot programs and feasibility studies that are not eligible to be capitalized.

There were losses in capital assets in fiscal year 2019 and 2020 as anticipated. There have been various bridges, signs and toll plaza lanes removed and/or demolished to make way for road widening, extension and interchange projects over the past few fiscal years. Also contributing to the loss in capital assets were losses on the disposal of retired fixed assets. The largest contributing factor to the fiscal year 2020 loss is writing off signs that needed to be replaced.

Capital Asset and Debt Administration

Capital Assets - CFX's investment in capital assets amounted to \$5,101,819,000 net of accumulated depreciation as of June 30, 2020, an increase of \$270,89,000 (6%) over that of June 30, 2019. CFX's investment in capital assets amounted to \$4,831,730,000 net of accumulated depreciation as of June 30, 2019, an increase of \$285,116,000 (6%) over that of June 30, 2018. Capital assets include right-of-way, roads, bridges, buildings, equipment and furniture. A schedule of the change in CFX's capital assets is in Note 4 of the financial statements.

Major capital asset events during fiscal year 2020 included the following:

- Widening of SR 408 from SR 417 to Alafaya Trail was completed.
- Phase 3 of the SR 408/SR 417 interchange was completed.
- Improvements to the SR 528/SR 436 interchange began.

Modified Approach for Infrastructure Assets - CFX has elected to use the modified approach for infrastructure reporting. This means that, in lieu of reporting depreciation on infrastructure, CFX reports as preservation expense the costs associated with maintaining the existing roadway in good condition. CFX's policy is to maintain the roadway condition at a Maintenance Rating Program rating of 80 or better. The Florida Department of Transportation ("FDOT") annually inspects CFX's roadways and has determined in fiscal year 2020 that all its roadways exceed this standard. Pursuant to its bond covenants, CFX maintains a renewal and replacement fund for these preservation expenditures. For fiscal year 2019, projected expenses for preservation were \$44,000,000 with \$21,586,000 being spent. For fiscal year 2020, projected expenses for preservation were \$51,040,000 with \$31,002,000 being spent. The expenses were lower than projected in fiscal year 2020 due to slower than anticipated start dates on several projects.

Long-term Debt - CFX has outstanding bonds payable of \$3,398,115,000 (net of unamortized bond premiums and discounts) as of June 30, 2020.

During fiscal year 2020, CFX issued \$129,550,000 of fixed rate revenue bonds (Series 2019A) for the purpose of purchasing the Poinciana Parkway. Also, CFX issued \$441,390,000 of fixed rate revenue bonds (Series 2019B) for the purpose of financing projects approved in the Five-Year Work Plan.

The annual requirements to amortize all revenue bonds and revenue refunding bonds outstanding as of June 30, 2020, along with more detailed information on long-term debt activity, can be found in Note 5, Long-Term Debt, which begins on page 32 of the financial statements. Of the approximately \$3.4 billion in outstanding bonds, \$494,725,000 are variable rate bonds, which have corresponding interest rate exchange agreements designed to effectively swap the variable rates to fixed rates. The synthetic interest rate applicable to the variable rate bonds are 4.7753% for the 2008B Bonds.

To determine the fair market value of its interest rate exchange agreements, CFX's swap advisor has performed a calculation based upon expected forward LIBOR swap rates and discounted cash flows. On a current market-to-market basis, in the event of a termination, using a termination date of June 30, 2020, CFX would have to make an estimated termination payment of approximately \$230,129,177 on the swaps related to the Series 2008B Bonds.

	June 30, 2020	June 30, 2019
Series 2008B	<u>\$ 230,129,177</u>	<u>\$ 177,483,541</u>

CFX's debt service ratio changed to 2.02 for fiscal year 2020 from 2.33 for fiscal year 2019 and 2.32 in fiscal year 2018. The increase in fiscal year 2019 is due to growth in toll revenue, the decrease in fiscal year 2020 is due to a reduction in toll revenue and an increase in debt service payments.

CFX has a Lease-Purchase Agreement (LPA) with the FDOT whereby the FDOT is required to reimburse CFX for the maintenance and operation costs associated with certain portions of the roadways and toll plazas on CFX's System. During fiscal years 2012 and 2013, FDOT did not reimburse CFX for the operations portion of their obligation because the Governor of Florida exercised his line-item veto authority to remove that line from the state's budget. During fiscal year 2013, CFX and FDOT amended the LPA under which the FDOT agreed to uphold its obligation for operations and maintenance costs provided CFX agrees to repay those funds to the FDOT within 60 days. CFX plans to repay those funds in accordance with its Master Bond Resolution, which permits such payments provided CFX is able to fund its OM&A budget, debt

service requirements, required reserve deposits, and renewal and replacement fund requirements. The FDOT reimbursement is taken into consideration when calculating CFX's debt service ratio.

CFX's bond ratings as of June 30, 2020 are as follows:

	<u>Ratings</u>
Standard & Poor's	A+
Moody's	A1
Fitch	A+

Requests for Information

This financial report is designed to provide a general overview of CFX's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Central Florida Expressway Authority, 4974 ORL Tower Road, Orlando, FL 32807.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

BASIC FINANCIAL STATEMENTS

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Balance Sheets

	June 30,	
	2020	2019
	(in thousands)	
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 148,759	\$ 136,811
Investments	248,708	139,919
Accrued interest and accounts receivable	17,263	15,248
Prepaid expenses	3,699	3,551
Due from governmental agencies	7,173	12,937
Inventory	1,655	1,262
Total current unrestricted assets	427,257	309,728
Restricted assets:		
Current restricted assets:		
Cash and cash equivalents	179,062	134,743
Total current assets	606,319	444,471
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	243,411	38,371
Investments	320,362	197,887
Accrued interest receivable and prepaid expenses	65	734
Total noncurrent restricted assets	563,838	236,992
Prepaid bond insurance	2,604	2,863
Total noncurrent assets before capital assets	566,442	239,855
Capital assets not being depreciated:		
Infrastructure	4,465,708	4,285,190
Construction in progress	505,997	412,981
Capital assets - net of accumulated depreciation:		
Property and equipment	130,114	133,559
Total capital assets - net of accumulated depreciation	5,101,819	4,831,730
Total noncurrent assets	5,668,261	5,071,585
Total assets	6,274,580	5,516,056
Deferred outflow of resources	392,764	356,066
Total assets and deferred outflows of resources	\$ 6,667,344	\$ 5,872,122

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Balance Sheets (continued)

Liabilities, Deferred Inflows of Resources, and Net Position	June 30,	
	2020	2019
	(in thousands)	
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 18,838	\$ 18,264
Unearned toll revenue	18,136	17,547
Unearned other revenue	15,085	15,428
Current portion of lease payable	-	705
Current portion of due to governmental agencies	4,117	6,471
Total current liabilities payable from unrestricted assets	56,176	58,415
Current liabilities payable from restricted assets:		
Accounts payable and accrued liabilities	43,475	22,491
Interest payable	62,887	49,227
Current portion of revenue bonds payable	72,700	63,025
Total current liabilities payable from restricted assets	179,062	134,743
Total current liabilities	235,238	193,158
Noncurrent liabilities:		
Derivative financial instrument	230,129	177,484
Revenue bonds payable - less current portion	3,325,414	2,738,514
Loan/lease payable - less current portion	-	91,259
Due to governmental agencies - less current portion	200,210	200,455
Net pension liability	9,997	8,312
Total noncurrent liabilities	3,765,750	3,216,024
Total liabilities	4,000,988	3,409,182
Deferred inflow of resources	5,706	6,041
Total liabilities and deferred inflows of resources	4,006,694	3,415,223
Net position:		
Net investment in capital assets	2,064,051	1,922,707
Restricted for:		
Operation, maintenance and administrative reserve	12,552	11,795
Renewal and replacement reserve	16,978	27,311
Total restricted net position	29,530	39,106
Unrestricted	567,069	495,086
Total net position	2,660,650	2,456,899
Total liabilities, deferred inflows of resources, and net position	\$ 6,667,344	\$ 5,872,122

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position

	June 30,	
	2020	2019
	(in thousands)	
Operating revenues:		
Toll revenues	\$ 451,894	\$ 463,236
Transponder sales	820	648
Fees and other	14,650	12,313
Total operating revenues	467,364	476,197
Operating expenses:		
Operations	64,937	62,123
Maintenance	18,022	17,753
Administrative	8,910	8,447
Depreciation	15,384	14,194
Preservation	31,002	21,586
Other expenses	12,015	12,068
Total operating expenses	150,270	136,171
Operating income	317,094	340,026
Nonoperating revenues (expenses):		
Investment income	21,237	14,082
Loss on capital assets	(2,434)	(1,306)
Other nonoperating	452	374
Goldenrod Road Extension - net	1,491	1,518
Poinciana Parkway - net	-	1,862
Interest expense	(134,089)	(121,608)
Total nonoperating revenues (expenses)	(113,343)	(105,078)
Income before contributions	203,751	234,948
Capital contribution	-	12,294
Change in net position	203,751	247,242
Net position at beginning of year	2,456,899	2,209,657
Net position at end of year	\$ 2,660,650	\$ 2,456,899

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Statements of Cash Flows

	June 30,	
	2020	2019
	(in thousands)	
Operating activities:		
Receipts from customers and users	\$ 467,529	\$ 478,534
Payments to suppliers	(123,582)	(134,613)
Payments to employees	(6,226)	(5,935)
Net cash provided by operating activities	337,721	337,986
Capital and related financing activities:		
Acquisition and construction of capital assets	(267,248)	(198,410)
Proceeds from capital contributions	-	21,699
Proceeds from issuance of refunding revenue bonds	676,071	221,045
Proceeds from issuance of TIFIA loan	-	193,695
Interest paid on revenue bonds	(104,434)	(91,461)
Payment to refunded bond escrow agent	(108,504)	-
Payment of principal on revenue bonds	(63,025)	(252,615)
Payment of principal on government advances	(250)	(261)
Net cash used in capital and related financing activities	132,610	(106,308)
Investing activities:		
Purchase of investments	(557,592)	(448,604)
Proceeds from sales and maturities of investments	326,328	408,967
Interest received	22,240	14,068
Net cash provided by investing activities	(209,024)	(25,569)
Net increase (decrease) in cash and cash equivalents	261,307	206,109
Cash and cash equivalents at beginning of year	309,925	103,816
Cash and cash equivalents at end of year	\$ 571,232	\$ 309,925
Cash and cash equivalents - unrestricted	\$ 148,759	\$ 136,811
Restricted cash and cash equivalents - current	179,062	134,743
Restricted cash and cash equivalents - noncurrent	243,411	38,371
	\$ 571,232	\$ 309,925

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Statements of Cash Flows (continued)

	June 30,	
	2020	2019
	(in thousands)	
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	\$ 317,094	\$ 340,026
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,384	14,194
Goldenrod Road Extension and other miscellaneous	2,268	3,838
Changes in assets and liabilities:		
Accounts receivable	(2,349)	(6,357)
Due from governmental agencies	5,764	9,925
Prepaid expenses	(148)	(542)
Inventory	(393)	847
Deferred outflows - pension-related	49	79
Accounts payable and accrued liabilities	574	(29,020)
Due to governmental agencies	(2,349)	(555)
Unearned toll revenue	589	5,088
Unearned other revenue	(343)	(233)
Net pension liability	1,685	333
Deferred inflows - pension-related	(104)	363
Net cash provided by operating activities	\$ 337,721	\$ 337,986
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	\$ 5,955	\$ 5,369
Increase (decrease) in fair value of derivative financial instrument	(52,645)	(41,652)
Contribution of Osceola County Expressway capital assets	-	82,559
Assignment of Osceola County Expressway long-term liabilities	-	(91,964)

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies

Reporting Entity - The Central Florida Expressway Authority (CFX) is an agency of the state, created by the Florida Legislature. On June 20, 2014, the Governor of Florida signed the bill to create CFX, which assumed the governance and control of the former Orlando-Orange County Expressway Authority, including its assets, personnel, contracts, obligations, liabilities, facilities and tangible and intangible property. CFX is an independent, locally controlled transportation authority responsible for the construction, maintenance and operation of toll roads in Seminole, Lake, Osceola and Orange Counties, and may also acquire, construct and equip rapid transit, trams and fixed guideways within the rights-of-way of the expressway system. The governing board of CFX is made up of ten members, consisting of: (a) one member each appointed by the respective chairs of the county commissions of Brevard, Lake, Osceola and Seminole Counties; (b) one member of the Orange County Commission appointed by the mayor of Orange County; (c) three citizens appointed by the Governor; (d) the Mayor of Orange County; and (e) the Mayor of the City of Orlando. The Florida Turnpike Enterprise Executive Director serves as a non-voting advisor. CFX is authorized to issue revenue bonds to finance portions of the System and to execute the refunding of existing revenue bonds.

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

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

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

Operating Revenues and Expenses - CFX's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its System. The Goldenrod Road Extension, which is a project outside the normal course of operations, and all other revenues and expenses are reported as nonoperating revenues and expenses.

Lease-Purchase Agreement - Under the requirements of the Lease-Purchase Agreement between CFX and the FDOT, dated December 23, 1985, as amended and supplemented, CFX is reimbursed by the FDOT for the maintenance costs of SR 528, portions of SR 408, improvements to the Airport Interchange at SR 528 and State Road 436 (Semoran Boulevard), and the cost of operations of the Conway and Pine Hills Plazas. However, the reimbursements received are recorded as advances from the FDOT and are included in due to governmental agencies, since they are to be repaid to the FDOT from future toll revenues after the requirements for retirement of bonds and all other obligations have been met.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies (*Continued*)

While CFX's position has been that the FDOT's obligations under the Lease-Purchase Agreement were not subject to appropriation, the Governor vetoed the operations component of the reimbursement for fiscal year 2013. CFX entered into a Memorandum of Agreement with FDOT on February 14, 2013 where it was agreed that commencing in fiscal year 2014 the operations and maintenance payments made by the FDOT will be refunded to the FDOT within sixty days of payment.

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

Investments - Investments consist of unrestricted and restricted investments, and are carried at fair value, as determined in an active market.

Accounts Receivable - The accrued interest and accounts receivable primarily consists of amounts billed to individuals via one or more Pay by Plate invoices for tolls not paid at the point of System use. This item also includes interest earned but not paid by the end of the fiscal year, or amounts due from individuals or other entities for prepaid items or for services provided. This amount is recorded at the net realizable value; therefore, a provision for doubtful accounts has been made for the estimated amount of uncollectible Pay by Plate invoices based on historical information.

Inventory - Inventory, which consists of E-PASS system transponders that will be distributed to customers, is carried at the lower-of-cost or market and is valued using the specific-identification method.

Restricted Assets - Restricted assets of CFX represent bond proceeds designated for construction, and other monies required to be restricted for debt service, operations, maintenance, administration, renewal and replacement.

Deferred Outflows / Inflows of Resources - In addition to assets, CFX reports a separate section for deferred outflows of resources on its balance sheets. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. CFX has three items that qualify for reporting as deferred outflows of resources.

Accumulated Decrease in Fair Value of Hedging Derivatives - As described in Note 5, CFX has entered into interest rate swap agreements that qualify as effective cash flow hedges in connection with variable rate bonds. The fair value of the swaps is presented on the balance sheets as a deferred outflow of resources and a derivative financial instrument liability in the amount of \$230,129,000 and \$177,484,000 at June 30, 2020 and 2019, respectively, with changes in valuation applied to these balance sheet accounts. Should the swaps be terminated prior to their expected conclusion, or if the hedges cease to significantly reduce risk, accumulated gains or losses will be reported on the operating statement.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies (*Continued*)

Deferred Outflows / Inflows of Resources (Continued)

Deferred Outflow on Refunding of Revenue Bonds - The difference between the re-acquisition price and the net carrying amount of refunded bonds is presented on the balance sheets at June 30, 2020 and 2019 as a deferred outflow of resources in the amount of \$158,106,000 and \$174,005,000, respectively, and is amortized as an adjustment to interest expense on a straight-line basis over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

Deferred Outflows Related to Pensions - These deferred outflows of resources are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions totaled \$4,528,000 and \$4,577,000 at June 30, 2020 and 2019, respectively, and will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of the deferred outflows of resources related to pensions are further discussed in Note 8.

In addition to liabilities, CFX reports a separate section for deferred inflows of resources on its balance sheets. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until then. CFX has two items that qualify for reporting as deferred inflows of resources.

Deferred Inflow on Interest Rate Exchange - During the fiscal year ended June 30, 2007, CFX entered into six mandatory, cash-settled interest rate exchange agreements, the purpose of which was to lock in the interest rate associated with the Series 2007A Bonds. The result of these agreements was an \$8,078,000 net payment to CFX on June 28, 2007, which is presented on the balance sheets at June 30, 2020 and 2019 as a deferred inflow of resources in the amount of \$5,077,878 and \$5,308,000, respectively, and is amortized as an adjustment to interest expense over the life of the bonds.

Deferred Inflows Related to Pensions - These deferred inflows of resources are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions at June 30, 2020 and 2019 totaled \$628,000 and \$733,000, respectively, and will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred outflows of resources related to pensions are further discussed in Note 8.

Capital Assets

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

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies (*Continued*)

Capital Assets (Continued)

Capitalization Policy - Costs to acquire additional capital assets, and to replace existing assets or otherwise prolong their useful lives, are capitalized for toll equipment, buildings, toll facilities, other related costs, and furniture and equipment. Under CFX'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 and to construct, improve and place in operation the various projects and related facilities. It is CFX's policy to capitalize amounts equal to or in excess of \$5,000.

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

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

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 maintenance, renewal and replacement for these assets are not capitalized, but instead are considered to be period costs and are included in preservation expense.

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

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

Retainage Payable - Retainage payable represents amounts billed to CFX by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by CFX.

Compensated Absences - Accumulated vacation pay, vested sick pay, and other compensation payable to employees is recorded and included in accounts payable and accrued liabilities. The balance of compensated absences had a net increase of \$105,000 from June 30, 2019 to June 30, 2020.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies (*Continued*)

Bond Premium, Discount, and Prepaid Bond Insurance Costs - Bond premium, discount, and prepaid bond insurance costs associated with the issuance of bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method. Bond premiums and discounts are presented as an addition and a reduction, respectively, of the face amount of revenue bonds payable whereas prepaid bond insurance costs are recorded as assets.

Restricted Net Position - Restricted net position is comprised of amounts reserved for operations, maintenance, administrative expenses and renewals and replacements in accordance with bond covenants.

Pensions - In the balance sheets, net pension liability represents CFX's proportionate share of the net pension liability of the cost-sharing pension plans in which it participates. This proportionate amount represents a share of the present value of projected benefit payments to be provided through the cost-sharing pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the cost-sharing pension plan's fiduciary net position.

CFX participates in both the Florida Retirement System (FRS) defined benefit pension plan and the Retiree Health Insurance Subsidy Program (HIS) defined benefit pension plan administered by the Florida Division of Retirement (collectively, FRS/HIS).

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

Budgets and Budgetary Accounting - CFX abides by the following procedures in establishing budgetary data:

On or before February 1 of each year, CFX completes a review of its financial condition for the purpose of estimating whether the gross revenues, together with series payments, system payments and supplemental payments, if any, for the ensuing fiscal year will be sufficient to provide at least 120% of the annual debt service requirements of the bonds and that gross revenues will be sufficient to pay all other amounts required by the Master Bond Resolution, as amended and restated.

In the event that CFX determines that revenues will not be sufficient to satisfy the above payments, CFX will conduct a study to determine the toll revenue rate increase required to restore the revenue deficiency.

All schedules of toll revenues and revisions thereof are filed with the FDOT.

On or before April 1 of each year, a preliminary budget is prepared for maintenance, operations and administrative expenses for the ensuing fiscal year. The preliminary budget is reviewed by the FDOT and modified, if necessary.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 1 - Organization and Summary of Significant Accounting Policies (*Continued*)

Budgets and Budgetary Accounting (Continued)

On or before July 1 of each year, a final budget of maintenance, operations and administrative expenses is adopted subject to approval by the FDOT.

CFX may adopt an amended or supplemental annual budget for the remainder of a fiscal year subject to approval by the FDOT.

Note 2 - Deposits and Investments

Cash and Cash Equivalents, and Investment Portfolio

Pursuant to Section 218.415, Florida Statutes, CFX has formally adopted a comprehensive investment policy most recently reviewed on April 2, 2018, which establishes permitted investments, asset allocation limits and issuer limits, credit rating requirements and maturity limits to protect CFX's cash and investment assets. CFX maintains a common cash and investment pool for the use of all funds. In addition, cash and investments are separately held by CFX's bond proceeds/construction, debt service, capitalized interest, and debt service reserve funds.

The following chart outlines the types of permitted investments, credit quality risk rating requirements by security type, the maximum concentration of credit risk by percentage of the total portfolio that may be invested in a single issuer and in total by security type and maturity limits prescribed to mitigate interest rate risk exposure:

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Permitted Investments

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity	Master Bond Resolution Permitted Investments
U.S. Treasury	100%	100%	N/A	5.50 Years (5.50 Years avg. life ⁴ for GNMA)	X
GNMA		40%			X
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%			X
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB*	75%	40% ³	N/A	5.50 Years	X
Federal Agency/GSE other than those above		10%			X
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AAA/Aaa, or equivalent)	5.50 Years	
Corporates	50% ²	5%	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.50 Years	
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.50 Years	X
Agency Mortgage-Backed Securities (MBS)	25%	40% ³	N/A	5.50 Years Avg. Life ⁴	
Asset-Backed Securities (ABS)	25%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.50 Years Avg. Life ⁴	
Depository Accounts with Qualified Public Depositories	75%	50%	N/A	N/A	X
Non-Negotiable Collateralized Bank Deposits or Savings Accounts	50%	None, if fully collateralized	None, if fully collateralized.	2 Years	X
Commercial Paper (CP)	50% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days	X
Bankers' Acceptances (BAs)	10% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days	X
Repurchase Agreements (Repo or RP)	40%	20%	Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) If the counterparty is a Federal Reserve Bank, no rating is required	1 Year	X
Money Market Funds (MMFs)	50%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A	X
Fixed-Income Mutual Funds	25%	10%	N/A	3 Years	
Intergovernmental Pools (LGIPs)	50%	25%	Highest Fund Quality and Volatility Rating Categories by all NRSROs who rate the LGIP, (AAAm/AAAf, S1, or equivalent)	N/A	
Florida Local Government Surplus Funds Trust Funds ("Florida Prime")	25%	N/A	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A	X

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity	Master Bond Resolution Permitted Investments
--------	--------------------------	------------------------------	--	---------------------	--

Notes:

¹ Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

² Maximum allocation to all corporate and bank credit instruments is 50% combined.

³ Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

⁴ The maturity limit for MBS and ABS is based on the expected average life at time of settlement, measured using Bloomberg or other industry standard methods.

* Federal National Mortgage Association (FNMA); Federal Home Loan Mortgage Corporation (FHLMC); Federal Home Loan Bank or its District banks (FHLB); Federal Farm Credit Bank (FFCB).

Additionally, investments in any derivative products or the use of reverse repurchase agreements are specifically prohibited, unless permitted in Section XV of CFX's Investment Policy.

Deposits

On June 30, 2020, the carrying amount of CFX's various deposits accounts was \$571,232,298. CFX's cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act, as required by Chapter 280, Florida Statutes.

Investments

Concentration of Credit Risk – As of June 30, 2020, and 2019, CFX did not invest in any one issuer that represented 5% or more of CFX's total investment portfolio.

Interest Rate Risk - CFX's Investment Policy states that portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. To the extent possible, an attempt will be made to match investment maturities with known cash needs. Investments of current operating funds shall have maturities of no longer than 24 months. Investments of debt obligation reserves, construction funds and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants. The purchase of investments for core funds with maturities longer than five and a half (5.5) years requires CFX's approval prior to purchase. However, final maximum maturity for any investment is limited to ten (10) years.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 2 - Deposits and Investments (Continued)

CFX uses the distribution of maturities to manage interest rate risk. As of June 30, 2020, 23% of CFX's investments had a maturity of less than 6 months, 36% had a maturity of 6 to 12 months, 19% had a maturity of 1 to 2 years, 17% had a maturity of 2 to 3 years, 2% had a maturity of 3 to 4 years, and 3% had a maturity of over 4 years. As of June 30, 2019, 44% of CFX's investments had a maturity of less than 6 months, 4% had a maturity of 6 to 12 months, 20% had a maturity of 1 to 2 years, 24% had a maturity of 2 to 3 years, 4% had a maturity of 3 to 4 years, and 4% had a maturity of over 4 years.

Total distributions of maturities are as follows:

	As of June 30, 2020					
	(in thousands)					
	<u>Less than 6 months</u>	<u>6 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 3 years</u>	<u>3+ years</u>	<u>Total</u>
US Treasury Securities	\$ 17,008	\$ 170,446	\$ 80,621	\$ 49,585	\$ -	\$ 317,660
Federal Instruments	-	6,354	6,709	18,787	13,754	45,604
Corporate Note	7,426	24,875	18,893	20,080	2,279	73,553
Commercial Paper	103,123	2,993	-	-	-	106,116
Municipal Bond Note	-	-	-	1,766	57	1,823
Corp. Asset Backed Sec.	-	282	3,015	6,189	14,829	24,315
Total	<u>\$ 127,557</u>	<u>\$ 204,950</u>	<u>\$ 109,238</u>	<u>\$ 96,407</u>	<u>\$ 30,919</u>	<u>\$ 569,071</u>

	As of June 30, 2019					
	(in thousands)					
	<u>Less than 6 months</u>	<u>6 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 3 years</u>	<u>3+ years</u>	<u>Total</u>
US Treasury Securities	\$ 148,391	\$ 4,236	\$ 34,249	\$ 71,238	\$ -	\$ 258,114
Federal Instruments	-	-	-	7,073	9,367	16,440
Corporate Note	2,196	12,601	45,557	15,333	3,345	79,032
Commercial Paper	28,249	-	-	-	-	28,249
Municipal Bond Note	3,260	-	-	-	-	3,260
Corp. Asset Backed Sec.	-	35	3,092	6,553	19,346	29,026
Total	<u>\$ 182,096</u>	<u>\$ 16,872</u>	<u>\$ 82,898</u>	<u>\$ 100,197</u>	<u>\$ 32,058</u>	<u>\$ 414,121</u>

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 2 - Deposits and Investments (Continued)

Credit Risk and Fair Value Measurement - Total CFX deposits and investments are as follows:

		Fair Value Measurements Using (in thousands)	
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices in Active Markets for Similar Assets or Liabilities (Level 2)
	June 30, 2020		
United States Treasury Securities	\$ 317,660	\$ 317,660	
Commercial Paper	106,116	106,116	
Federal Instrumentalities	45,604	45,604	
Money Market Mutual Funds	152,540	152,540	
Municipal Bond Note	1,823	1,823	
Corporate Note	73,551	73,551	
Corporate Asset Backed Securities	24,316	-	\$ 24,316
Total investments by fair value measure	721,610	\$ 697,294	\$ 24,316
Total deposits	418,692		
Total deposits and investments	1,140,302		
Restricted	742,835		
Unrestricted	\$ 397,467		

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 2 - Deposits and Investments (Continued)

	June 30, 2019	Fair Value Measurements Using (in thousands)	
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Quoted Prices in Active Markets for Similar Assets or Liabilities (Level 2)
United States Treasury Securities	\$ 258,114	\$ 258,114	
Commercial Paper	28,249	28,249	
Federal Instrumentalities	16,440	16,440	
Money Market Mutual Funds	32,411	32,411	
Municipal Bond Note	3,260	3,260	
Corporate Note	79,032	79,032	
Corporate Asset Backed Securities	29,026	-	\$ 29,026
Total investments by fair value measure	446,532	\$ 417,506	\$ 29,026
Total deposits	201,199		
Total deposits and investments	647,731		
Restricted	371,001		
Unrestricted	\$ 276,730		

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets or liabilities. Securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets or liabilities.

Federal Instrumentalities, and U.S. Government Supported Corporate Debt Notes/Bonds are rated "AA+" by Standard & Poor's. The investments in Municipal Obligations are rated "AA" by Standard & Poor's. The Corporate Notes Standard & Poor's credit ratings are "AAA", "AA+", "AA", "AA-", "A+", and "A". The Commercial Paper is rated "A-1+" and "A-1" by Standard & Poor's. The Florida PRIME and Money Market Mutual Funds are rated "AAAm" by Standard & Poor's.

Custodial Credit Risk - All CFX depositories are members of the State of Florida collateral pool. The State of Florida collateral pool is a multiple, financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member institution fails. This ability provides protection, which is similar to depository insurance.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 2 - Deposits and Investments (Continued)

CFX's Investment Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and requires that securities be designated as an asset of CFX.

As of June 30, 2020 and 2019, all of CFX's securities were held in a bank's trust/custodial department in CFX's name.

Restricted Cash and Investments - Cash, cash equivalents and investments restricted in accordance with bond provisions and other agreements are as follows:

	June 30,	
	2020	2019
	(in thousands)	
Reserve funds:		
Operations, maintenance and administrative reserve	\$ 12,552	\$ 11,796
Poinciana Parkway	-	24,230
Renewal and replacement reserve	16,978	27,311
Total reserve funds	<u>29,530</u>	<u>63,337</u>
Bond funds:		
Principal and interest accounts	137,740	166,607
Reserve accounts	127,990	75,740
Total bond funds	<u>265,730</u>	<u>242,347</u>
Construction funds:		
2018 construction funds	-	65,317
2019 construction funds	447,576	-
Total construction funds	<u>447,576</u>	<u>65,317</u>
Total restricted cash, cash equivalents and investments	742,836	371,001
Portion related to cash and cash equivalents	422,474	147,007
Portion related to investments	<u>\$ 320,362</u>	<u>\$ 223,994</u>

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 3 - Due From Governmental Agencies

Due from governmental agencies consists of the following:

	June 30,	
	2020	2019
	<i>(in thousands)</i>	
E-ZPass - E-ZPass Customers' use of E-Pass Roads	\$ 571	\$ 569
Florida Department of Transportation - Operations and Maintenance Reimbursement	1,114	1,049
Florida Department of Transportation - SunPass Customers' use of E-PASS Roads	4,374	10,614
Florida's Turnpike Enterprise - Road Ranger Joint Contract	-	-
Florida's Turnpike Enterprise - SR 417 Widening Reimbursement	178	509
Lee County - LeeWay Customers' use of E-PASS	3	7
Orange County - Fines/Fees	242	176
Orange County - Parcel 800	-	13
Orlando Utilities Commission - SR 528/436 Widening JPA	292	-
Osceola County - CR 532 Widening JPA	10	-
Orange County JPA	369	-
	<u>\$ 7,153</u>	<u>\$ 12,937</u>
Less current portion	<u>(7,153)</u>	<u>(12,937)</u>
	<u>\$ -</u>	<u>\$ -</u>

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 4 - Capital Assets

Capital assets are summarized as follows (in thousands):

	June 30, 2019	Additions	Reductions	Transfers	June 30, 2020
Infrastructure (non-depreciable):					
Right-of-way	\$ 913,613	\$ 91	\$ (333)	\$ 10,127	\$ 923,498
Highways and bridges	3,371,577	4,108	(2,160)	168,685	3,542,210
Total infrastructure (non-depreciable)	<u>4,285,190</u>	<u>4,199</u>	<u>(2,493)</u>	<u>178,812</u>	<u>4,465,708</u>
Construction in progress (non-depreciable):					
Right-of-way	8,065	71,000	-	(10,127)	68,938
Highways and bridges	348,888	183,454	-	(168,685)	363,657
Buildings and toll facilities	1,305	189	-	(311)	1,183
Toll equipment	46,015	4,082	-	(827)	49,270
Furniture, equipment and other	8,708	24,432	-	(10,191)	22,949
Total construction in progress (non-depreciable)	<u>412,981</u>	<u>283,157</u>	<u>-</u>	<u>(190,141)</u>	<u>505,997</u>
Property and equipment (depreciable):					
Toll equipment	102,204	-	(1,045)	827	101,986
Buildings and toll facilities	163,649	65	-	311	164,025
Furniture, equipment and other	76,005	811	(1,240)	10,191	85,767
Total property and equipment (depreciable)	<u>341,858</u>	<u>876</u>	<u>(2,285)</u>	<u>11,329</u>	<u>351,778</u>
Less accumulated depreciation for:					
Toll equipment	(93,709)	(3,425)	1,032	-	(96,102)
Buildings and toll facilities	(71,878)	(5,166)	-	-	(77,044)
Furniture, equipment and other	(42,712)	(6,776)	970	-	(48,518)
Total accumulated depreciation	<u>(208,299)</u>	<u>(15,367)</u>	<u>2,002</u>	<u>-</u>	<u>(221,664)</u>
Total property and equipment being depreciated, net	<u>133,559</u>	<u>(14,491)</u>	<u>(283)</u>	<u>11,329</u>	<u>130,114</u>
Total capital assets	<u>\$ 4,831,730</u>	<u>\$ 272,865</u>	<u>\$ (2,776)</u>	<u>\$ -</u>	<u>\$ 5,101,819</u>

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 4 - Capital Assets (Continued)

	June 30, 2018	Additions	Reductions	Transfers	June 30, 2019
Infrastructure (non-depreciable):					
Right-of-way	\$ 905,374	\$ 688	\$ (97)	\$ 7,648	\$ 913,613
Highways and bridges	3,268,030	86,819	(247)	16,975	3,371,577
Total infrastructure (non-depreciable)	<u>4,173,404</u>	<u>87,507</u>	<u>(344)</u>	<u>24,623</u>	<u>4,285,190</u>
Construction in progress (non-depreciable):					
Right-of-way	9,249	6,464	-	(7,648)	8,065
Highways and bridges	177,637	188,226	-	(16,975)	348,888
Buildings and toll facilities	1,196	1,547	-	(1,438)	1,305
Toll equipment	36,745	9,270	-	-	46,015
Furniture, equipment and other	6,749	9,420	(935)	(6,526)	8,708
Total construction in progress (non-depreciable)	<u>231,576</u>	<u>214,927</u>	<u>(935)</u>	<u>(32,587)</u>	<u>412,981</u>
Property and equipment (depreciable):					
Toll equipment	102,624	-	(420)	-	102,204
Buildings and toll facilities	162,198	13	-	1,438	163,649
Furniture, equipment and other	67,494	2,604	(619)	6,526	76,005
Total property and equipment (depreciable)	<u>332,316</u>	<u>2,617</u>	<u>(1,039)</u>	<u>7,964</u>	<u>341,858</u>
Less accumulated depreciation for:					
Toll equipment	(90,034)	(4,050)	375	-	(93,709)
Buildings and toll facilities	(66,539)	(5,339)	-	-	(71,878)
Furniture, equipment and other	(34,109)	(9,156)	553	-	(42,712)
Total accumulated depreciation	<u>(190,682)</u>	<u>(18,545)</u>	<u>928</u>	<u>-</u>	<u>(208,299)</u>
Total property and equipment being depreciated, net	<u>141,634</u>	<u>(15,928)</u>	<u>(111)</u>	<u>7,964</u>	<u>133,559</u>
Total capital assets	<u>\$ 4,546,614</u>	<u>\$ 286,506</u>	<u>\$ (1,390)</u>	<u>\$ -</u>	<u>\$ 4,831,730</u>

In fiscal year 2019, CFX adopted GASB Statement No. 89 standard which requires interest costs to be expensed as incurred. As a result, interest is no longer capitalized as part of the historical cost of a capital asset.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 4 - Capital Assets (Continued)

Goldenrod Project - On March 24, 1999, CFX signed the Goldenrod Road Extension Development Agreement (the "Agreement") for the extension of Goldenrod Road to SR 528 (the "Extension"). The Agreement is between CFX and other local agencies and governments, including the City of Orlando (the "City"), Greater Orlando Aviation Authority ("GOAA") and Orange County (the "County"). Under the Agreement, each of the parties agreed to contribute a set amount toward construction of the Extension. The contributions made by each party for construction are as follows:

City of Orlando	\$ 2,000,000
GOAA	\$ 4,500,000
Orange County	\$ 1,000,000
CFX	\$ 38,010,458

CFX's responsibilities under the Agreement were to acquire, design and construct the right-of-way for the Extension. Construction of the Extension began in January 2001 and opened to traffic in March 2004. Under the terms of the Agreement, toll revenues generated from the Extension will be distributed, first to operating cost, then to repay the contributions to each contributing party.

The construction costs of the roadway, toll plaza and toll equipment are included in CFX's capital assets. These assets will remain the property of CFX until the final payments of all contributions are made. Upon the final repayment of all contributions, ownership of the roadway will revert to the City and the City will be responsible for all future maintenance costs. CFX will retain ownership of the interchange to SR 528 and certain portions of the right-of-way. Since this project is a non-System project, it is reported net in the non-operating section of the statements of revenues, expenses and changes in net position. The toll revenues generated from the Extension are not pledged to CFX's bond indebtedness.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt

Revenue Bonds Payable - A summary of changes in revenue bonds payable is as follows (in thousands):

	June 30, 2019	Additions	Deletions	June 30, 2020
Series 2008B1	\$ 130,135		(260)	\$ 129,875
Series 2008B2	117,685		(290)	117,395
Series 2008B3	148,790		(300)	148,490
Series 2008B4	99,165		(200)	98,965
Series 2010B	67,330		(6,570)	60,760
Series 2012	157,835		(23,520)	134,315
Series 2012A	48,200		(6,005)	42,195
Series 2013A	242,320			242,320
Series 2013B	135,450		(19,725)	115,725
Series 2013C	103,740		(920)	102,820
Series 2016A	150,250		(755)	149,495
Series 2016B	623,850		(1,860)	621,990
Series 2017	339,885		(610)	339,275
Series 2018	221,045		(2,010)	219,035
Series 2019A	-	129,550		129,550
Series 2019B	-	441,390		441,390
	<hr/> 2,585,680	<hr/> 570,940	<hr/> (63,025)	<hr/> 3,093,595
Add unamortized bond premium	215,859	105,131	(16,470)	304,520
Less current portion of revenue bonds payable	(63,025)	(72,700)	63,025	(72,700)
Revenue bonds payable - net of current portion	<hr/> \$ 2,738,514	<hr/> \$ 603,371	<hr/> \$ (16,470)	<hr/> \$ 3,325,415

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

	June 30, 2018	Additions	Deletions	June 30, 2019
Series 2008B1	\$ 130,360		(225)	\$ 130,135
Series 2008B2	117,865		(180)	117,685
Series 2008B3	149,060		(270)	148,790
Series 2008B4	99,335		(170)	99,165
Series 2010B	73,640		(6,310)	67,330
Series 2012	180,370		(22,535)	157,835
Series 2012A	53,815		(5,615)	48,200
Series 2013A	242,320			242,320
Series 2013B	154,320		(18,870)	135,450
Series 2013C	104,630		(890)	103,740
Series 2015 Senior Lien BANs	193,695		(193,695)	-
Series 2016A	150,985		(735)	150,250
Series 2016B	625,645		(1,795)	623,850
Series 2017	341,210		(1,325)	339,885
Series 2018		221,045		221,045
	2,617,250	221,045	(252,615)	2,585,680
Add unamortized bond premium	205,185	24,764	(14,090)	215,859
Less current portion of revenue bonds payable	(252,615)	(63,025)	252,615	(63,025)
Revenue bonds payable - net of current portion	\$ 2,569,820	\$ 182,784	\$ (14,090)	\$ 2,738,514

In the 2002 legislative session, the Florida Legislature amended Chapter 348, Part V (now Part III of the "Expressway Act") to, among other things, revise and expand the powers of CFX to finance or refinance its projects, including the power to refund bonds previously issued on behalf of CFX by the State of Florida Division of Bond Finance of the State Board of Administration (Division of Bond Finance), through the issuance of its own bonds or other obligations. Consistent with the authority granted in the Expressway Act, CFX adopted an Authority Bond Resolution on July 2, 2002, authorizing the issuance of up to \$2,000,000,000 of additional bonds or other indebtedness to finance projects of CFX. Although not required, the first issuance of bonds by CFX under the Authority Bond Resolution was validated by the Circuit Court of the Ninth Judicial Circuit of Florida, in Orange County, Florida, on September 20, 2002.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

On January 28, 2003, the Division of Bond Finance adopted a resolution formally recognizing CFX as the issuer of bonds under that certain Master Junior Lien Bond Resolution pursuant to which the Division of the Bond Finance had previously issued bonds on behalf of CFX. CFX further adopted, on February 3, 2003, an Amended and Restated Master Bond Resolution pursuant to which CFX amended and restated the Authority Bond Resolution and the Master Junior Lien Resolution into a single, consolidated, single-lien resolution to govern the existing outstanding bonds and future bond indebtedness of CFX. All bonds or other obligations issued under the Amended and Restated Master Bond Resolution are payable from, and secured by, a pledge of net revenues from the operation of the System.

As notated in Note 1, on June 20, 2014, the Governor of Florida signed a bill to create CFX, which assumed the governance and control of the former Orlando-Orange County Expressway Authority, including its assets, personnel, contracts, obligations, liabilities, facilities and tangible and intangible property. Central Florida Expressway Authority assumed all the debt of the former Orlando-Orange County Expressway Authority pursuant to Chapter 2014-171, Public Laws of Florida.

Fixed Rate Debt

The Central Florida Expressway Authority Revenue Bonds, Series 2019A, were originally issued on December 5, 2019 and were outstanding in the aggregate principal amount of \$129,550,000 on June 30, 2020, including \$65,935,000 of serial bonds and \$63,615,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2020 through July 1, 2039 in amounts ranging from \$1,180,000 to \$5,015,000, plus interest. Two term bonds were issued in the amounts of \$28,535,000 and \$35,080,000 and mature July 1, 2044 and July 1, 2049, respectively. The 2019A Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2019A Bonds is due and paid semiannually. The purpose of the Series 2019A Bonds was to purchase the Poinciana Parkway System from Osceola County.

The Central Florida Expressway Authority Revenue Bonds, Series 2019B, were originally issued on December 5, 2019 and were outstanding in the aggregate principal amount of \$441,390,000 on June 30, 2020, including \$218,275,000 of serial bonds and \$223,115,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2020 through July 1, 2039 in amounts ranging from \$3,905,000 to \$16,895,000, plus interest. Two term bonds were issued in the amounts of \$98,015,000 and \$125,100,000 and mature July 1, 2044 and July 1, 2049, respectively. The 2019B Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2019B Bonds is due and paid semiannually. The purpose of the Series 2019B Bonds was to fund a portion of the Five-Year Work Plan.

The Central Florida Expressway Authority Revenue Bonds, Series 2018, were originally issued on November 29, 2018 and were outstanding in the aggregate principal amount of \$219,035,000 and \$221,045,000 on June 30, 2020 and 2019 respectively, including \$125,540,000 of serial bonds and \$93,495,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2020 through July 1, 2040 in amounts ranging from \$3,515,000 to \$9,325,000, plus interest.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

Two term bonds were issued in the amounts of \$30,865,000 and \$62,630,000 and mature July 1, 2043 and July 1, 2048, respectively. The 2018 Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2018 Bonds is due and paid semiannually. The purpose of the Series 2018 Bonds was to fund a portion of the Five-Year Work Plan.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2017, were originally issued on December 28, 2017 and were outstanding in the aggregate principal amount of \$339,275,000 and \$339,885,000 on June 30, 2020 and 2019 respectively, including \$241,165,000 of serial bonds and \$98,110,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2020 through July 1, 2042 in amounts ranging from \$645,000 to \$56,340,000, plus interest. The term bond is due on July 1, 2041. The 2017 Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2017 Bonds is due and paid semiannually. The purpose of the Series 2017 Bonds was to refund all of the Series 2007A, 2010A, and 2010C Bonds and a portion of the 2010B Bonds, for net present value savings of \$39,795,910, which represents \$61,030,269 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$26,266,627.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2016B, were originally issued on November 2, 2016 and were outstanding in the aggregate principal amount of \$621,990,000 and \$623,850,000 on June 30, 2020 and 2019 respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2020 through July 1, 2040 in amounts ranging from \$1,960,000 to \$66,520,000, plus interest. The 2016B Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2016B Bonds is due and paid semiannually. The purpose of the Series 2016B Bonds was to refund portions of the Series 2007A, 2010A, 2010B and 2010C Bonds for net present value savings of \$65,239,436, which represents \$92,180,668.91 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$75,028,080.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2016A, were originally issued on April 26, 2016 and were outstanding in the aggregate principal amount of \$149,495,000 and \$150,250,000 on June 30, 2020 and 2019 respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2020 through July 1, 2032 and July 1, 2036 through July 1, 2037 in amounts ranging from \$795,000 to \$28,000,000, plus interest. The 2016A Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2016A Bonds is due and paid semiannually. The purpose of the Series 2016A Bonds was to refund a portion of the Series 2007A Bonds for net present value savings of \$27,251,546, which represents \$40,378,823 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$5,296,435.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

The Central Florida Expressway Authority Refunding Revenue Bond, Series 2013C, was originally issued on September 12, 2013 and was outstanding in the aggregate principal amount of \$102,820,000 and \$103,740,000 on June 30, 2020 and 2019, respectively. The bond was issued in the form of a bank loan directly with the bondholder, STI Institutional & Government, Inc. The outstanding amount of the bond is due in annual installments on July 1, 2020 through July 1, 2032 in amounts ranging from \$965,000 to \$15,740,000, plus interest. The 2013C Bond is payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2013C Bond is due and paid semiannually. The Series 2013C Bond was issued for the purpose of refunding the Series 2003D Bonds and to fund the termination payment related to the associated swap. The refunding resulted in a deferred outflow of \$15,599,396, most of which was related to the swap termination payment. The difference between the cash flow of the old debt and the cash flow of the new debt was \$3,440,975 lower post-refunding, which represents \$2,500,470 on a net present value basis. The purpose of this refunding was to lower the risk profile of CFX's debt at an attractive rate. In fiscal year 2017, CFX renegotiated the bank loan with STI Institutional & Government Inc. and on November 2, 2016 the interest rate was lowered to 2.75%. This lower rate will generate \$10,961,178 of savings over the term of the loan which represents \$9,168,845 on a net present value basis.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2013B, were originally issued on January 2, 2013 and were outstanding in the aggregate principal amount of \$115,725,000 and \$135,450,000 on June 30, 2020 and 2019, respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments on July 1, 2020 through July 1, 2025 in amounts ranging from \$2,475,000 to \$24,710,000, plus interest. The 2013B Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2013B Bonds is due and paid semiannually. The Series 2013B Bonds were issued for the purpose of refunding the Series 2003C2 and 2003C4 Bonds and to fund the termination payments related to the associated swaps. The refunding resulted in a deferred outflow of \$42,223,850, most of which was related to the swap termination payments. The difference between the cash flow of the old debt and the cash flow of the new debt was \$5,959,376 higher post-refunding, which represents \$4,868,985 on a net present value basis. The purpose of this refunding was to lower the risk profile of CFX's debt at an attractive rate.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2013A, were originally issued on April 3, 2013 and were outstanding in the aggregate principal amount of \$242,320,000 on June 30, 2020 and 2019, including \$110,545,000 of serial bonds and \$131,775,000 of term bonds. The serial bonds are due in annual installments beginning on July 1, 2026 through July 1, 2032 in amounts ranging from \$7,065,000 to \$24,875,000, plus interest. The term bond is due on July 1, 2035. The 2013A Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2013A Bonds is due and paid semiannually. The purpose of the Series 2013A Bonds was to refund the Series 2003B Bonds for net present value savings of \$35,842,015, which represents \$60,831,999 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$2,750,505.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2012, were originally issued on November 29, 2012 and were outstanding in the aggregate principal amount of \$134,315,000 and \$157,835,000 on June 30, 2020 and 2019 respectively, all of which were serial bonds. The serial bonds are due beginning on July 1, 2020 through July 1, 2025 in amounts ranging from \$24,575,000 to \$29,240,000, plus interest. The 2012 Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2012 Bonds is due and paid semiannually. See below for the purpose, economic and accounting impacts of the refunding.

The Central Florida Expressway Authority General Reserve Fund Obligation Bond, Series 2012A, was originally issued on November 29, 2012 and was outstanding in the aggregate principal amount of \$42,195,000 and \$48,200,000 on June 30, 2020 and 2019 respectively. The bond was issued in the form of a subordinate bank loan directly with the bondholder, SunTrust Bank. The bond is due in annual installments beginning on July 1, 2020 through July 1, 2025 in amounts ranging from \$6,415,000 to \$8,485,000, plus interest. The 2012A Bond is payable from, and secured by, a pledge of the general fund, which is junior and subordinate to the net revenues from the operation of the expressway System pledged to senior lien parity bonds. Interest on the 2012A Bond is due and paid semiannually.

Collectively, the purpose of the Series 2012 and 2012A Bonds was to refund the Series 2003C1 and 2003C3 Bonds and to fund the termination payments on the associated swaps. The refunding resulted in a deferred outflow of \$60,159,863, most of which was related to the swap termination payments. The difference between the cash flow of the old debt and the cash flow of the new debt was \$7,202,160 higher post-refunding, which represents \$4,712,369.37 on a net present value basis. The purpose of this refunding was to lower the risk profile of CFX's debt at an attractive rate.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2010B, were originally issued on June 30, 2010 and were outstanding in the aggregate principal amount of \$60,760,000 and \$67,330,000 on June 30, 2020 and 2019, respectively. The bonds were issued as serial bonds and the outstanding bonds are due in annual installments on July 1, 2020 through July 1, 2021 in amounts ranging from \$6,880,000 to \$53,880,000, plus interest. Interest on the 2010B Bonds is due and paid semiannually. Portions of the Series 2010B Bonds was refunded by the Series 2016B Bond and Series 2017 Bond as stated above.

Variable Rate Debt

On May 1, 2008, CFX issued Central Florida Expressway Authority Variable Rate Refunding Revenue Bonds, Series 2008B1, 2008B2, 2008B3 and 2008B4 (collectively, "2008B Bonds"), for the purpose of refunding the Series 2005A, 2005B, 2005C, 2005D, and 2005E Bonds (collectively, "2005 Bonds"), of which \$129,875,000, \$117,395,000, \$148,490,000, \$98,965,000 and \$130,135,000, \$117,685,000, \$148,790,000, \$99,165,000 was outstanding on June 30, 2020 and 2019, respectively. The 2008B Bonds were issued in four sub-series in the initial aggregate principal amount of \$499,105,000, including Series 2008B1 in the initial principal amount of \$131,025,000; Series 2008B2 in the initial principal amount of \$118,500,000; Series 2008B3 in the initial principal amount of \$149,760,000; and 2008B4 in the initial principal amount of \$99,820,000.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Variable Rate Debt (Continued)

The Series 2008B Bonds are dated the date of their original issuance and delivery and mature on July 1, 2040. The Series 2008B Bonds were initially issued and currently outstanding in a variable rate mode, with the interest rate on the Series 2008B Bonds resetting on a weekly basis and interest payable on a monthly basis.

In fiscal year 2012, the Series 2008B3 and 2008B4 Bonds were converted to a bank rate mode and directly placed with the bondholder. In fiscal year 2015, the Series 2008B1 Bonds were converted to a bank rate mode and directly placed with the bondholder. In fiscal year 2016, the Series 2008B2 Bonds were converted to a bank rate mode and directly placed with the bondholder. All 2008B bonds remain in bank purchase mode. The bank rate also resets on a weekly basis and is tied to the SIFMA index plus a spread.

The 2008B Bonds are subject to optional and mandatory redemption and optional and mandatory tender for purchase prior to maturity. Amortization installments for the mandatory redemption of the 2008B Bonds began on July 1, 2014.

The annual requirements to amortize all revenue bonds and revenue refunding bonds outstanding as of June 30, 2019, are summarized as follows (all amounts in thousands). The totals below are net of capitalized interest funds available for debt service. For purposes of this note, the interest rate applicable to variable rate bonds is the synthetic fixed rate of 4.7753% for the 2008 Bonds. None of the fees associated with liquidity, letters of credit, or remarketing arrangements are included in the chart below, nor are the incremental rates paid on any floating rate note arrangements.

	Principal		Interest		Total P&I Due	Capitalized Interest	Net Due
2021	\$	72,700	\$	135,948	\$ 208,648		\$ 208,648
2022		79,965		137,704	217,669		217,669
2023		82,790		133,069	215,859		215,859
2024		86,790		128,137	214,927		214,927
2025		90,950		123,742	214,692		214,692
2026-2030		601,335		537,088	1,138,423		1,138,423
2031-2035		737,945		388,205	1,126,150		1,126,150
2036-2040		747,745		217,466	965,211		965,211
2041-2045		381,900		81,214	463,114		463,114
2046-2050		211,475		24,342	235,817		235,817
	\$	3,093,595	\$	1,906,915	\$ 5,000,510	\$ -	\$5,000,510

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Hedging Derivative Instruments – Cash Flow Hedges

Variable-to-Fixed Rate Interest Rate Swaps - On July 13, 2004, CFX entered into five forward-starting, synthetic fixed rate swap agreements totaling \$499,105,000 ("2004 Swaps"), attributable to the \$199,645,000 Series 2005A Bonds, the \$149,760,000 Series 2005B Bonds, the \$99,820,000 Series 2005C Bonds, the \$24,940,000 Series 2005D Bonds, and the \$24,940,000 Series 2005E Bonds. On May 1, 2008, all Series 2005 Bonds were redeemed, and the 2004 Swaps are now associated with the Series 2008B Refunding Bonds described above.

Objective of Swaps and Nature of Hedged Risk: CFX entered into the 2004 Swaps in order to ensure its ability to fund its Five-Year Work Plan, then valued at \$1,240,300,000 and in order to manage the interest rate exposure that CFX was subject to as a result of issuing its variable rate bonds.

Strategy to Accomplish Hedge Objective: In order to achieve the stated objectives, CFX issued variable rate bonds with a weekly reset and entered into swap agreements to obtain the synthetic fixed rate. In 2004, CFX entered into five separate forward-starting, interest rate swap agreements with five separate counterparties. The 2004 Swaps remained in place at the time of issuance of the 2005 Bonds.

Summary Derivative Hedging Instruments: On July 13, 2004, CFX entered into five separate forward-starting, interest rate swap agreements with an effective date of March 1, 2005, all of which were associated with the Series 2005 Bonds. There was no cash exchanged at the time these forward agreements were entered into.

The interest rate swap transactions were executed in order to accomplish the synthetic fixed rates, as noted below. CFX has a cancellation option in the swap with UBS AG. A summary of these transactions and the significant terms, as well as the credit ratings on the counterparties as of June 30, 2020 and 2019, are as follows:

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Hedging Derivative Instruments – Cash Flow Hedges (Continued)

	<u>Series 2005A</u>	<u>Series 2005B</u>	<u>Series 2005C</u>	<u>Series 2005D</u>	<u>Series 2005E</u>
<i>Notional Value (as of 6/30/2020)</i>	\$197,890,000	\$148,438,000	\$98,945,000	\$24,726,000	\$24,726,000
<i>Fixed Rate</i>	4.7753%	4.7753%	4.7753%	4.7753%	4.7753%
<i>Fixed Payer</i>	CFX	CFX	CFX	CFX	CFX
<i>Floating Rate</i>	SIFMA Weekly Index	SIFMA Weekly Index	SIFMA Weekly Index	SIFMA Weekly Index	SIFMA Weekly Index
<i>Maturity Date</i>	1-Jul-40	1-Jul-40	1-Jul-40	1-Jul-40	1-Jul-40
<i>Settlement</i>	Monthly	Monthly	Monthly	Monthly	Monthly
<i>Premium Paid</i>	None	None	None	None	None
<i>Counterparty</i>	UBS AG	Citibank	Morgan Stanley Capital Services Inc.	RBC Dain	JP Morgan*
<i>Ratings 6/30/2019 (S&P/Moody's/Fitch)</i>	A+/Aa3/AA-	A+/Aa3/A+	BBB+/A3/A	AA-/Aa2/AA	A+/Aa2/AA
<i>Ratings 6/30/2020 (S&P/Moody's/Fitch)</i>	A+/Aa3/AA-	A+/Aa3/A+	BBB+/A3/A	AA-/Aa2/AA	A+/Aa2/AA

**Originally with Bear Stearns Financial Products, Inc. By novation agreement dated April 22, 2009, this swap was transferred to JP Morgan Chase Bank, N.A.*

Type of Hedge: Discrete Cash Flow

Fair Value: All of CFX's derivative instruments are considered effective cash flow hedges because they meet the consistent critical terms method criteria. Therefore, the fair value is reported as a deferred outflow on the balance sheets.

CFX has obtained independent market value evaluations of its swap transactions. These fair value estimates are based on expected forward LIBOR swap rates and discounted expected cash flows (Level 3 inputs). The appropriate LIBOR percentages that relate to the tax-exempt SIFMA swap rates are applied to the LIBOR swap curve to derive the expected forward SIFMA swap rates. On a current mark-to-market basis, the net present value of the swaps would require CFX to make an estimated combined termination payment, in the event that all of the outstanding swaps were terminated on June 30, 2020 or June 30, 2019, of \$230,129,177 and \$177,483,541, respectively. The change in fair value at FYE 2020 was \$52,645,636 higher than at FYE 2019 and the change in fair value at FYE 2019 was \$41,651,180 higher than at the prior year end.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (*Continued*)

Hedging Derivative Instruments – Cash Flow Hedges (*Continued*)

Risks: CFX monitors the various risks associated with the Swap Agreements. Based upon the assessment, CFX reviewed the following risks:

Credit Risk: CFX has adopted an Interest Rate Risk Management Policy whereby, prior to entering into an interest rate exchange agreement, CFX will require the counterparty to (i) have an initial rating of at least AA-/Aa3/AA- by at least one of the three nationally recognized credit rating agencies and not be rated lower than A/A2/A by any of the three nationally recognized credit rating agencies or (ii) alternatively, post suitable and adequate collateral, given the undertaking involved with the particular transaction. For all executed agreements, the counterparties met the criteria in (i) above at the time of execution.

Similar to the experience of many financial product providers in recent years, four of the five counterparties have dropped below the initial required rating levels. A summary of the credit ratings of the counterparties as of June 30, 2019 and 2020, is shown previously under *Summary of Derivative Hedging Instruments*. CFX's Interest Rate Risk Management Policy does not contain a specific requirement for collateral posting in the event of a counterparty downgrade below the minimum requirements; however, the agreements require that the counterparties post suitable and adequate collateral if the termination values were such that a payment would be due to CFX. As of June 30, 2020 and 2019, that is not the case; therefore, there is no reportable risk of loss to CFX due to credit risk. The following terms of the Swaps and all Series 2008B Bond obligations are identical:

1. The total notional amount of the Swaps equals the total issued principal amount of CFX's revenue bonds that are subject to the Swaps.
2. The re-pricing dates of the Swaps match those of the related bonds, specifically, all Series 2008B Bonds.
3. The amortization of the Swaps matches the amortization of the bonds.

CFX does not have a specific policy regarding entering into master netting arrangements, nor has it entered into any such master arrangements.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Interest Rate Risk: CFX implemented a strategy on the Swaps associated with the Series 2008B Bonds, which was designed to provide a synthetic fixed rate.

Basis Risk: Basis risk for CFX's derivatives would be the risk that the weekly rates on its variable rate bonds would not match the index referenced in the interest rate exchange agreements. The Series 2005 variable rate bonds were issued to bear interest at the seven-day market rate, whereas the underlying swap agreements pay CFX interest at the weekly TBMA (now known as SIFMA) index rate. Since the variable rate paid by the counterparties on the interest rate swaps is the SIFMA index, CFX reasonably assumed that the hedging relationship would be highly effective in providing counterparty payments to CFX in amounts necessary to pay the synthetic fixed rate on the Series 2005 Bonds. However, during fiscal year 2008, CFX experienced some basis spread on the Series 2005 Bonds subsequent to Fitch's downgrade of Ambac, the bonds' insurer. In order to mitigate this spread, CFX took action to redeem the bonds and issued the Series 2008B Refunding Bonds, backed by letters of credit. In fiscal year 2012, the Series 2008B3 and 2008B4 Bonds were converted to a bank rate mode and directly placed with the bondholder. In fiscal year 2015, the Series 2008B1 Bonds were converted to a bank rate mode and directly placed with the bondholder. In fiscal year 2016, the Series 2008B2 Bonds were converted to a bank rate mode and directly placed with the bondholder. The bank rates for all the Series are reset on a weekly basis and are tied to the SIFMA index plus a spread. Therefore, basis risk for these bonds has been eliminated during the bank rate period.

Termination Risk: CFX is subject to termination risk but determined at the time to mitigate that risk by acquiring swap insurance policies for the swaps associated with the Series 2008B Bonds. Each of CFX's outstanding interest rate exchange agreements contain an Additional Termination Event provision, which is triggered by certain downgrades in the credit ratings of the respective parties, but each such provision is subject to the Insurer Provisions contained therein.

Under certain conditions set forth in the swap agreements, neither CFX nor the counterparty may designate an early termination date without the consent of the Insurer, unless an "Insurer Event" has occurred whereby the Swap Insurer (i) fails to meet its payment obligations under the swap, (ii) fails to maintain a minimum claims-paying ability rating or financial-strength rating from either S&P or Moody's described in the respective swap agreements or (iii) has its rating from either S&P or Moody's withdrawn or suspended and such rating is not reinstated within 30 days of such withdrawal or suspension.

Additionally, for the 2004 Swaps, a Credit Support Annex was negotiated with the counterparties. During fiscal year 2009, the insurer on the swaps now associated with the Series 2008B Bonds (the "2004 Swaps"), was downgraded below the A-/A3 (S&P/Moody's) level. As such, an Insurer Event did take place. Three of the five agreements required that CFX demonstrate that it had maintained its own rating above the A-/A3 levels to prevent a termination. CFX has maintained its ratings at A/A2; therefore, it has complied with the requirements and no termination event has occurred.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

One agreement did not consider an Insurer Event grounds for early termination, unless some additional event of default had taken place, such as failure to meet the payment obligations, none of which have taken place. One agreement required that CFX either replace the insurer with another credit support facility or post collateral in the amount of the termination value in excess of \$15,000,000, based on CFX's credit rating. CFX received the notice of an Insurer Event from this counterparty on June 25, 2009 and posted collateral in July 2009. All investment income on the security posted as collateral, and the security itself, is income to, and an asset of, CFX. Per the agreement, the counterparty could request a maximum amount of \$32,969,920 as of June 30, 2020. However, the agreement only requires CFX to post collateral at the request of the counterparty. In compliance with the agreement and the most recent request, there was not a collateral posting as of June 30, 2020 or June 30, 2020.

As a result of CFX's compliance with the terms of the swap agreements and each applicable Credit Support Annex, as explained above, as of June 30, 2020 and 2019, no termination events have occurred.

Notwithstanding the Insurer Provisions under the swap agreements, CFX has the option to terminate all but one of the swaps at any time upon at least two business days' written notice to the counterparty. One agreement requires 30 days' written notice, a requirement which can be waived. Absent the Insurer Provisions, the counterparties may terminate the swap in the event of a default, such as: nonpayment, credit downgrade or failure to provide collateral.

Credit and Liquidity Access and Repricing Risk: CFX has reduced its basis and credit provider risks by placing the 2008B1, 2008B2, 2008B3 and 2008B4 Bonds in the bank rate mode directly with the bondholder at SIFMA plus a spread.

As of June 30, 2020, the expirations of the respective contracts were as follows:

<u>Bond Series</u>	<u>Type/Provider</u>	<u>Expiration Date</u>
Series 2008B1	FRN/Bank of America	Nov-2022
Series 2008B2	FRN/RBC Capital Markets	Jul-2023
Series 2008B3	FRN/Bank of America	Oct-2021
Series 2008B4	FRN/Wells Fargo	Jan-2022

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Associated Debt: The net cash flow of the underlying swap agreements compared to the variable rate bonds resulted in the following net cash inflows (outflows):

	2003 Series	2005 Series	2008 Series	Total
FY 2003	\$ 18,664	\$ -	\$ -	\$ 18,664
FY 2004	74,400	-	-	74,400
FY 2005	67,609	1,827	-	69,436
FY 2006	69,018	97,163	-	166,181
FY 2007	101,643	82,950	-	184,593
FY 2008	161,325	(2,434,950)	61,270	(2,212,355)
FY 2009	(8,421,180)	-	(487,400)	(8,908,580)
FY 2010	(506,773)	-	(165,018)	(671,791)
FY 2011	(1,115,769)	-	(263,904)	(1,379,673)
FY 2012	(1,742,406)	-	(242,174)	(1,984,580)
FY 2013	(6,639)	-	(35,814)	(42,453)
FY 2014	-	176	26,148	26,324
FY 2015	-	-	11,919	11,919
FY 2016	-	-	939	939
FY 2017	-	-	-	-
FY 2018	-	-	-	-
FY 2019	-	-	-	-
FY 2020	-	-	-	-
Total	<u>\$ (11,300,108)</u>	<u>\$ (2,252,834)</u>	<u>\$ (1,094,034)</u>	<u>\$ (14,646,976)</u>

Debt Service Reserve Requirements – CFX has purchased surety policies from bond insurers for the outstanding 2010B, 2012, 2013A, 2013B and 2016A Bonds. The Series 2016B and Series 2017 Bonds are secured by reserves comprised of a combination of cash and a surety policy. The Series 2018, 2019A and 2019B Series Bonds are secured by a cash reserve. The 2008B, 2012A and 2013C Bonds are not secured by a reserve. Bond covenants do not require minimum ratings for providers of surety policies.

Defeased Bonds – During 1998, CFX defeased the Series 1988 Bonds by placing the proceeds of the unused portion of the 1998 Bonds and a portion of the 1998 Bonds in an irrevocable escrow account to provide for all future debt service payments. The purpose of this defeasance was to provide additional financing flexibility, while maintaining CFX's targeted debt service ratio. As a result, the trust account assets and the liability for the defeased bonds are not included in CFX's balance sheets. The balance of defeased bonds outstanding for the 1988 Bonds was \$0 on June 30, 2020 and 2019, respectively.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

On November 2, 2016 CFX utilized proceeds from the issuance of the Series 2016B Refunding Bonds to fund an escrow to provide the for the payment of principal and interest on the refunded portion of the Series 2007A Bonds as of their call date of July 1, 2017 and the Series 2010A, 2010B and 2010C Bonds as of their call date of July 1, 2020.

On December 28, 2017 CFX utilized proceeds from the issuance of the Series 2017 Refunding Bonds to fund an escrow to provide the for the payment of principal and interest on the refunded Series 2007A Bonds as of their call date of July 1, 2021 and the Series 2010A, 2010B and 2010C Bonds as of the call date of July 1, 2020.

Principal maturities on those defeased bonds, based on July 1 payments each year, are as follows (in thousands):

Year Ending June 30,	1988 Bonds	2007A Bonds	2010A Bonds	2010B Bonds	2010C Bonds	Total
2021	\$ -	\$ 185,885	\$ 213,805	\$ 59,870	\$ 270,705	\$ 730,265

Loan/Lease Payable

On December 31, 2018, a lease purchase agreement and loan agreement between Osceola County and the Osceola Expressway Authority (OCX) for the operation of the Poinciana Parkway were transferred from OCX to CFX. CFX assumed all assets, liabilities, facilities, tangible and intangible property as well as any other legal rights of OCX. Osceola County's Series 2014 bonds and SIB loan incurred by the construction of the Poinciana Parkway remained outstanding at the time of this transaction. On December 5, 2019 CFX issued the 2019A bonds which were used to directly purchase the Poinciana Parkway system from Osceola county, subsequently all liabilities associated with the original lease purchase agreement were retired and all assets were assumed by CFX.

Change in Loan/Lease Payable - The following is a summary of changes in loan/lease payable (in thousands):

	June 30, 2019	Additions	Deletions	June 30, 2020	Due Within One year
Loan payable	\$ 3,564	\$ -	\$ 3,564	\$ -	\$ -
Lease payable	88,400	-	88,400	-	-
	<u>\$ 91,964</u>	<u>\$ -</u>	<u>\$ 91,964</u>	<u>\$ -</u>	<u>\$ -</u>

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 5 - Long-Term Debt (Continued)

Due to Governmental Agencies

Due to governmental agencies consists of the following (in thousands):

	June 30, 2019	Additions	Deletions	June 30, 2020
Advances from FDOT for construction, operations and maintenance of certain plazas and roadways	\$ 1,404	\$ 1,507	(1,404)	\$ 1,507
Loans and advances for specific projects	200,706	-	(251)	200,455
Toll revenue due to other state agencies	4,816	85,577	(88,029)	2,364
	<u>206,926</u>	<u>87,084</u>	<u>(89,684)</u>	<u>204,326</u>
Less current portion	<u>(6,471)</u>	<u>(4,117)</u>	<u>6,471</u>	<u>(4,117)</u>
Due to other governments net of current portion	<u>200,455</u>	<u>82,967</u>	<u>(83,213)</u>	<u>200,209</u>

The following is a schedule by years of the minimum future payments on the amounts due to governmental agencies (all amounts in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 4,117
2021	-
2022	-
2023	-
2024	-
Thereafter	<u>200,209</u>
	<u>\$ 204,326</u>

Amounts included in "thereafter" are payable based on future events, as described below:

Included in the Loans and Advances for specific projects is \$4,637,000 for advances from the Greater Orlando Aviation Authority, the City of Orlando and Orange County for the extension of Goldenrod Road. The extension is a non-System project, and revenues from this project are utilized solely to pay expenses for the extension and to reimburse the funding partners, including CFX, for their original contribution to the project. Also included in Loans and Advances for specific projects is \$195,573,000 for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the US Department of Transportation. This loan was secured from qualifying expenses for the acquisition of right-of-way and construction of the Wekiva Parkway. Principal repayments begin in 2028 and continue through 2049.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 6 - Leases

Operating Leases - CFX leases excess capacity of the Fiber Optic Network (FON) to Sprint Communications Company L.P. The original historic cost of this FON of \$19,172,000 is not depreciated because its expected life exceeds 100 years. This is a ten-year lease with three five-year renewal options. The annual rate of \$464,640, adjusted annually by the local Consumer Price Index, is presented as miscellaneous nonoperating revenues. If CFX terminates this agreement because of licensee's (Sprint's) default, the licensee shall pay CFX, as liquidated damages, an amount equal to the minimum total fees and charges for the remaining agreement term. There is no termination clause for the licensee except by default of CFX. The second five-year renewal was executed at the end of fiscal year 2016. The minimum future rentals for the remaining year is \$425,920.

Note 7 - Commitments and Contingencies

Commitments - Outstanding construction and other significant commitments for improvements, maintenance and operation of the System totaled approximately \$405,837,000 at June 30, 2020.

Pending Litigation - Various lawsuits and claims arising in the ordinary course of CFX's operations are pending against CFX.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 8 - Retirement Plans

Plan Descriptions

Florida Retirement System (FRS) Pension Plan - Most employees of CFX participate in the State of Florida Retirement System (the "FRS"), a multiple-employer, cost-sharing, defined-benefit retirement plan, or defined-contribution retirement plan, administered by the Florida Department of Administration, Division of Retirement. As a general rule, membership in the FRS is compulsory for all employees working in a regular, 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. Employees are classified in either the regular service class or the senior management service class ("SMSC"). The SMSC is for members who fill senior-level management positions. Employees classified as SMSC may opt out of participation in the FRS. 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 Legislature.

Retiree Health Insurance Subsidy (HIS) Program – Employees of CFX also participate in the Retiree Health Insurance Subsidy (HIS) Program, which is a cost-sharing, multiple-employer defined-benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Public Employee Optional Retirement Program - Employees may participate in the Public Employee Optional Retirement Program (the "Investment Plan"), a defined-contribution retirement program, in lieu of participation in the defined-benefit retirement plan ("Pension Plan"). If the Investment Plan is elected, active membership in the defined-benefit retirement plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution for self-direction in an investment product with a third-party administrator selected by the State Board of Administration. The contribution rates for both fiscal 2020 and 2019 were 6.3% for regular class and 7.67% for senior management class.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 8 - Retirement Plans (Continued)

Benefits Provided – For employees in FRS, benefits are computed on the basis of age, average final compensation and service credit. Regular class and senior management class employees who were enrolled in the FRS prior to July 1, 2011 and 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, based on their final average compensation of their five highest fiscal years of pay for each year of credited service. Employees enrolled on or after July 1, 2011 and who retire at or after age 65 with at least eight years of credited service, or 33 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, as explained above based on their eight highest fiscal years of pay. Using their date of enrollment as a basis, vested employees with less than the minimum years of service may retire before the minimum age and receive reduced retirement benefits. A post-retirement health insurance subsidy is also provided to eligible retired employees through the FRS defined benefit, in accordance with Florida Statutes.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program ("DROP"). This program allows eligible employees 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.

Contributions - Starting on July 1, 2011, Chapter 2011-68 of the Laws of Florida required members of the FRS not enrolled in DROP to contribute 3% of their salary to their retirement. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. The fiscal year 2020 contribution rate applied to regular employee salaries was 8.47%, including 1.66% for a post-retirement health insurance subsidy ("HIS"). The fiscal year 2019 contribution rate was 8.26%, which included 1.66% for HIS. The fiscal year 2020 contribution rate applied to senior management salaries was 25.41%, including 1.66% HIS. The fiscal year 2019 contribution rate was 24.06%, which included 1.66% for HIS. The fiscal year 2020 contribution rate applied to the salaries of the employees in DROP was 14.60%, including 1.66% for HIS. The fiscal year 2019 contribution rate was 14.03%, which included 1.66% for HIS.

CFX's actual contributions to the FRS for the fiscal years ended June 30, 2020 and 2019 were \$936,000 and \$896,000, respectively. Employee contributions were \$218,000 and \$212,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

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

CFX reported a liability of \$9,997,000 and \$8,312,000, at June 30, 2020 and 2019, respectively, for its proportionate share of the net pension liability of FRS and HIS. The net pension liability as of June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. CFX's proportion of the net pension liability was based on CFX's historical employer contributions to the pension plans for fiscal year 2018 and 2019 relative to the historical contributions of all participating employers. At June 30, 2019, CFX's proportion was 0.0221% and 0.0214% for FRS and HIS, respectively, which was an increase of 0.0016% and an increase of 0.0012% from its respective proportion measured as of June 30, 2018.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 8 - Retirement Plans (Continued)

At June 30, 2018, CFX's proportion was 0.0205% and 0.0202% for FRS and HIS, respectively, which was an increase of 0.0004% and an increase of 0.0013% from its respective proportion measured as of June 30, 2017.

For the year ended June 30, 2020, CFX recognized pension expense of \$2,208,000 and \$265,000, for FRS and HIS, respectively. For the year ended June 30, 2019, CFX recognized pension expense of \$1,356,000 and \$223,000, for FRS and HIS, respectively.

At June 30, 2020 and June 30, 2019, CFX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	As of June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 451	\$ 8
Changes of assumptions	2,231	195
Differences between projected and actual earnings on pension plan investments	-	419
Changes in proportion	972	4
CFX contributions subsequent to the measurement date	844	-
Total	<u>\$ 4,498</u>	<u>\$ 626</u>

	As of June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 556	\$ 23
Changes of assumptions	2,257	226
Differences between projected and actual earnings on pension plan investments	-	477
Changes in proportion	959	7
CFX contributions subsequent to the measurement date	805	-
Total	<u>\$ 4,577</u>	<u>\$ 733</u>

\$844,000 and \$805,000 reported as deferred outflows of resources related to pensions resulting from CFX contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021 and June 30, 2020 respectively.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 8 - Retirement Plans (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Years Ending June 30:	Amount
2021	\$ 552
2022	522
2023	482
2024	434
2025	395
Thereafter	644

Actuarial Assumptions – The actuarial assumptions that determined the total pension liability as of June 30, 2020 and June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 20013 – June 30, 2018.

Valuation date	July 1, 2018	July 1, 2019
Measurement date	June 30, 2018	June 30, 2019
Inflation	2.60%	2.60%
Salary increases, including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB	PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

The long-term expected rate of return, net of investment expense on pension plan investments was 6.90% and 7.00% as of June 30, 2019 and June 30, 2018 respectively. This rate was determined using a forward-looking capital market economic model. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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 expected real rate of return is presented in arithmetic means.

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1%	3.3%
Fixed Income	18%	4.1%
Global equity	54%	8.0%
Real Estate (property)	10%	6.7%
Private equity	11%	11.2%
Strategic investments	6%	5.9%
Total	100.00%	

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 8 - Retirement Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.90% and 7.00% for FRS for June 30, 2019 and June 30, 2018 respectively. The discount rate used to measure the total pension liability was 3.50% and 3.87% for HIS as of June 30, 2019 and June 30, 2018 respectively. For FRS, the 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. 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 plan sponsor.

Sensitivity of CFX's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents CFX's proportionate share of the net pension liability calculated using the discount rate of 6.90% and 7.00% for FRS for June 30, 2019 and June 30, 2018 respectively. The discount rate of 3.50% and 3.87% was used for HIS for June 30, 2019 and June 30, 2018 respectively. The following also presents what CFX's proportionate share of the net pension liability would be at June 30, 2020 and 2019 if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the respective current rate:

As of June 30, 2020			
FRS			
	1% Decrease 5.9%	Current Discount Rate 6.9%	1% Increase 7.9%
CFX's proportionate share of the net pension liability (asset)	\$ 13,151,181	\$ 7,607,701	\$ 2,977,957
HIS			
	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
CFX's proportionate share of the net pension liability (asset)	\$ 2,729,721	\$ 2,391,238	\$ 2,109,321

As of June 30, 2019			
FRS			
	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
CFX's proportionate share of the net pension liability (asset)	\$ 11,278,799	\$ 6,177,976	\$ 1,945,186
HIS			
	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
CFX's proportionate share of the net pension liability (asset)	\$ 2,430,551	\$ 2,134,044	\$ 1,886,888

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019**

Note 8 - Retirement Plans (Continued)

Change in Net Pension Liability - The following is a summary of changes in net pension liability (in thousands):

	June 30, 2019	Additions	Deletions	June 30, 2020	Due Within One year
Net pension liability	\$ 8,312	\$ 6,883	\$ 5,198	\$ 9,997	\$ -

	June 30, 2018	Additions	Deletions	June 30, 2019	Due Within One year
Net pension liability	\$ 7,979	\$ 5,712	\$ 5,379	\$ 8,312	\$ -

Pension Plan Fiduciary Net Position – Detailed information about FRS and HIS fiduciary net position is available in the separately issued FRS financial report. The latest available report may be obtained by writing to the Department of Management Services, Office of the Secretary, 4050 Esplanade Way, Tallahassee, FL 32399-0950 or from the website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications

Note 9 - Risk Management

CFX is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which CFX purchases commercial insurance.

No settlements have exceeded coverage levels in place during 2018, 2019 and 2020.

CFX is covered by the State of Florida's State Group Insurance program, a risk management pool to which risk is transferred in exchange for annual premium payments.

Note 10 – Subsequent Events

On August 18, 2020, CFX issued Central Florida Expressway Authority Senior Lien Refunding Revenue Series 2020A Bond in the principal amount of \$155,915,000. The bond was issued in the form of a bank loan directly with the bondholder, STI Institutional & Government, Inc. The bond was issued for the purpose of: (i) currently refunding the outstanding Central Florida Expressway Authority Refunding Revenue Bond 2010B, (ii) currently refunding the outstanding Central Florida Expressway Authority Refunding Revenue Bond 2013C and (iii) paying the costs of issuance in relation to the Bond. The net present value of savings was \$11,219,373.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

REQUIRED SUPPLEMENTARY INFORMATION

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
Trend Data on Infrastructure Condition**

CFX elected to use the modified approach to account for maintenance of its infrastructure assets starting in fiscal year 1997. The FDOT annually inspects CFX's roadways. The FDOT utilizes the Maintenance Rating Program (the "MRP") to assess the condition of the System. 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. CFX's System, as a whole, is given an overall rating, indicating the average condition of all roadways operated by CFX. The assessment of condition is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. CFX's policy is to maintain the roadway condition at a MRP rating of 80 or better. The results of the last three completed inspections are as follows:

Evaluation Period	
Fiscal Year	Rating
2020	91%
2019	91%
2018	92%
2017	89%

The budget-to-actual expenditures for preservation for the past five years are as follows:

Fiscal Year	Budget	Actual
	<i>(in thousands)</i>	
2020	\$ 51,040	\$ 31,002
2019	44,000	21,586
2018	31,850	33,837
2017	38,487	22,447
2016	42,406	15,964

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY
Schedule of CFX's Proportionate Share of the Net Pension Liability

Florida Retirement System (FRS) Defined Benefit Pension Plan
(in thousands)

CFX Fiscal Year Ending June 30,	Plan Sponsor Measurement Date June 30,	CFX's Proportion of the FRS Net Pension Liability	CFX's Proportionate Share of the FRS Net Pension Liability	CFX's Covered Payroll	CFX's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	2019	0.0220%	\$ 7,608	\$ 4,712	161.46%	82.61%
2019	2018	0.0205%	6,180	4,250	145.41%	84.26%
2018	2017	0.0201%	5,958	4,093	145.57%	83.89%
2017	2016	0.0191%	4,812	3,746	128.46%	84.88%
2016	2015	0.0174%	2,249	3,212	70.02%	92.00%
2015	2014	0.0157%	959	2,987	32.11%	96.09%
2014	2013	0.0091%	1,566	2,985	52.46%	88.54%

Retiree Health Insurance Subsidy (HIS) Program Defined Benefit Pension Plan
(in thousands)

CFX Fiscal Year Ending June 30,	Plan Sponsor Measurement Date June 30,	CFX's Proportion of the HIS Net Pension Liability	CFX's Proportionate Share of the HIS Net Pension Liability	CFX's Covered Payroll	CFX's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	2019	0.0214%	\$ 2,391	\$ 7,147	33.45%	2.63%
2019	2018	0.0202%	2,134	6,585	32.41%	2.15%
2018	2017	0.0189%	2,021	6,023	33.55%	1.64%
2017	2016	0.0173%	2,018	5,345	37.75%	0.97%
2016	2015	0.0157%	1,603	4,769	33.61%	0.50%
2015	2014	0.0152%	1,418	4,507	31.46%	0.99%
2014	2013	0.0154%	1,343	4,482	29.96%	1.78%

Notes:

- 1) This schedule is intended to show information for ten years; however, data was unavailable prior to 2014. Additional years' information will be presented as it becomes available.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
Schedule of CFX Contributions**

Florida Retirement System (FRS) Defined Benefit Pension Plan
(in thousands)

Fiscal Year Ending June 30,	FRS Contributions in Relation to the		FRS Contribution Deficiency (Excess)	CFX's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution			
2020	\$ 720	\$ 720	\$ -	\$ 5,100	14.12%
2019	685	685	-	4,712	14.54%
2018	585	585	-	4,250	13.76%
2017	524	524	-	4,093	12.80%
2016	465	465	-	3,746	12.41%
2015	424	424	-	3,212	13.20%
2014	344	344	-	2,987	11.52%

Retiree Health Insurance Subsidy (HIS) Program Defined Benefit Pension Plan
(in thousands)

Fiscal Year Ending June 30,	HIS Contributions in Relation to the		HIS Contribution Deficiency (Excess)	CFX's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution			
2020	\$ 124	\$ 124	\$ -	\$ 7,441	1.67%
2019	119	119	-	7,147	1.67%
2018	109	109	-	6,585	1.66%
2017	100	100	-	6,023	1.66%
2016	89	89	-	5,345	1.67%
2015	60	60	-	4,769	1.26%
2014	52	52	-	4,507	1.15%

Notes:

- 1) This schedule is intended to show information for ten years; however, data was unavailable prior to 2014. Additional years' information will be presented as it becomes available.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

OTHER SUPPLEMENTARY INFORMATION

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY
Calculation of the Composite Debt Service Ratio, as Defined
by the Bond Resolutions and Related Documents

		Years Ended June 30,	
		2020	2019
		(in thousands)	
Schedule 1			
Revenues:			
Tolls		\$ 451,894	\$ 463,236
Fees tied to revenue collection		12,140	9,917
Transponder sales		820	648
Other operating		1,778	1,482
Interest		10,817	6,458
Miscellaneous		732	914
Total revenues		478,181	482,655
Expenses:			
Operations		64,937	62,123
Maintenance		18,022	17,753
Administration		8,910	8,447
Other operating		3,580	3,317
Total expenses		95,449	91,640
Add deposits into OMA reserve		756	1,086
Less advances allowable for operations and maintenance expenses received from FDOT		(7,601)	(7,041)
Net expenses		88,604	85,685
Net revenues, as defined, inclusive of advances received from the FDOT		\$ 389,577	\$ 396,970
Senior lien debt service payments		\$ 192,866	\$ 170,170
Senior lien debt service ratio of net revenues to debt service payments		2.02	2.33
Subordinate Payments			
SunTrust Bank Loan Payment		7,555	7,473
Total Subordinate Payments		\$ 7,555	\$ 7,473
Subordinate Debt Service Ratio*		1.94	2.23

*These calculations are done according to the Master Subordinate Lien Resolution.

Note: Revenues and expenses are presented on this schedule on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Certain amounts included on the statement of revenues, expenses, and changes in net position are not part of net revenues, as defined, and are, therefore, excluded from this schedule.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**REPORTS ON COMPLIANCE
AND INTERNAL CONTROL**



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

To the Members of the
Central Florida Expressway Authority
Orlando, 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 basic financial statements, as listed in the table of contents, of the Central Florida Expressway Authority ("CFX") as of and for the year ended June 30, 2020, and have issued our report thereon dated **DATE**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFX'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 CFX's internal control. Accordingly, we do not express an opinion on the effectiveness of CFX's internal control.

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

Our consideration of internal control 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Members of the
Central Florida Expressway Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFX's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Pursuant to provisions of Chapter 10.550, *Rules of the Auditor General*, we reported certain matters to management in a separate management letter and Independent Accountant's Report dated **DATE**.

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

Certified Public Accountants

Orlando, Florida
DATE



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH BOND COVENANTS**

To the Members of the
Central Florida Expressway Authority
Orlando, 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 basic financial statements, as listed in the table of contents, of the Central Florida Expressway Authority ("CFX") as of and for the year ended June 30, 2020, and have issued our report thereon dated **DATE**.

Other Matter

In connection with our audit, nothing came to our attention that caused us to believe that CFX failed to comply with the terms, covenants, provisions, or conditions of Sections 5.2, 5.5 to 5.7, 5.9, 5.10, 5.12, and 5.17, inclusive of the Amended and Restated Master Bond Resolution dated February 3, 2003, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding CFX's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Amended and Restated Master Bond Resolution, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

This communication related to compliance with the aforementioned Amended and Restated Master Bond Resolution and is intended solely for the information and use of CFX members, management, and the bondholders and is not intended to be, and should not be, used by anyone other than these specified parties.

Certified Public Accountants

Orlando, Florida
DATE



INDEPENDENT ACCOUNTANT'S REPORT

To the Members of the
Central Florida Expressway Authority
Orlando, Florida

We have examined the compliance of the Central Florida Expressway Authority ("CFX") with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended June 30, 2020. Management is responsible for CFX's compliance with those requirements. Our responsibility is to express an opinion on CFX's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about CFX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on CFX's compliance with specified requirements.

In our opinion, CFX complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2020.

Certified Public Accountants

Orlando, Florida

DATE



MANAGEMENT LETTER

To the Members of the
Central Florida Expressway Authority
Orlando, Florida

Report on the Financial Statements

We have audited the financial statements of Central Florida Expressway Authority ("CFX") as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated **DATE**.

Auditor's Responsibility

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

Other Reporting Requirements

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

Prior Audit Findings

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

Official Title and Legal Authority

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

To the Members of the
Central Florida Expressway Authority

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for CFX. It is management's responsibility to monitor CFX'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.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to CFX for the fiscal year ended June 30, 2020.

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 members of CFX's Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Certified Public Accountants

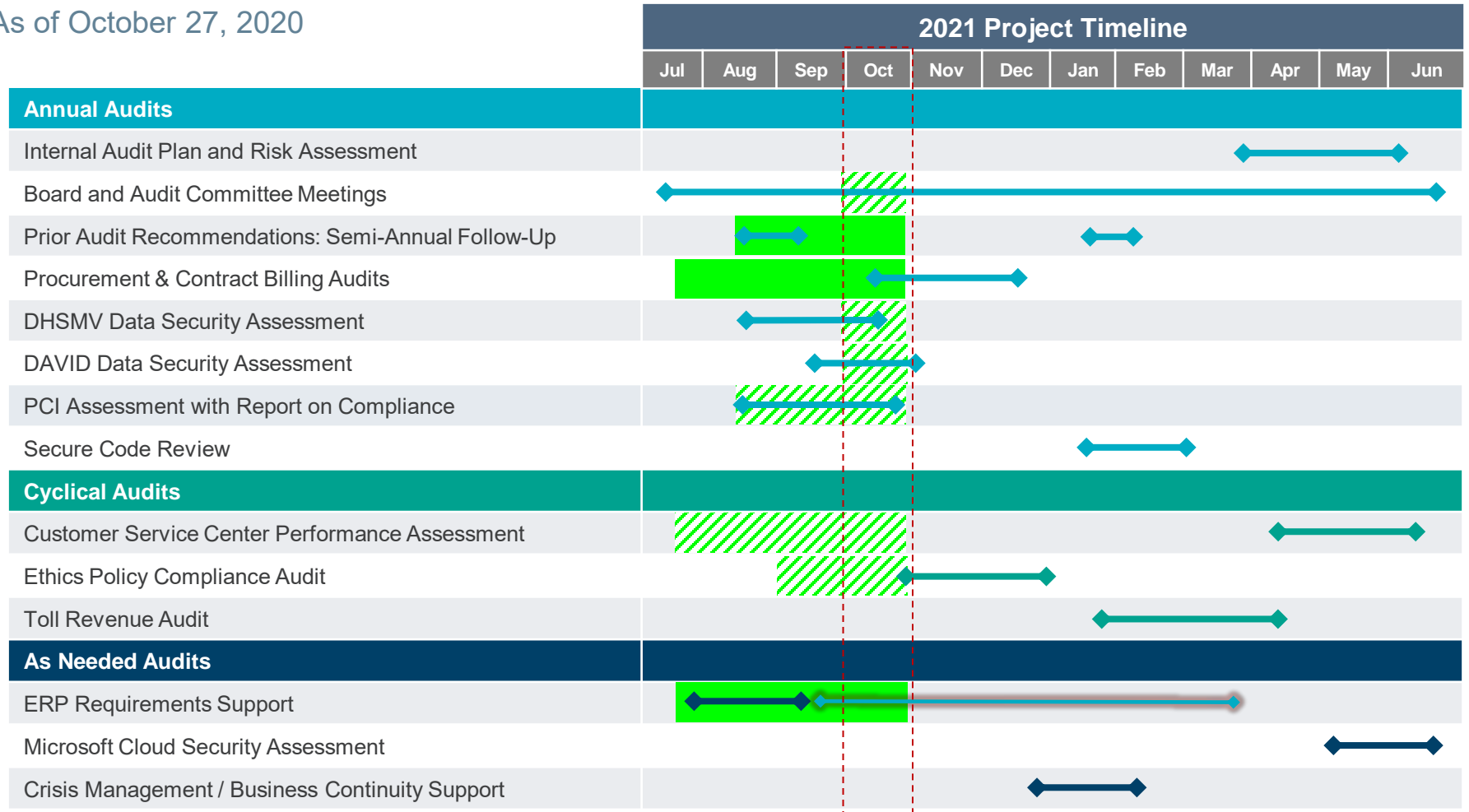
Orlando, Florida

DATE

E.1
STATUS
UPDATE:
FISCAL 2021
INTERNAL
AUDIT PLAN

INTERNAL AUDIT STATUS

As of October 27, 2020



 Plan
  Proposed Extension
  Complete
  In-Process

E.2a
PUBLIC
RECORDS
REVIEW
(FISCAL 2020)



PUBLIC RECORDS REVIEW

June 2020

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

TABLE OF CONTENTS

Section	Page
Executive Summary	3
Summary of Audit Procedures Performed and Results	5
Process Maturity Improvements	6
Detailed Observations	7

EXECUTIVE SUMMARY



Overview and Objectives

In accordance with the fiscal year 2020 Internal Audit Plan, Internal Audit reviewed the existing policies, current processes, and procedures surrounding Central Florida Expressway Authority's ("CFX") management of public records, including electronic records management, record collection and document retention.

As a public agency, CFX is required to comply with Chapter 119 of the Florida Statutes, also known as the Florida Public Records Law. The law provides that any records made or received by any public agency in the course of its official business are available for inspection, unless specifically exempted by the Florida Legislature. Public records include all documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software or other material, regardless of physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by CFX.

The CFX Records Management department consists of a Records Management Specialist, Sr. Records Clerk, and a Director of Records Management, who also serves as the agency's Records Management Liaison Officer (RMLO) with Florida's Division of Library and Information Services. CFX selects Record Coordinators within each department to work with Records Management. The Records Management function and Record Coordinators are jointly responsible for maintenance, retention, preservation, and destruction of public records as required by the Public Records Law. CFX manages public records in various forms, including paper records, electronic documents, electronic mail (email), and text messages. CFX utilizes a commercial offsite storage vendor to store physical records boxes and leverages the vendor's web-based portal to track the contents of the offsite boxes. CFX uses a combination of the offsite storage vendor and a shredding vendor for public records destruction for records that have met retention requirements. CFX is in the process of implementing a new content management platform, Hyland OnBase, that will serve as the master repository for long-term and permanent public records.

This review focused on CFX's records and information management processes and the four cornerstones of a sustainable information governance program:

1. Compliance with internal policies and procedures and Florida statutory requirements;
2. Operational efficiencies to minimize disruptions to business operations and improve ways to create, use and dispose of data;
3. Cost savings from practical solutions that reduce storage and retrieval costs, as well as requirements for responding to public record requests, investigations, litigation or regulatory requests; and
4. Defensible processes in routine business operations that allow organizations to demonstrate reasonable and good faith efforts when challenged.

EXECUTIVE SUMMARY



Project Scope and Approach

As part of this review, Internal Audit:

- Reviewed CFX's public records policies, processes, and procedures surrounding custodial requirements, maintenance, preservation, retention, exemptions, destruction of public records, and employee training and awareness;
- Documented key risks and controls;
- Evaluated the design and operating effectiveness of key controls; and
- Reviewed existing tools and technology used to store, monitor, retrieve, and control electronic records and communications.

EXECUTIVE SUMMARY



Summary of Audit Procedures Performed and Results

The areas reviewed, audit observations, and related recommendations are outlined below:

Process	Key Areas Reviewed	Number of Observations	Observation Reference	Relative Priority
Policies and Procedures	✓ Reviewed CFX's public records management process to comply with the Florida Public Records statutes surrounding custodial requirements, maintenance, preservation, retention, exemptions, and destruction of public records.	-	N/A	N/A
Training and Awareness	<ul style="list-style-type: none"> ✓ Determined how public records requirements are communicated to Authority employees, committee members, and the board of directors. ✓ Evaluate the public records management training process. 	-	N/A	N/A
Technology	<ul style="list-style-type: none"> ✓ Determined what technologies are currently utilized to retain electronic communication via text messaging and email at CFX. ✓ Reviewed the configurations of identified technologies to determine how electronic communication is captured or stored. ✓ Reviewed the processes in place to review the records that are captured and stored within CFX's environment. 	1	1	1 - Moderate
Records Collection and Retention	✓ Reviewed CFX's records management process for organizing, identifying, and tracking offsite storage records.	-	N/A	N/A
Records Destruction	✓ Reviewed CFX's process and internal controls for destroying public records that have met retention requirements.	2	2, 3	2 - Moderate 3 - Low
TOTALS:		3		

DETAILED OBSERVATIONS

DETAILED OBSERVATIONS

Observation 1 – Smarsh Enrollment

Relative Priority

Moderate

Policies and Procedures

Training and Awareness

Technology

Records Collection and Retention

Records Destruction

Observation

CFX utilizes the Smarsh application to collect and store text messages sent to or from CFX-issued mobile devices. As mobile devices are assigned to CFX users, they are typically enrolled into the Smarsh application by an IT Administrator. However, all CFX-issued mobile devices were not consistently enrolled in the Smarsh application because the assigned CFX users stated they would not use text messaging for CFX business matters.

In addition, due to remote workforce conditions related to the COVID-19 pandemic, 13 mobile devices, which were assigned to CFX users beginning in March 2020, were not enrolled into Smarsh.

Without enrolling each CFX-assigned mobile device into the Smarsh platform, text messages sent or received from these devices will not be captured within the text message archival system, which may result in CFX being unable to produce text messages that qualify as public records when public records requests are made.

Recommendation

CFX Management should consider requiring enrollment of 100% of CFX-assigned mobile devices into the Smarsh application and provide guidance to administrators and device users.

Once this guidance is provided, the Smarsh Administrator should inventory devices assigned to CFX, reconcile against devices enrolled into Smarsh, and provision any missing devices, as necessary, into the Smarsh platform. This includes enrolling the 13 newly assigned mobile devices as well as any existing mobile devices that have not been previously enrolled into Smarsh.

Additionally, management should develop a process to periodically review and reconcile the listing of CFX users and mobile devices against the inventory of provisioned devices within Smarsh to validate that text messages from all devices are being captured as required.

DETAILED OBSERVATIONS

Observation 1 – Smarsh Enrollment (continued)

<div>Relative Priority</div> <div>Moderate</div>	<div>Management Response</div> <p>Management concurs.</p> <div>Management Action Plan</div> <p>Management will require enrollment of all CFX-issued devices into the Smarsh application (or similar software) and will develop a procedure to enroll all devices into Smarsh automatically when the device is configured and issued to the assigned user.</p> <p>Management will offer solutions to address “bring your own device” scenarios to ensure all business-related text messages are captured in accordance with statutory obligations</p> <p>Management will also ensure all existing devices are enrolled into the Smarsh application by the end of the calendar year.</p> <div>Action Plan Owner / Due Date</div> <p>Rafael Millan, Director of Information Technology / December 31, 2020</p>
Policies and Procedures	
Training and Awareness	
Technology	
Records Collection and Retention	
Records Destruction	

DETAILED OBSERVATIONS

Observation 2 – Public Records Destruction

Relative Priority

Moderate

Policies and Procedures

Training and Awareness

Technology

Records Collection and Retention

Records Destruction

Observation

Florida Administrative Code 1B-24.003(1)(a) provides General Records Schedules which establish minimum retention requirements for records based on the legal, fiscal, administrative, and historical value of those records to the agencies and to the State of Florida. CFX's policy is to destroy records in accordance with these guidelines after the required minimum retention has been met. CFX has outlined requirements for the retention of public records according to a defined retention schedule, and as the length of time defined for each record type is met based on the retention schedule, records are permitted to be destroyed.

Although records destruction procedures and schedules are clearly defined, records which have exceeded their retention requirements are not being systematically and periodically destroyed consistently. This includes all records, electronic and hardcopy, which are stored onsite, offsite, and virtually. For some electronic records created and stored within CFX (such as files and folders stored on Departmental network file shares, files generated as system or application transaction logs, violation enforcement system images, and other business files), a process is not currently in place to identify and perform data destruction based upon the retention schedule. This is more pronounced within electronic storage locations that are unstructured. As a result, some electronic data types are being kept indefinitely.

The timely destruction of public records once retention is met would help reduce electronic and manual resource requirements and associated costs of storage. In addition, public records held beyond the retention period would need to be produced in the event of a public record request. Timely destruction of records could reduce labor requirements for the discovery of items that should have been destroyed in the event of a sizeable public records request.

Recommendation

CFX implementation of the OnBase Enterprise Content Management System should facilitate more comprehensive and centralized document management capabilities. To accompany the OnBase implementation and records migration processes currently in-flight across CFX, management may benefit from development and documentation of a Records Management road map that outlines the remaining steps necessary to mature the Records Management function and achieve a future-state process that includes systematic and periodic disposal of electronic and hardcopy records in accordance with the retention schedule. This plan should be approved by executive management to reach agreement and commitment of resources and should be subsequently communicated to all participating departments within the agency.

DETAILED OBSERVATIONS

Observation 2 – Public Records Destruction (continued)

Relative Priority

Moderate

Recommendation (continued)

For electronic records, the road map should consider a timeline and process by which the departments will import all electronic documents into the agency's electronic document management solution, OnBase, which allows retention parameters to be set for different types of documents. Agency-wide utilization of the OnBase solution will allow for the systematic review and destruction of records which are no longer required to be retained.

Policies and Procedures

For hardcopy records, the road map should consider a timeline and process to review documents eligible for destruction with the related department(s). Additionally, if a department requests to retain documents beyond the prescribed period, a standardized process should be implemented to assign and review additional retentions.

Training and Awareness

Additionally, as part of the road map, management may explore leveraging records management features available within other software suites used across the organization, such as Microsoft 365 Records Management for document classification and labeling, managing retention, and disposal capabilities within the Office365 environment.

Management Response

Management concurs.

Technology

Management Action Plan

Management will develop and document a road map to achieve a future-state process that includes systematic and periodic disposal of electronic and hardcopy records in accordance with policy and statutory obligations. The road map will help document dependencies, challenges, resource needs, management decision points, etc.

Records Collection and Retention

Action Plan Owner / Due Date

Tim O'Toole, Director of Records Management / June 30, 2021

Records Destruction

DETAILED OBSERVATIONS

Observation 3 – Offsite Public Records Destruction

Relative Priority

Low

Policies and Procedures

Training and Awareness

Technology

Records Collection and Retention

Records Destruction

Observation

CFX has contracted with Access Records Storage to facilitate the offsite storage and periodic destruction of archived public records. Within two business days of disposal, the vendor is contractually required to provide CFX with a Certificate of Destruction. In accordance with the vendor contract, the Certificate of Destruction should include, at a minimum, the following characteristics:

1. Date/time of destruction,
2. Location where destruction took place,
3. Name of person performing destruction,
4. Name of witness,
5. Description of item destroyed, and
6. Method of destruction.

The Certificates of Destruction reviewed during the audit only included date of destruction, box number, and item code, representing a departure from contract terms.

Recommendation

CFX should determine if current contractual requirements for the Certificates of Destruction are necessary to comply with Florida Public Records Law. Based on this determination, CFX may contact its offsite storage vendor and request compliance with the contract terms. Alternatively, if the missing information is not required for compliance, CFX should amend the contract with the offsite storage vendor.

Management Response

Management concurs.

Management Action Plan

Management will coordinate with the vendor to amend the contract terms to better align the information disclosed on the Certificates of Destruction with what is required to comply with Florida Public Records Law.

Action Plan Owner / Due Date

Tim O'Toole, Director of Records Management / December 31, 2020

Face the Future with Confidence

E.2b

**PRIOR AUDIT
RECOMMENDATIONS
: SEMI-ANNUAL
FOLLOW-UP
(FISCAL 2021)**

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Prior Audit Recommendations Follow-Up

September 30, 2020

TABLE OF CONTENTS



3 Executive Summary

5 Status of All Open Recommendations

EXECUTIVE SUMMARY



Overview

As part of the Fiscal Year 2021 Internal Audit plan, Internal Audit performed a review of open audit recommendations from prior audit reports as of September 30, 2020 to verify the implementation status reported by management. Open recommendations from the following audits were evaluated:



2013 Toll Revenue Audit	2019 LENS Access Control Review
2017 Change Management – Tolling System Replacement Audit	2020 Secure Code Review
2018 IT General Controls Review	2020 Procurement and Contract Billing Audit
2019 Accounting Financial Controls Review	2020 COSO ERM Governance Review
2019 Customer Service Center Performance Review	2020 Marketing and Social Media Audit
2019 IT Project Management Review	2020 P-Card and Gas Card Audit
	2020 Retail Transponder Sales Review

Internal Audit last reviewed the status of open audit recommendations in January 2020. Results were reported to the Audit Committee in February 2020.



Objectives, Scope, and Approach

This review was completed as of September 30, 2020 and consisted of meetings with management to determine the status of open audit recommendations and testing of management's response and status. In addition, only those recommendations that remained open at the time of the last review have been included in this report. If a recommendation was completed as of January 31, 2020, no further work was performed, and the recommendation was not included for review.

Testing performed included inquiry with the employees responsible for completing the recommendations and/or review of documentation evidence to confirm management's reported status and explanation. In instances where the evidence obtained did not agree with management's status, discussions with management were held and the differences were resolved. There were no instances where management and Internal Audit did not come to an agreement on the status of a prior audit recommendation.

EXECUTIVE SUMMARY



Recommendations Summary

Audit	Open as of January 31, 2020	New Action Plans	Completed as of September 30, 2020	In Progress as of September 30, 2020*	Past Due*
2013 Toll Revenue Audit	1	0	0	1	0
2017 Change Management - Tolling System Replacement Audit	1	0	0	1	0
2018 IT General Controls Review	1	0	0	1	0
2019 Accounting and Financial Controls Audit	1	0	0	1	0
2019 Customer Service Center Performance Review	1	0	0	1	0
2019 IT Project Management Review	2	0	1	1	0
2019 LENS Access Control Review	0	1	0	1	0
2020 Secure Code Review	0	8	6	2	1
2020 Procurement and Contract Billing Audit	0	3	3	0	0
2020 COSO ERM Governance Review	0	5	0	5	0
2020 Marketing and Social Media Audit	0	4	0	4	0
2020 P-Card and Gas Card Audit	0	6	2	4	0
2020 Retail Transponder Sales Review	0	4	0	4	1
Total	7	31	12	26*	2*

***26** recommendations are classified as "In Progress." **Seven** of the 26 recommendations are past the initial agreed-upon due date; however, **five** these seven recommendations are pending completion of a new system implementation or a procurement/vendor selection event, so the due date has been revised to match the estimated timing of the necessary event. **Two** of the 26 recommendations are past the initial agreed-upon due date and have been assigned a revised due date as of September 30, 2020. The other remaining "In Progress" recommendations are within the original, agreed-upon due date.

STATUS OF ALL OPEN RECOMMENDATIONS

STATUS OF ALL OPEN RECOMMENDATIONS

2013 Toll Revenue Audit

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Potential Revenue Leakage/Toll Collections Audit: CFX will automate certain aspects of the Toll Plaza Attendant's Shift Record Log by integrating tracking of unusual occurrences, violations, and insufficient fund transactions within system. This recommendation will be implemented as a function of the Tolling System replacement.	David Wynne, Director of Toll Operations	In Progress - Contingent upon Full Implementation of New Tolling System	Per discussion with Dave Wynne, Director of Toll Operations, this recommendation will be implemented within the Toll System Replacement project. The new system is currently operational except for the manned cash lanes. The implementation of this system automation includes collector buttons that are pre-designated for specific occasions and vehicles that come through the tolls. Management expects the automated collector buttons to be implemented in the manned cash lanes by the revised due date of 12/31/2020.	Original: 7/1/15 Revised: 12/31/17 Revised: 12/31/19 Revised: 12/31/20

2017 Change Management - Tolling System Replacement Audit

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
TSR Vulnerability Scans: Management will remediate the Medium vulnerabilities near the completion of the TSR project.	Jim Greer, Chief of Technology and Operations	In Progress - Contingent upon Full Implementation of New Tolling System	Per discussion with Jim Greer, Chief of Technology and Operations, CFX has determined that remediation of these vulnerabilities will be performed prior to completion of the Toll System Replacement Project. Management expects the Medium vulnerabilities related to the Tolling System Replacement to be completed by the revised due date of 12/31/2020.	Original: 6/30/19 Revised: 9/30/20 Revised: 12/31/20

2018 IT General Controls Review (1 – In Progress – Contingent on System Implementation) Exempt F.S.282.318

STATUS OF ALL OPEN RECOMMENDATIONS

2019 Accounting and Financial Controls Review

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Vendor Master File Management: CFX will implement a review of new vendors into the Accounting Clerk's review of invoices to ensure the vendor was entered completely and accurately. CFX will further implement a review of vendor changes into the CFOs monthly review procedures.	Lisa Lumbarb, CFO	In Progress - Contingent on Implementation of New ERP System	Per discussion with the CFO, the EDEN accounting system recognizes every invoice paid as an update to the vendor within the AP module. As such, it is not possible to review monthly vendor changes as part of the current review process. As of the date of testing, the Authority is currently in the beginning stages of implementing a new ERP system which, among other things, will allow management to review actual vendor changes in the AP module. In the meantime, the invoice review process has been updated to include a review of vendor information per EDEN against the invoice received to ensure appropriateness of the payee. The implementation of the new ERP system is expected to be completed by the revised due date of 12/31/2021.	Original: 8/31/19 Revised: 12/31/21

2019 Customer Service Center Performance Review

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Intelligent Voice Response (IVR) Solution: CFX will develop a roadmap or strategy to update and modernize the IVR as it is integrated with the new tolling operations system.	Jim Greer, Chief of Technology and Operations David Wayne, Director of Toll Operations	In Progress - Contingent on System Implementation	Per discussion with the Director of Toll Operations and Chief of Technology and Operations, CFX has recently contracted with Nice in Contact for telephony solutions for the agency. As part of the contracted services, CFX will also be taking advantage of the company's integrated IVR offerings as opposed to contracting the services out to a different IVR provider to increase capabilities and minimize incompatibilities between systems. The departments are currently in the process of designing workflows to integrate the IVR with the new tolling system. The recommendation is expected to be completed by the revised due date of 12/31/20.	Original: 12/31/19 Revised: 6/30/20 Revised: 12/31/20

STATUS OF ALL OPEN RECOMMENDATIONS

2019 IT Project Management Review

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Project Management Framework: Management will develop a plan for implementing a formalized project management framework that includes policies, procedures and templates to facilitate project management life cycles at CFX. ITIL will be considered as this framework is developed.	Jim Greer, Chief Technology and Operations Officer	Complete	Per discussion with the Chief of Technology and Operations, CFX has completed a preliminary framework that it expects to modify as needed to meet the needs and structure of the agency as it evolves. Internal Audit obtained a copy of the framework as support for the completion of the action plan by the prescribed due date.	Original: 7/31/20
Resource Planning: Management will formalize resourcing practices with regard to projects at CFX based on requirements and budgets defined in the project intake process (see Observation 2). CFX will integrate these practices within the ERP system planned for 2021.	Jim Greer, Chief Technology and Operations Officer	In Progress - Contingent on Implementation of New ERP System	Per discussion with the Chief of Technology and Operations, remediation of this finding will involve integration of CFX's timekeeping ERP system within Cherwell. As EDEN is slated to be replaced in 2021 by a new ERP system, remediation of this finding is contingent upon new ERP system implementation; the revised due date reflects this contingency. This recommendation is expected to be completed by the revised due date.	Original: 7/31/20 Revised: 12/31/21

2019 LENS Access Control Review (1 – In Progress) Exempt F.S.282.318

2020 Secure Code Review (6 – Complete, 1 – In Progress, 1 – In Progress (Past Due)) Exempt F.S.282.318

STATUS OF ALL OPEN RECOMMENDATIONS

2020 Procurement and Contract Billing Audit

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Contract Terms and Dispute Resolution: CFX will review selected contract terms to identify areas for increased clarity in future contracts. Additionally, CFX will implement an internal procedure to guide the documentation and resolution of disputes with vendors by designating responsible independent parties on the Executive Team and/or Legal to act as the final decision-making authority in contractual disputes.	Lisa Lumbard, CFO	Complete	Per discussion with the CFO, the contract terms have been updated since the initial observation. Additionally, internal procedures for dispute resolution have been established and documented. Internal Audit obtained an updated contract and a copy of the dispute resolution procedures as support for the completion of the action plan.	Original: 6/30/20
Contract Compliance Checklist: CFX will ensure the Contract Support Specialist utilizes a contract compliance checklist to document the review of contractor invoices. CFX will leverage the contract compliance checklists already developed in the construction and engineering departments as a template. Additionally, CFX will ensure that detailed documentation is retained for any invoices approved despite containing instances of noncompliance per the checklist (detailed notes, email attachments, etc.).	Claritza Yeagins, Contract Support Specialist	Complete	Per discussion with the Contract Support Specialist, a checklist has been implemented which involves steps such as verifying the invoice is for the correct time frame based on the attached support, verifying that contractors are billing for services at the appropriate rates, and checking for personnel addition requests to ensure new contractors have been appropriately authorized. Internal Audit obtained an example checklist to confirm completion of the action plan.	Original: 6/30/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 Procurement and Contract Billing Audit (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Subcontractor Reconciliations: CFX has implemented a reconciliation of expenses allocated to subcontractors in each invoice against EDEN as part of the invoice review performed by the Manager, Contract Compliance, and will begin evidencing review through signature on the billing checklist (upon implementation). Additionally, the Supervisor of Quality Control--Toll Operations, is performing a historical audit of all subcontractor-related expenses for the selected contract and will update EDEN data upon completion.	Carrie Baker, Manager of Contract Compliance	Complete	Per discussion with Manager of Contract Compliance, all expenses for subcontractor are being manually logged in an excel sheet and reviewed against amounts invoiced to CFX. Additionally, all outstanding expenses for the selected EGIS contract have been updated in the contract module in EDEN and provided to the contractor for payment. As of September 30, 2020, all outstanding expenses have been billed and one final invoice is awaiting payment. Internal Audit obtained related support to confirm completion of the action plan.	Original: 6/30/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 COSO ERM Governance Review

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Business Continuity Documentation: CFX will develop business continuity documentation for each component of the Infrastructure department (and validate that third parties have one in place) that outlines the expectations for resuming business operations after a crisis.	Glenn Pressimone, Chief of Infrastructure	In Progress	Per the Chief of Infrastructure, the outlines for resuming business operations following a crisis are currently in draft format and are on target to be finalized by the original due date of 12/31/20.	12/31/20
Risk Management Working Group: CFX will organize a Risk Management Working Group with the following features: Responsible Party/Organizer – Risk Manager Members - Chief Finance Officer, Chief of Technology/Operations, Risk Manager, others may be added as needed Frequency – At the discretion of the Group, or at least semi-annually Agenda – Agenda topics should be determined by the responsible party and may include risks from the Strategic Plan or Risk Model, prior audit recommendations, risk monitoring needs, and other topics.	Lisa Lombard, Chief Financial Officer	In Progress	Per the CFO, a Risk Manager has recently been hired and tasked with establishing a risk management framework with pre-determined features as prescribed by management. The enhancement opportunity is on track to be implemented by the original due date of 12/31/20.	12/31/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 COSO ERM Governance Review (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Risk Management Feedback: The Risk Management Working Group will include an agenda item to solicit feedback from each relevant department regarding key strategic risks. The Risk Management Working Group, in coordination with management, will update the Three-Year Strategic Plan with the strategic risks for each strategic goal.	Lisa Lumbard, Chief Financial Officer	In Progress	Per the CFO, a meeting will be held with the Risk Management Working Group following the establishment of a risk management framework as mentioned above which will cover feedback from each department. The enhancement opportunity is on track to be implemented by the original due date of 3/31/21.	3/31/21
Vendor Insurance Requirements: The Risk Management Working Group will include an agenda item to solicit feedback from each relevant department, and, in coordination with the Procurement Department, will propose updates to current vendor insurance requirements to incorporate risk-based vendor management concepts.	Lisa Lumbard, Chief Financial Officer	In Progress	Per the CFO, the newly hired Risk Manager will be responsible for assessing contractual requirements on a contract by contract basis as part of his regular duties to ensure that vendors have optimal coverage. The enhancement opportunity is on track to be implemented by the original due date of 3/31/21.	3/31/21

STATUS OF ALL OPEN RECOMMENDATIONS

2020 COSO ERM Governance Review (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
<p>Data Requests:</p> <p>The Risk Management Working Group will include an agenda item to monitor status of each of the above data requests and follow up as needed. Additionally, the Risk Management Working Group will coordinate with the Technology / Operations Department to refine the ticketing system by which reporting requests are made and will support development of that system towards capture of relevant cost / benefit information.</p>	Lisa Lumbar, Chief Financial Officer	In Progress	Per the CFO, the risk management group is working with IT to develop a template for procedures for monitoring data requests until such time that ticketing system improvements can be implemented. The enhancement opportunity is on track to be implemented by the original due date of 6/30/21.	6/30/21

STATUS OF ALL OPEN RECOMMENDATIONS

2020 Marketing and Social Media Audit

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Contractor Use Guidelines: Management will develop a social media use guideline or policy for CFX contractor and subcontractor employees. Management will also incorporate an annual social media policy acknowledgement for all CFX employees. Finally, management will implement periodic social media continuing education for employees that work directly with social media platforms and tools.	Michelle Maikisch, Chief of Staff/Public Affairs Officer	In Progress	Per the Manger of Communication and Marketing, a new employee has recently been hired who will be tasked with compiling the recommended topics as an update to the current Social Media Procedures Manual. This recommendation is in progress and on target to be implemented by the original due date of 1/31/21..	1/31/21
Social Media Password Controls: Management will review the recommendation and work collaboratively to develop an approach that improves social media password and user access provisioning controls and aligns with CFX and social media capabilities.	Michelle Maikisch, Chief of Staff/Public Affairs Officer Jim Greer, Chief of Technology and Operations	In Progress	Per the Chief of Staff/Public Affairs Officer, the communications team is working in conjunction with IT to implement the recommendation as prescribed. The recommendation is in progress and on target to be implemented by the prescribed due date of 1/31/21.	1/31/21
User Access Review: Management will establish and document a periodic independent review of social media user access lists across all social media tools or platforms.	Michelle Maikisch, Chief of Staff/Public Affairs Officer	In Progress	Per the Chief of Staff/Public Affairs Officer, the Manager of Communications is currently drafting a guideline for a periodic user access review. The recommendation is in progress and on target to be implemented by the prescribed due date of 12/31/20.	12/31/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 Marketing and Social Media Audit (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Social Media Procedures: Management will consider the recommended topics as an update to the Social Media Procedures Manual.	Angela Melton, Manager of Communications and Marketing	In Progress	Per the Chief of Staff/Public Affairs Officer, preliminary discussion around a policy are underway as of the date of testing. The recommendation is in progress and on target to be implemented by the prescribed due date of 6/30/21.	6/30/21

2020 P-Card and Gas Card Audit

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Gas Card Policy: Management will update the Procurement Policy to incorporate a Gas Card policy. Management will update the P-Card Manual to reflect current procedures as recommended and will develop Gas Card procedures to supplement the documentation set.	Aneth Williams, Director of Procurement	In Progress	Per discussion with Director of Procurement, the updates are on track to be made to the Gas Card procedure within the Gas Card policy with Board approval by the prescribed due date of 12/31/20.	12/31/20
Digital Approval Workflow: Procurement will work with the IT team to determine the best workflow option for each part of the recommendation (Adobe Sign, SharePoint, or others). Management will develop and implement the digital workflow(s) in accordance with the recommendation.	Aneth Williams, Director of Procurement	In Progress	Per discussion with Director of Procurement, IT personnel are currently being consulted to determine the best workflow option in accordance with the recommendation. This item is on track to be completed by the prescribed due date of 12/31/20.	12/31/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 P-Card and Gas Card Audit (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Active Card User Review: Management will implement a review of active card users to be performed twice per year by the CFO.	Lisa Lumbard, Chief Financial Officer	Complete	Per discussion with the CFO, a bi-annual review has been implemented, to be performed in June, prior to the end of the fiscal year, and in December, prior to the end of the calendar year. Internal Audit obtained documentation of the June 2020 review as support for the completion of the action plan.	6/30/20
Gas Card Storage: Management will remove the Gas Cards from the Pool Vehicles and will implement a standard tracking log to be used consistently for all Pool Vehicles. Management will improve the monthly review of Gas Card spend through use of the tracking logs to assign and document the employee responsible for each charge.	Lisa Lumbard, Chief Financial Officer	Complete	Per the CFO, the fuel cards are now securely stored with the vehicle keys, which are controlled by Mimi Lamaute, Executive Assistant, or Sherry Gibson-Taylor, Front Office Administrator, who are responsible for updating the tracking log as well. The log details which vehicles are in use and who has possession of the gas card. Internal Audit obtained a copy of the log as support for completion of the action plan.	7/31/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 P-Card and Gas Card Audit (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Review Checklist: Management will develop a checklist for supervisors to be used during their monthly review of P-Card transactions. P-Card/Gas Card integrations and process improvements will be included in the ERP requirements during RFP development.	Aneth Williams, Director of Procurement	In Progress	Per discussion with the Director of Procurement, a draft checklist is in the process of being reviewed and modified. Once the checklist has reached its final draft, it will be provided to the CFO for review and final approval. This item is on track to be completed by the prescribed due date of 9/30/20	9/30/20
Vendor Reporting Capabilities: Management will review P-Card vendor reporting capabilities to extract transaction data. The Manager of Contract Compliance will implement a process to review transaction data and sample P-Card monthly statements for the quarterly audit. Procedures will be updated as the process is developed.	Carrie Baker, Manager of Contract Compliance	In Progress	Per the Manager of Contract Compliance, once the checklist referenced in the above observation has been fully reviewed and approved, the Manager of Contract Compliance will implement the review on a quarterly basis. The recommendation is on target to be implemented by the prescribed due date of 10/31/20.	10/31/20

STATUS OF ALL OPEN RECOMMENDATIONS

2020 Retail Transponder Sales Review

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Reporting Capabilities: CFX will organize a working group comprised of stakeholders involved in retail transponder sales and inventory management processes and IT to discuss fulfillment of key reporting needs through current CRM implementation.	Mike Carlisle, Director of Accounting and Finance	In Progress	Per the Director of Accounting and Finance, stakeholders involved in retail transponder sales and inventory management processes are evaluating CRM capabilities gradually, in line with CRM implementation status. This recommendation is in progress and on target to be completed by the original due date of 3/31/21.	3/31/21
Inventory Documentation: Management will review all inventory management and transponder sales documentation (including retail sales) to ensure all procedures are adequately documented.	Mike Carlisle, Director of Accounting and Finance Angela Melton, Manager of Communications Fred Nieves, Manager of E-Pass and plaza Operations	In Progress	Per discussion with Director of Accounting and Finance, Manager of Communications, and Manager of E-Pass and Plaza Operations, all parties indicated that the reviews and documentation updates were currently underway and on target to be implemented by the original due date of 12/31/20.	12/31/20
Spreadsheet Access Review: Management will perform a review of access to key operational spreadsheets by the established due date in either the system folders or SharePoint depending on the status of the SharePoint migration.	Fred Nieves, Manager of E-Pass and Plaza Operations	In Progress (Past Due)	Per the Manager of E-Pass and Plaza Operations, this process is still ongoing amidst the transition from the former call center service provider (EGIS) to the new provider. This recommendation is currently past due the original due date but on track to be implemented by the revised due date of 12/31/20.	Original Due Date: 8/31/2020 Revised Due Date: 12/31/2020

STATUS OF ALL OPEN RECOMMENDATIONS

2020 Retail Transponder Sales Review (Continued)

Management Action Plan	Responsible Party	Status	Summary of Status	Due Date
Realignment of Retail Functions: Management will consider realignment of the order fulfillment and shipping function for the retail program as recommended. As realignment is considered, management will also develop documentation requirements for each retail shipment that includes evidencing the reconciliation between the original order, the shipping manifest verified by physical count of transponders, and the invoice prepared by Finance.	Lisa Lumbar, Chief Financial Officer	In Progress	Per the CFO, once all departments have established procedures related to inventory management, a meeting will be held with the responsible parties in the associated departments to determine where shipping costs are most appropriately applied. The recommendation is on track to be implemented by the original due date of 12/31/2020.	12/31/20

Face the Future with Confidence

E.2c
PROCUREMENT
AND
CONTRACT
BILLING
AUDITS
(FISCAL 2021)



PROCUREMENT AND CONTRACT BILLING AUDIT

October 2020

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

TABLE OF CONTENTS

Section	Page
Executive Summary	3
Summary of Audit Procedures Performed and Results	5
Appendix A – Detailed Audit Procedures Performed	6

EXECUTIVE SUMMARY

Overview / Objectives / Scope and Approach

Overview

In accordance with the 2021 Internal Audit Plan, Internal Audit selected three Central Florida Expressway Authority (“CFX”) contracts for audit from a population of currently active engineering, service, maintenance, operations, and construction projects with a contract value in excess of \$1.63 billion. The combined contract value of these three contracts exceeded \$62.7 million (\$54.7 million in current expenditures). The last contract billing audit was completed during March 2020 and included a different set of contracts.

Objectives

The objectives of this audit were to (1) audit the accuracy of items billed to CFX in accordance with contract terms and conditions, and (2) identify and test key processes and controls related to contract procurement, contract administration, project and cost management, and supplemental agreement management.

Project Scope and Approach

This audit was performed using a four-phased approach as outlined below:

Phase I – Contract Analysis and Selection

To select contracts for audit, Internal Audit obtained a listing of all active contracts and identified a short-list of contracts for audit after interviewing management and performing a risk analysis based on contract size, duration, terms and conditions, and nature of the work performed. The following contracts were selected for review and approved by the Audit Committee Chair prior to audit:

1. **Hubbard Construction Company (#001398)** – Contract for construction project 417-134, SR 417 Widening from Econlockhatchee to Seminole County. This contract began in September 2018 and has a current contract value of approximately \$44.9 million. As taken from Eden, CFX’s accounting system, total expenditures to date at the time of this audit were approximately \$41 million.
2. **Infrastructure Company of America, LLC (#001150)** – Contract for facilities maintenance services. This contract began in May 2016 and has a current contract value of approximately \$9.8 million. As taken from Eden, total expenditures to date at the time of this audit were approximately \$7.8 million.
3. **Reynolds, Smith & Hills, Inc. (#001313)** – Contract for design consultant services for SR 417 widening from John Young Parkway to Landstar Boulevard (Project 417-142). This contract began in July 2018 and has a current contract value of approximately \$8 million. As taken from Eden, total expenditures to date at the time of this audit were approximately \$6 million.

Continued on the following page....

EXECUTIVE SUMMARY

Overview / Objectives / Scope and Approach

Phase II – Processes and Controls Review

Internal Audit performed procedures to review CFX's processes, policies, and procedures related to procurement, contract administration, project and cost management, and supplemental agreement management. Key internal controls within each of these areas were identified and tested for each contract selected in Phase I. A summary of the procedures performed, results, and observations are provided on the following pages. Additional details on the procedures performed are included in Appendix A.

In September 2020, Internal Audit completed a review of open recommendations issued as part of the prior year 2020 Procurement and Contract Billing Audit and verified that all have been incorporated into practice and policy by CFX staff. The audit recommendations issued during prior year audits were also considered and incorporated for review as part of the 2021 Procurement and Contract Billing Audit in order to verify that prior years' findings were resolved and are not prevalent in the contracts selected for testing.

Phase III – Contract-Specific Audit Procedures

Internal Audit performed detailed procedures to review contract terms, costs billed to CFX, and other key attributes for each of the contracts selected for audit. The contracts selected, value, spend to date, sample tested, and percentage of spend tested are outlined below:

Contract	Contract Value	Spend to Date [1]	Sample Tested [2]	% Spend Tested
Hubbard Construction Company (#001398)	\$44,873,860.84	\$40,992,435.45	\$22,156,874.37	54%
Infrastructure Company of America, LLC (#001150)	\$9,812,462.94	\$7,755,946.98	\$2,687,811.34	35%
Reynolds, Smith & Hills, Inc. (#001313)	\$8,036,135.31	\$5,983,621.55	\$3,577,720.73	60%

[1] As of July 31, 2020

[2] Invoices were selected for testing using judgmental sampling. A detailed report of all invoices paid to date was obtained for each contract and analyzed on a month-over-month basis to select samples for testing. The invoices selected were tested for compliance with contract terms and conditions.

Phase IV – Reporting and Deliverables

Internal Audit prepared this report for management review and comment and for issuance to the CFX Audit Committee.

SUMMARY OF PROCEDURES PERFORMED AND RESULTS

Process Areas / Procedures / Controls Tested

For the contracts selected for audit, Internal Audit identified risks and tested key controls within the process areas outlined below. Where applicable, a sample of detailed project costs was reviewed and tested for compliance with contract terms and conditions. The table below provides an overview of the areas reviewed for each contract audited. Further details related to the specific procedures performed are provided in Appendix A.

Process	Procedures Performed / Key Areas Reviewed	Total Controls Tested	Number of Observations	Observation Reference
Procurement	Project funding and bid authorization, project bidding (sealed bids and competitive sealed proposals), bid awards, bid bond requirements, and contract renewals.	26	0	-
Contract Administration	Contract terms and conditions, insurance, bond and permitting requirements, and minority and women owned business ("MWBE") requirements.	11	0	-
Project & Cost Management	Invoice processing, project planning, scheduling, quality control, subcontract management, cost management, owner direct material purchases ("ODMP") management, and project reporting.	39	0	-
Change Order Management	Supplemental agreement review, approval, and execution.	8	0	-
Project Closeout	Preparation, approval, and submission of project close-out documents.	5	0	-
TOTALS:		89	0	-

APPENDIX A

Detailed Audit Procedures Performed

APPENDIX A

Detailed Audit Procedures Performed

Procurement

Internal Audit performed detailed audit procedures related to the procurement, bidding, award, and renewal of all contracts selected for testing. The procedures performed included:

- ❖ Review of the process for establishing bid estimates for large construction contracts;
- ❖ Testing of Board approval to advertise for bids and proposals and Board approval of the contract award;
- ❖ Testing for the use of five-year contract terms and the option for five one-year renewals for contracts;
- ❖ Testing of the key components of the competitive sealed bid and proposal processes, including:
 - Completion and utilization of bidding and award schedules;
 - Timestamps applied to all received proposals and compliance with submission deadlines;
 - The use of bid opening and bid tabulation sheets;
 - Performance of unbalanced bid reviews for competitive bids;
 - Completion of disclosure forms by CFX's employees responsible for evaluating technical and price proposals; and
 - Comparison of evaluation and scoring to advertised request for proposals.
- ❖ Completion and distribution of the monthly expiring contracts report by the procurement department; and
- ❖ Completion and approval of the expiring contract renewal worksheet and Board approval of contract renewals.

Continued on the following page....

APPENDIX A

Detailed Audit Procedures Performed

Contract Administration

Internal Audit performed detailed audit procedures related to key contract terms and conditions utilized by CFX including the satisfaction of insurance, bonding, permitting and MWBE requirements by the contractors selected for testing. The procedures performed included:

- ❖ Testing for the review of contracts by CFX's Legal Counsel;
- ❖ Testing of key contract reviews and clauses, including:
 - Right to review by CFX's Legal Counsel; and
 - Inclusion of key right to audit, termination, and indemnity clauses.
- ❖ Outlining and testing of insurance, bonding, and permitting requirements specific to the contracts selected; and
- ❖ Satisfaction of MWBE requirements set forth in the original bid and as required by CFX.

Change Order Management

Internal Audit performed detailed audit procedures related to supplemental agreement execution, review, and approval. The procedures performed included:

- ❖ Testing for Board approval of all supplemental agreements in excess of \$50,000;
- ❖ Testing for the approval of all supplemental agreements by the appropriate parties;
- ❖ Testing of adequate supporting documentation for compliance with contract terms and conditions regarding price and scope for all executed supplemental agreements related to the construction contracts selected for review; and
- ❖ Testing of a sample of fuel price and bituminous mix adjustments related to the construction contracts selected for review.

Continued on the following page....

APPENDIX A

Detailed Audit Procedures Performed

Project & Cost Management

Internal Audit performed detailed audit procedures related to invoice processing and approval, project planning, scheduling and quality control, project cost management and reporting, subcontractor management, CEI oversight, and ODMP processing. The procedures performed included:

- ❖ Testing of a sample of invoices for the projects selected for adequate review and approval by the appropriate personnel and compliance with CFX's invoice processing procedures;
- ❖ Discussion of current practices regarding quality control, risk management plans and performance, and quality monitoring;
- ❖ Testing of subcontractor approval and a sample of payments made to subcontractors;
- ❖ Detailed testing of costs billed for a sample of invoices selected for each of the service contracts selected, and detailed testing of a sample of the quantities billed for each of the construction contracts selected;
- ❖ Utilization and monitoring of the CEI Consultants assigned to construction contracts;
- ❖ Discussion and limited testing of changes to project schedules;
- ❖ Review of reporting submitted to management on a regular basis; and
- ❖ Detailed testing of the ODMP programs implemented for the construction contracts selected.

Project Close-Out

Internal Audit performed detailed audit procedures related to completion of payments, Document Summary Manual from the CEI, and the contract closeout checklist. The procedures performed included:

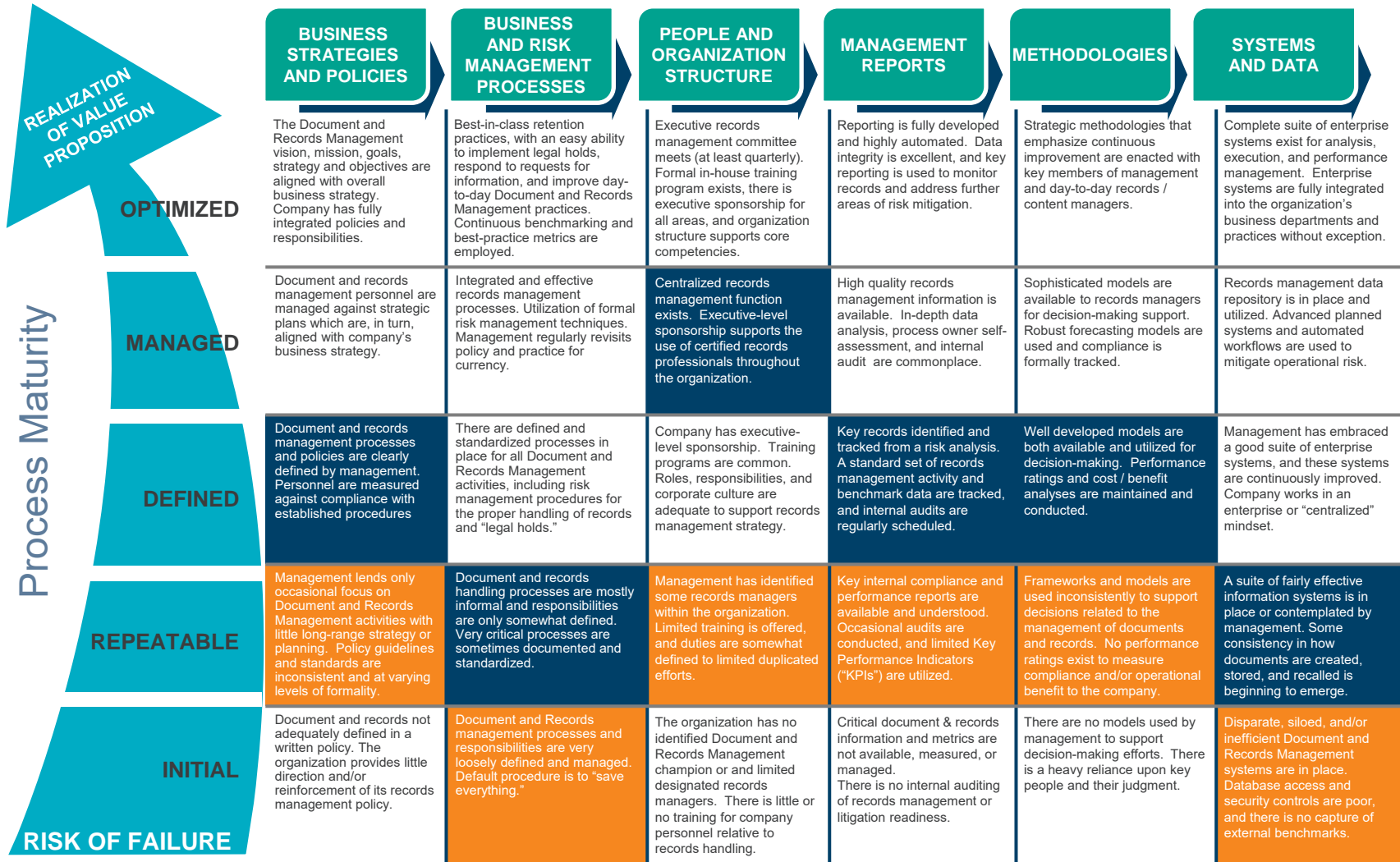
- ❖ Testing of the completion of key project closeout documents; including submission of final payment, completion of the Document Summary Manual by the CEI, and completion of the contract closeout checklist with supporting documentation.

Face the Future with Confidence

protiviti®

E.3a
PUBLIC
RECORDS
REVIEW
MATURITY
MODEL

PUBLIC RECORDS MATURITY IMPROVEMENTS



Level of Process Maturity*:

FY 2017

FY 2020

*The perceived level of process maturity and progress made since the last audit in FY 2017 was outlined based on input and information provided by CFX staff.

E.3b
ERP
REQUIREMENTS
SUPPORT
UPDATE AND
SUPPLEMENTAL
AGREEMENT



ERP REQUIREMENTS SUPPORT

October 2020

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

TABLE OF CONTENTS

Section	Page
Executive Summary	3
ERP Insights and Considerations for CFX	4
Potential Future-State System Architecture	5
ERP Implementation Roadmap	6
Supplemental Agreement Scope and Estimates	7
Next Steps	8

EXECUTIVE SUMMARY

Project Objectives and Accomplishments

Background:

CFX's current ERP system, Eden from Tyler Technologies, has been in place since 2004. Based on feedback from CFX users, the system is antiquated, and many processes across the organization are performed manually outside the system due to functionality limitations. In addition, Tyler Technologies is no longer selling or supporting upgrades to CFX's current version of Eden.

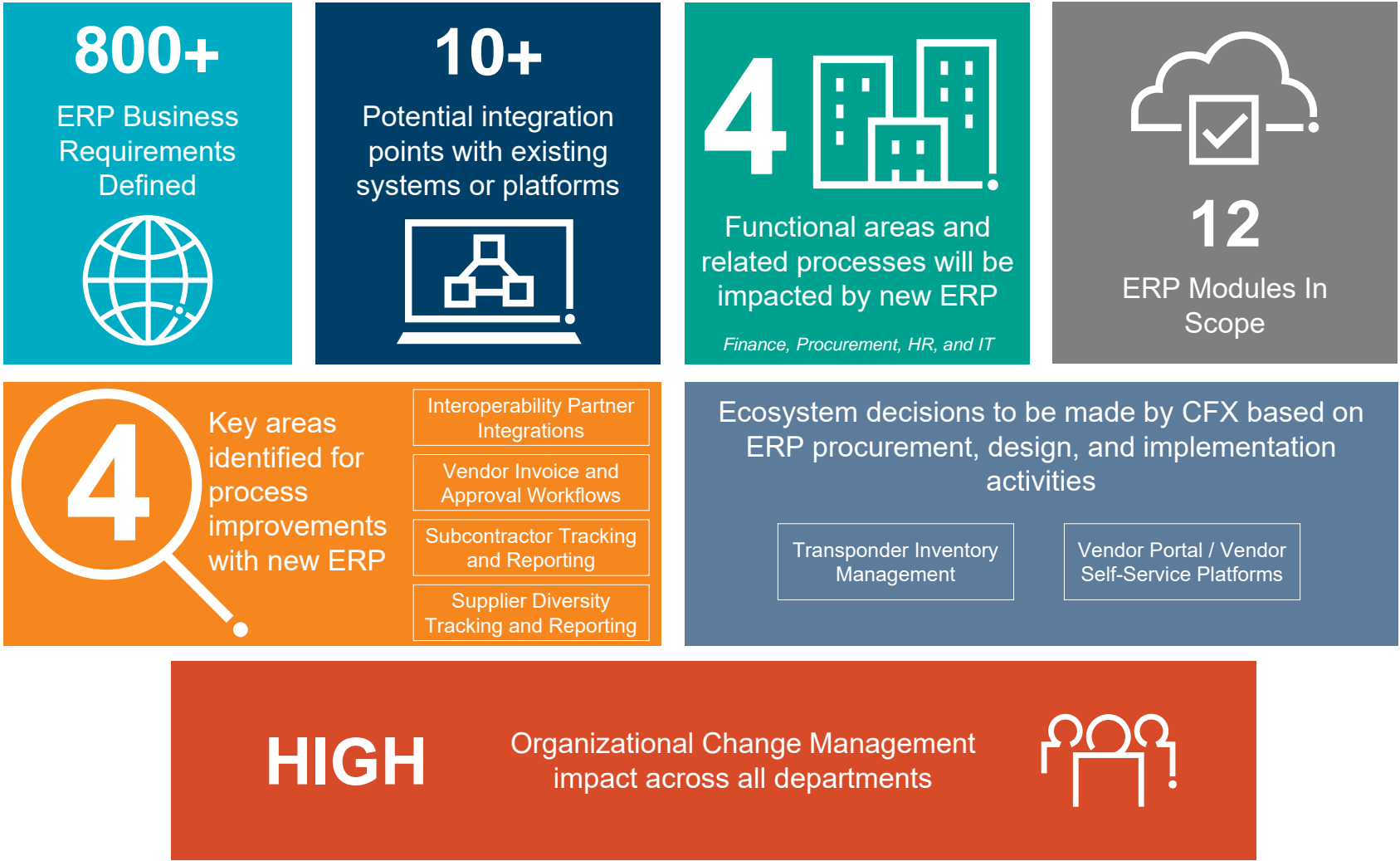
Objectives:

- Assist CFX with finalizing ERP business requirements through workshops with key stakeholders.
- Provide subject-matter expertise and guidance on next steps in the ERP selection process including RFI/RFP development, vendor identification, and vendor demonstration preparation.

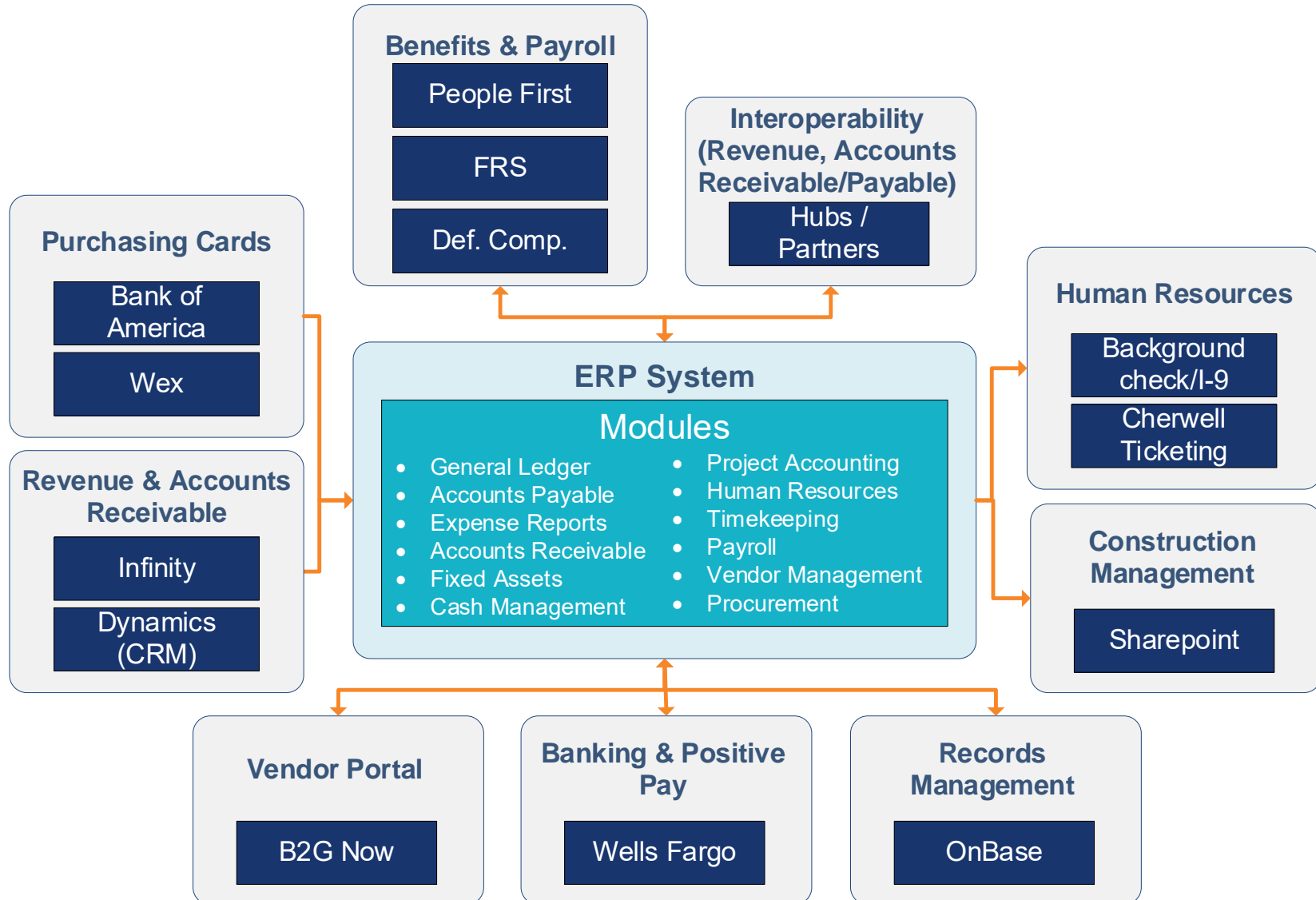
Accomplishments:

- ✓ Reviewed current state RFP business requirements, results of Internal Audit's Robotic Process Automation Review, and outstanding management action plans involving a new ERP system
- ✓ Conducted interviews with key stakeholders and Protiviti subject-matter experts to discuss areas of manual effort, ERP leading practices, and future state process transformation desired from an ERP implementation:
 - Accounting and Finance – Mike Carlisle, Marc Ventura, Emily Rouse
 - Procurement – Aneth Williams, Robert Johnson
 - Contract Compliance – Carrie Baker
 - Supplier Diversity – Iranetta Dennis
 - Infrastructure (Construction and Engineering) – Will Hawthorne, Dana Chester, Ben Dreiling, Kim Murphy
 - Human Resources – Evelyn Wilson, Kendra Howard
 - Records Management – Tim O'Toole
 - Information Technology – Jim Greer, Rafael Millan, Maral Guerra-Torres
- ✓ Developed meeting minutes, list of functional business requirements, and implementation considerations for CFX management
- ✓ Confirmed documented business requirements with key process owners to obtain feedback and agreement

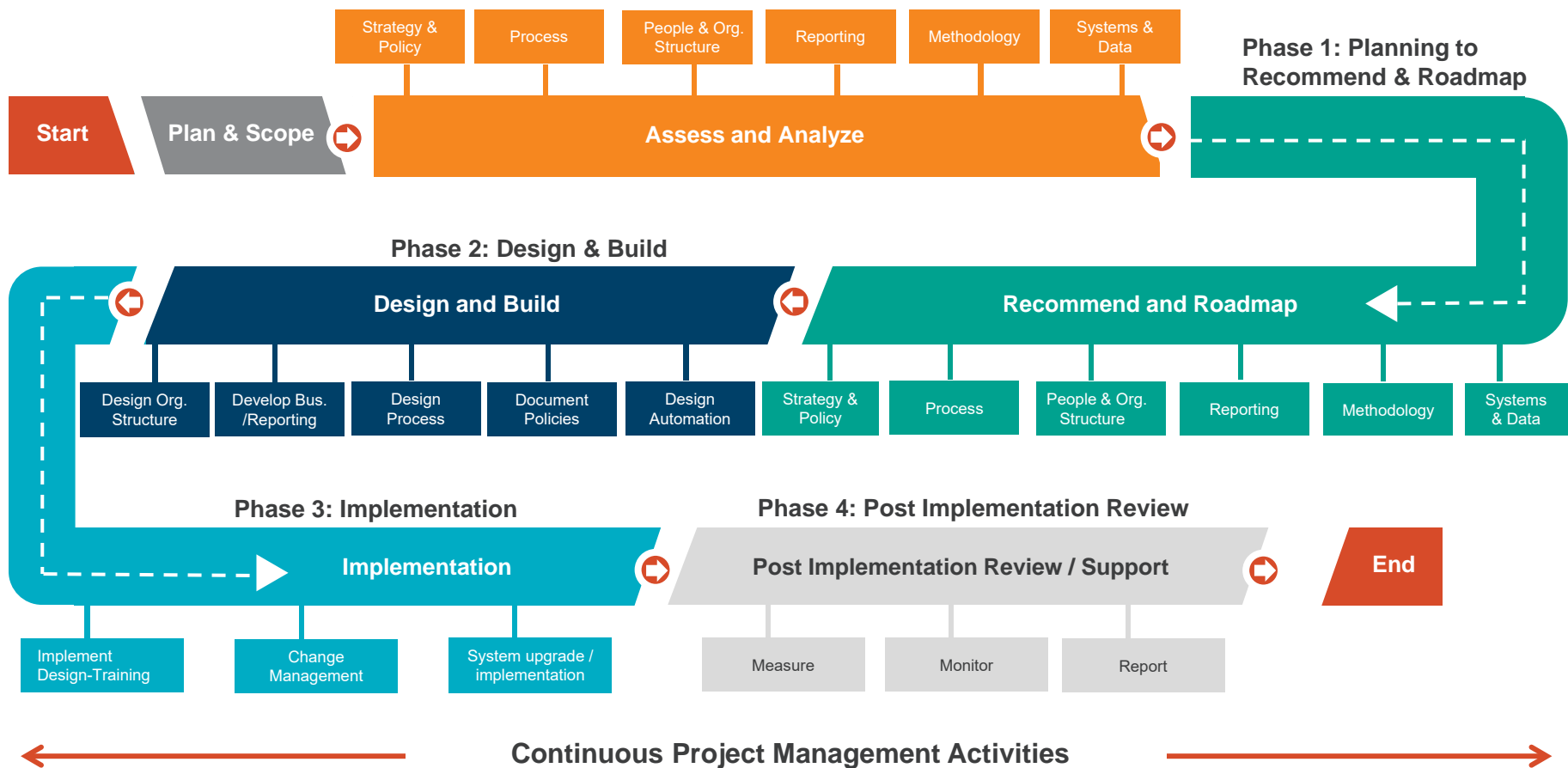
ERP INSIGHTS AND CONSIDERATIONS FOR CFX



POTENTIAL FUTURE-STATE SYSTEM ARCHITECTURE



ERP IMPLEMENTATION ROADMAP



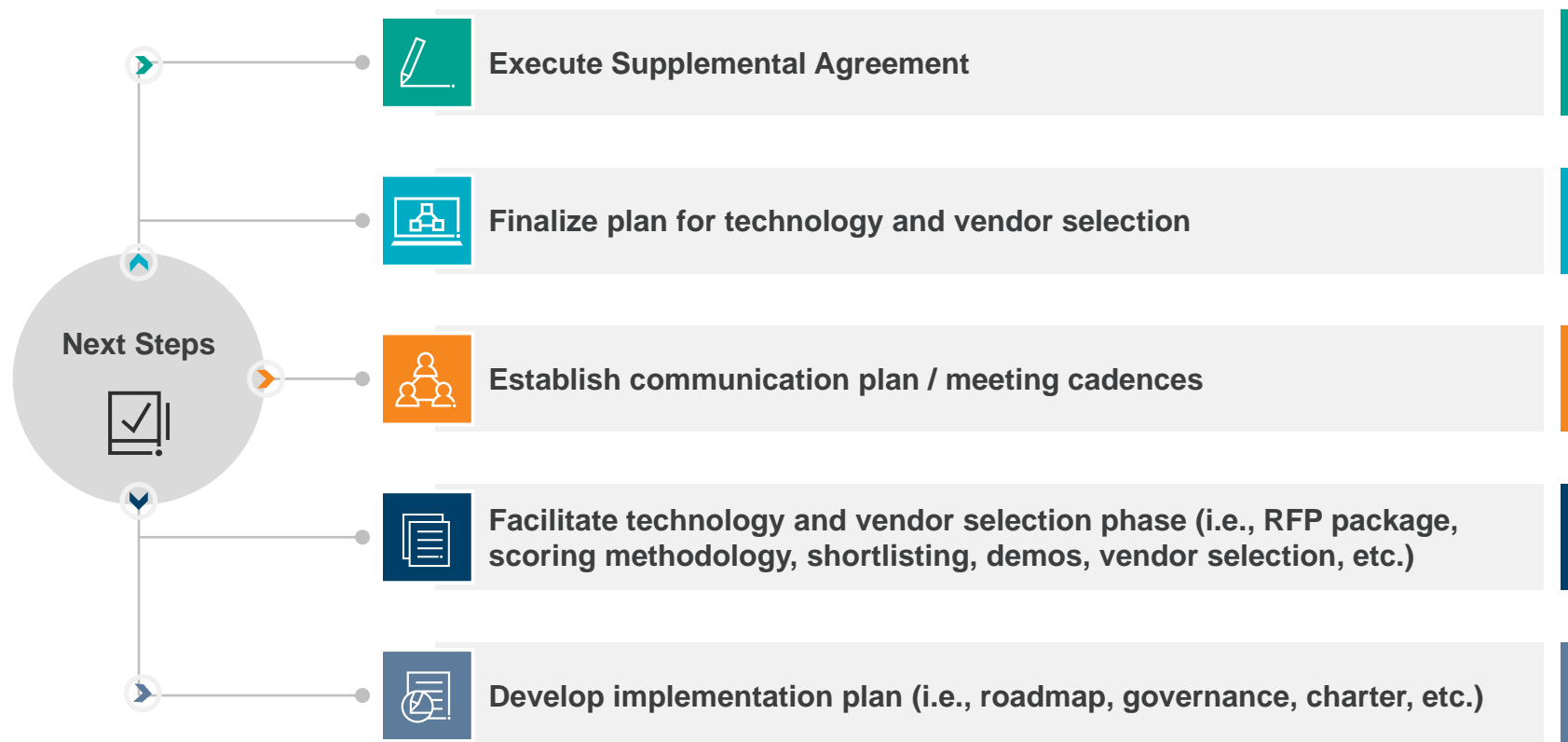
SUPPLEMENTAL AGREEMENT SCOPE AND ESTIMATES

Workstream**	Level	Estimated Hours	Estimated Fees*	Scope / Outcomes
Phase 1 - ERP Vendor Selection Support	Consultant/Senior Consultant	240	\$90,000	<ul style="list-style-type: none"> • Development of RFP and related components • Support for vendor evaluations and shortlisting • Facilitation of vendor demonstrations • Support for final vendor selection, contracting, and licensing
	Manager or above	260		
Phase 2 - ERP Design Support and Project Management	Consultant/Senior Consultant	480	\$160,000	<ul style="list-style-type: none"> • Estimated three-month design effort • Management and coordination of ERP design activities with system implementer • Development of design and implementation plan • Establishment of project governance and change management framework to facilitate stakeholder engagement • Design and identification of key financial controls enabled by future state solution • Support and documentation for technology design and build specifications • Development of conceptual future state business applications landscape and business processes including integrations across systems • Development of future-state impact analysis and process recommendations • Development of data migration strategy and plan
	Manager or above	480		
Total		1,460	\$250,000	

* Project estimates and budget for Phase 2 will be revisited upon completion of Phase 1 and technology selection

** Project and budget are already accounted for and approved in CFX's 5-Year Work Plan; Supplemental Agreement to Protiviti's contract to continue supporting CFX in this effort will be sent to the Board for approval

NEXT STEPS



Face the Future with Confidence

© 2020 Protiviti Inc. All Rights Reserved. This document has been prepared for use by CFXs management, audit committee, and board of directors. This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

protiviti®

**G.1
NIST
CYBERSECURITY
FRAMEWORK
REVIEW (FISCAL
2020)**

**THERE ARE NO
BACKUP
MATERIALS FOR
THIS ITEM**