

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

AGENDA AUDIT COMMITTEE MEETING October 26, 2023 10:00 a.m.

Meeting location: Central Florida Expressway Authority
4974 ORL Tower Road
Orlando, FL 32807
Pelican Conference Room

A. CALL TO ORDER

B. PUBLIC COMMENT

Pursuant to Section 286.0114, Florida Statutes and CFX Rule 1-1.011, the Audit Committee provides for an opportunity for public comment at the beginning of each regular meeting. The Public may address the Committee on any matter of public interest under the Committee's authority and jurisdiction, regardless of whether the matter is on the Committee's agenda but excluding pending procurement issues. Public Comment speakers that are present and have submitted their completed Public Comment form to the Recording Secretary at least 5 minutes prior to the scheduled start of the meeting will be called to speak. Each speaker shall be limited to 3 minutes. Any member of the public may also submit written comments which, if received during regular business hours at least 48 hours in advance of the meeting, will be included as part of the record and distributed to the Committee members in advance of the meeting.

C. APPROVAL OF JUNE 22, 2023 AUDIT COMMITTEE MEETING MINUTES (action item)

D. AGENDA ITEMS

1. **REVIEW AND ACCEPTANCE OF EXTERNAL AUDIT OF FISCAL 2023 FINANCIAL STATEMENTS AND REQUIRED COMMUNICATIONS** – *Joel Knopp, Shareholder, MSL CPAs & Advisors* (action item)
2. **REVIEW AND ACCEPTANCE OF FISCAL 2023 SENSITIVE DATA AUDIT** – *Chris Porter, Associate Director, Protiviti* (action item)
3. **STATUS UPDATE: FISCAL 2024 INTERNAL AUDIT PLAN** – *Jeff Tecau, Managing Director, Protiviti* (info item)
4. **FISCAL 2024 PRIOR AUDIT RECOMMENDATIONS: SEMI-ANNUAL FOLLOW-UP** – *Graham Wigle, Manager, Protiviti* (info item)
5. **FISCAL 2024 PROCUREMENT AND CONTRACT BILLING AUDITS – CONTRACT SELECTION** – *Landon Willey, Manager, Protiviti* (info item)
6. **REVIEW AND ACCEPTANCE OF FISCAL 2024 VISITOR TOLL PASS PROGRAM AND TRANSPONDER INTEROPERABILITY FRAUD REVIEW** – *Landon Willey, Manager, Protiviti* (action item)

E. OTHER BUSINESS

F. 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, they will need a record of the proceedings, and that, for such purpose, they 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 x5323 or by email at Lisa.Lumbard@cfxway.com at least three (3) business days prior to the event.

In accordance with the Americans with Disabilities Act (ADA), if any person with a disability as defined by the ADA needs special accommodations to participate in this proceeding, then they should contact the Central Florida Expressway Authority at (407) 690-5000 no later than two (2) business days prior to the proceeding.

C.

APPROVAL OF

June 22, 2023

AUDIT COMMITTEE

MEETING MINUTES

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

**MINUTES
CENTRAL FLORIDA EXPRESSWAY AUTHORITY
AUDIT COMMITTEE MEETING
June 22, 2023**

**Location: Central Florida Expressway Authority
4974 ORL Tower Road
Orlando, FL 32807
Pelican Conference Room**

Committee Members Present:

Ray Walls, Orange County Representative, Chairman
Jamie Rowland, Osceola County Representative
Lorie Bailey Brown, Seminole County Representative
Michelle McCrimmon, City of Orlando Representative

Committee Members Not Present:

Kathy Wall, Brevard County Representative
Kristy Mullane, Lake County Representative

Staff Also Present:

Michelle Maikisch, Executive Director
Lisa Lumbar, Chief Financial Officer
Sue Chrzan, Chief of Staff
Michael Carlisle, Director of Accounting and Finance
David Wynne, Director of Toll Operations
Ryan Hermann, IT Support Specialist
Rita Moore, Executive Administrative Coordinator
Aracelis Mercado, Recording Secretary/Office Coordinator

A. CALL TO ORDER

The meeting was called to order at approximately 10:00 a.m. by Chairman Walls.

B. PUBLIC COMMENT

There was no public comment.

C. APPROVAL OF THE MAY 3, 2023 AUDIT COMMITTEE MEETING MINUTES

A motion was made by Ms. Rowland and seconded by Ms. Bailey Brown to approve the May 3, 2023 minutes as presented. The motion carried unanimously with all four (4) members in attendance voting AYE by voice vote. Two (2) members, Ms. Mullane and Ms. Wall were not present.

D. AGENDA ITEMS

1. STATUS UPDATE: FISCAL 2023 INTERNAL AUDIT PLAN

Mr. Jeff Tecau of Protiviti presented the Status Update: Fiscal 2023 Internal Audit Plan.

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

2. REVIEW AND ACCEPTANCE OF TOLL REVENUE AUDIT

Mr. Graham Wigle and Mr. Landon Willey of Protiviti presented the Toll Revenue Audit.

Committee members asked questions which were answered by Mr. Willey, Mr. Tecau, Mr. Wigle, Ms. Lumbard and Mr. Wynne.

A motion was made by Ms. Bailey Brown and seconded by Ms. McCrimmon to accept the Toll Revenue Audit as presented. The motion carried unanimously with all four (4) members in attendance voting AYE by voice vote. Two (2) members, Ms. Mullane and Ms. Wall were not present.

3. REVIEW AND ACCEPTANCE OF FISCAL 2024 INTERNAL AUDIT PLAN AND CHARTER

Mr. Jeff Tecau of Protiviti presented the Fiscal 2024 Internal Audit Plan and Charter.

Committee members asked questions which were answered by Mr. Porter, Mr. Tecau, Mr. Wigle, Ms. Lumbard and Ms. Maikisch.

A motion was made by Ms. Bailey Brown and seconded by Ms. Rowland to accept the Fiscal 2024 Internal Audit Plan and Charter. The motion carried unanimously with all four (4) members in attendance voting AYE by voice vote. Two (2) members, Ms. Mullane and Ms. Wall were not present.

4. **ANNUAL MANAGEMENT REVIEW OF INTERNAL CONTROL MATTERS**

Ms. Lisa Lumbard, Chief Financial Officer, advised the Committee that she will report on behalf of Diego “Woody” Rodriguez, who was unable to attend today’s Audit Committee meeting.

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

Ms. Lumbard spoke regarding the effectiveness of the internal control system, including IT security and control.

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

b. Process for Assessing, Monitoring and Controlling Significant Risks

Ms. Lumbard spoke regarding the process for assessing, monitoring and controlling significant risks.

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

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

Ms. Lumbard read Mr. Rodriguez’s report regarding the system for monitoring compliance with laws and regulations, and results of investigation of any instances of non-compliance.

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

d. Adequacy, Administration and Compliance with the Authority’s Code of Ethics

Ms. Lumbard read Mr. Rodriguez’s report regarding the adequacy, administration and compliance with the CFX’s Code of Ethics.

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

e. Procedures for “Hotline” Reporting

Ms. Lumbard read Mr. Rodriguez’s report regarding the procedures for “Hotline” reporting and stated that CFX has not received any complaints.

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

5. **ANNUAL DISCUSSION REGARDING INTERNAL AUDITOR PERFORMANCE AND EFFECTIVENESS**

Chairman Walls presented the Internal Auditor Performances and Effectiveness.

Committee members asked questions which were answered by Chairman Walls, Mr. Tecau, Ms. Lumbard and Ms. Maikisch.

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

6. **CONFIRMATION OF COMPLETION OF RESPONSIBILITIES IN THE AUDIT COMMITTEE CHARTER**

Mr. Jeff Tecau of Protiviti presented the responsibilities in the Audit Committee Charter.

Mr. Tecau stated that per the Audit Committee Charter chairman rotation, Ms. Lorie Bailey Brown will be the Chairman in the new fiscal year.

Committee members asked questions which were answered by Ms. Lumbard.

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

E. **OTHER BUSINESS**

Ms. Lumbard announced that Ms. Mercado will be transitioning into a new role, coordinating the Audit Committee, while Ms. Moore is also transitioning into a new role and helping with the ERP implementation process.

Ms. Maikisch advised the Committee that Ms. Mercado will be handling all the Committees for CFX.

Ms. Lumbard stated that the next Committee meeting will be scheduled in October.

Ms. Moore informed the Committee that the Audit Committee Fiscal Year 2024 Meeting Schedule will be sent out soon.

Committee members asked questions which were answered by Ms. Lumbard.

F. ADJOURNMENT

Chairman Walls adjourned the meeting at approximately 11:07 a.m.

Minutes approved on _____, 2023.

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

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Required Auditor Communications
Fiscal Year Ended June 30, 2023

Presented by:
Joel A. Knopp, CPA



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

Audit Overview

MSL

FLORIDA ROOTS. GLOBAL REACH.

Services and Deliverables



- Engaged to audit CFX's financial statements for the year ended June 30, 2023
- Issue an opinion as to whether or not CFX's financial statements are presented fairly, in all material respects, in conformity with GAAP (pages 1-3)

Other Reports



- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (pages 54-55)
- Report on Compliance with Bond Covenants (page 56)
- Examination Report on Investment Compliance (page 57)
- Management Letter (pages 58-60)

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



CFX determined GASB 96 implementation to be immaterial.

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 2023 |
| Year-end fieldwork | Sept. 2023 |
| Review of Financial Statements | Oct. 2023 |
| Presentation to the Audit Committee | Oct. 26, 2023 |
| Presentation to the Board | Nov. 9, 2023 |
| Submission of ACFR to GFOA | By Dec. 31, 2023 |

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

Financial Highlights

MSL

FLORIDA ROOTS. GLOBAL REACH.

Financial Highlights - Overview

(in thousands)



| | Year Ended 6/30/23 | Year Ended 6/30/22 |
|--|-----------------------|-----------------------|
| Total Assets and Deferred Outflows | \$ 7,313,000 | \$ 7,050,000 |
| Total Liabilities and Deferred Inflows | \$ 3,677,000 | \$ 3,776,000 |
| Net Position | \$ 3,636,000 | \$ 3,274,000 |
| Operating Revenue | \$ 645,000 | \$ 613,000 |
| Operating Expenses | \$ 176,000 | \$ 156,000 |
| Operating Income | \$ 468,000 | \$ 457,000 |
| Change in Net Position | \$ 362,000 | \$ 385,000 |
| | | |
| % Incr (Decr) in Operating Revenue | 5.2% | 20.7% |
| % Incr (Decr) in Operating Expense | 13.2% | 7.8% |



Financial Highlights - Balance Sheets

(in thousands)



| | 2023 | 2022 |
|---|---------------------|---------------------|
| Unrestricted Assets | \$ 604,000 | \$ 566,000 |
| Restricted Assets | 316,000 | 527,000 |
| Capital Assets | 6,134,000 | 5,675,000 |
| Deferred Outflows of Resources | <u>259,000</u> | <u>282,000</u> |
| Total Assets and Deferred Outflows | <u>\$ 7,313,000</u> | <u>\$ 7,050,000</u> |
| Revenue Bonds Outstanding | 3,255,000 | 3,368,000 |
| Other Liabilities | 412,000 | 391,000 |
| Deferred Inflows of Resources | <u>10,000</u> | <u>17,000</u> |
| Total Liabilities and Deferred Inflows | 3,677,000 | 3,776,000 |
| Total Net Position | <u>3,636,000</u> | <u>3,274,000</u> |
| Total Liabilities, Deferred Inflows, and Net Position | <u>\$ 7,313,000</u> | <u>\$ 7,050,000</u> |

Financial Highlights - Operation Overview *(in thousands)*



| | 2023 | 2022 |
|------------------------------------|---------------------|---------------------|
| Operating Revenues | \$ 645,000 | \$ 613,000 |
| Other Income, Gains, Contributions | <u>25,000</u> | <u>71,000</u> |
| Total Revenues | <u>670,000</u> | <u>684,000</u> |
| Operating Expenses | 176,000 | 156,000 |
| Interest Expense | 125,000 | 129,000 |
| Other Expense and Losses | <u>7,000</u> | <u>14,000</u> |
| Total Expenses | <u>308,000</u> | <u>299,000</u> |
| Change in Net Position | 362,000 | 385,000 |
| Net Position, Beginning of Year | <u>3,274,000</u> | <u>2,889,000</u> |
| Net Position, End of Year | <u>\$ 3,636,000</u> | <u>\$ 3,274,000</u> |
| Debt Service Ratio | 2.72 | 2.51 |



Questions or Comments



"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA
EXPRESSWAY AUTHORITY**

**Financial Statements and
Supplementary Information**

For Years Ended June 30, 2023 and 2022

"DRAFT FOR DISCUSSION PURPOSES ONLY"
CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 - 3 |
| Management's Discussion and Analysis | 4 - 11 |
| BASIC FINANCIAL STATEMENTS | |
| Balance Sheets | 12 - 13 |
| Statements of Revenues, Expenses and Changes in Net Position | 14 |
| Statements of Cash Flows | 15 - 16 |
| Notes to Financial Statements | 17 - 49 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Trend Data on Infrastructure Condition | 50 |
| Schedule of CFX's Proportionate Share of the Net Pension Liability – Florida Retirement System (FRS) and Retiree Health Insurance Subsidy (HIS) Program | 51 |
| Schedule of CFX Contributions – Florida Retirement System (FRS) and Retiree Health Insurance Subsidy (HIS) Program | 52 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents | 53 |
| 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> | 54 - 55 |
| Independent Auditor's Report on Compliance with Bond Covenants | 56 |
| Independent Accountant's Report | 57 |
| Management Letter | 58 - 60 |



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Central Florida Expressway Authority ("CFX") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CFX's basic financial statements, as listed in the table of contents.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of CFX as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFX, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

To the Members of the
Central Florida Expressway Authority

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFX's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFX's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

To the Members of the
Central Florida Expressway Authority

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, 2023 and 2022. 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 \$468,460,000 (an increase of 3%) and \$457,007,000 (an increase of 15%) for fiscal years 2023 and 2022, respectively. The increase in operating income in fiscal year 2023 and 2022 is primarily due to increases in toll revenue from higher traffic.

Net income produced an increase in net position of \$362,173,000 and \$385,069,000 for fiscal years 2023 and 2022, 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 2023, CFX had a net position of \$3,635,798,000, an increase of 11% over fiscal year 2022. At the close of fiscal year 2022, CFX had a net position of \$3,273,625,000, an increase of 13% over fiscal year 2021. 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 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 \$3,635,798,000 at the close of the most recent fiscal year. This represents an increase of \$362,173,000 (11%) over the previous year, which is attributable to operations. Unrestricted net position increased from \$703,617,000 on June 30, 2022, to \$738,797,000 on June 30, 2023, an increase of \$35,180,000 (5%). This increase was due to CFX spending all its restricted construction bond funds on qualifying capital plan projects.

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 \$6,134,109,000 in capital assets, net of accumulated depreciation, \$39,870,000 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.

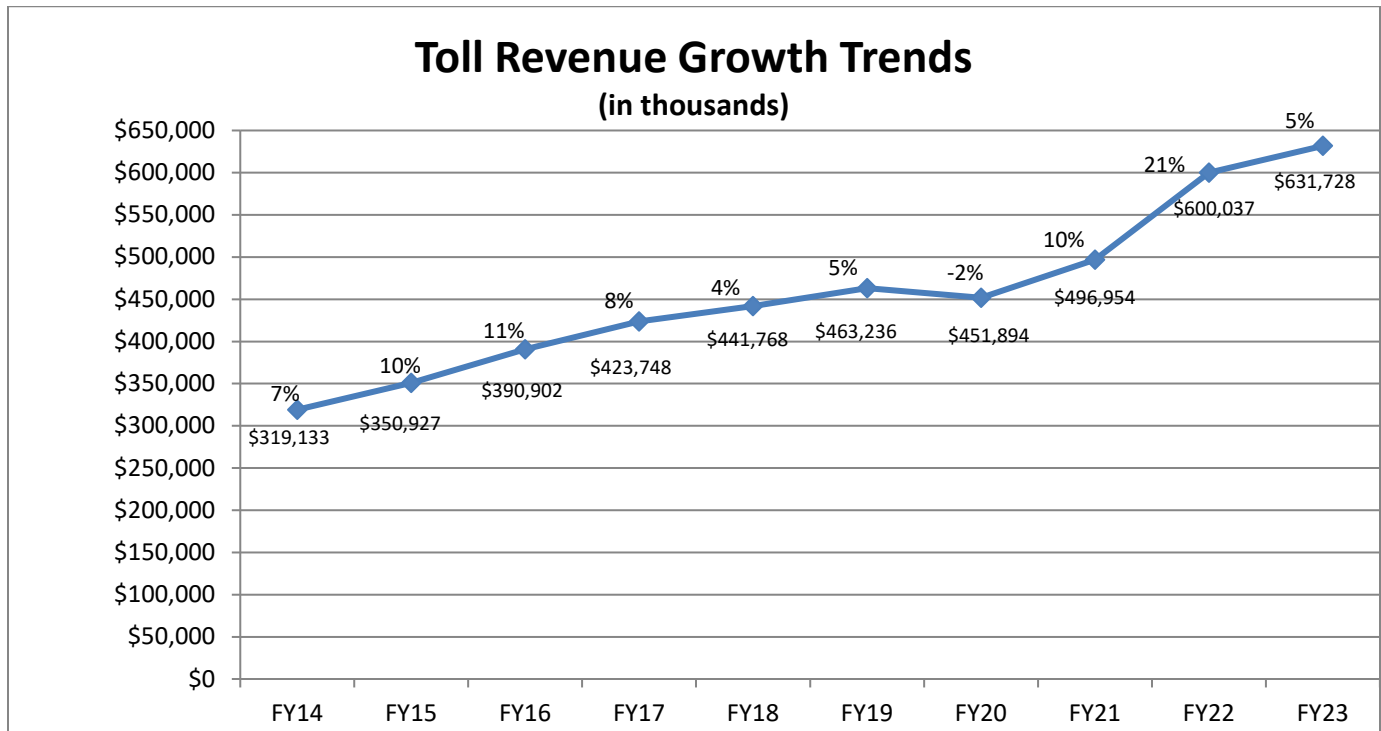
Since the Goldenrod Road Extension is a non-system project, it is accounted for on individual lines in the statements of revenues, expenses and changes in net position, in the non-operating revenues (expenses) section. The toll revenues on this non-system project are not pledged to CFX's bond indebtedness.

Central Florida Expressway Authority's Net Position

| | June 30, | | |
|--|-----------------------|--------------|--------------|
| | 2023 | 2022 | 2021 |
| | (in thousands) | | |
| Current and other assets | \$ 761,926 | \$ 774,001 | \$ 799,042 |
| Non-current restricted assets | 157,911 | 318,470 | 374,630 |
| Capital assets | 6,134,109 | 5,674,560 | 5,271,214 |
| Total assets | 7,053,946 | 6,767,031 | 6,444,886 |
| Deferred outflows of resources | 259,292 | 282,303 | 306,065 |
| Total assets and deferred outflows | 7,313,238 | 7,049,334 | 6,750,951 |
| Current liabilities: | | | |
| Payable from unrestricted assets | 130,288 | 63,118 | 57,994 |
| Payable from restricted assets | 158,134 | 207,803 | 188,927 |
| Revenue bonds outstanding (net of current portion) | 3,161,311 | 3,279,265 | 3,389,071 |
| Other long-term liabilities | 217,719 | 208,923 | 214,419 |
| Total liabilities | 3,667,452 | 3,759,109 | 3,850,411 |
| Deferred inflows of resources | 9,988 | 16,600 | 11,984 |
| Total liabilities and deferred inflows | 3,677,440 | 3,775,709 | 3,862,395 |
| Net position: | | | |
| Net investment in capital assets | 2,872,312 | 2,536,055 | 2,126,023 |
| Restricted | 24,689 | 33,953 | 17,966 |
| Unrestricted | 738,797 | 703,617 | 744,567 |
| Total net position | \$ 3,635,798 | \$ 3,273,625 | \$ 2,888,556 |

CFX's toll revenues increased 5% and 21% during the fiscal years ended June 30, 2023 and 2022, respectively.

Toll revenue represents approximately 98% of all operating revenues. CFX's toll revenue annual growth rate has averaged 8% over the last 10 years.



Central Florida Expressway Authority's Changes in Net Position

| | Years Ended June 30, | | |
|---------------------------------|----------------------|--------------|--------------|
| | 2023 | 2022 | 2021 |
| | (in thousands) | | |
| Revenues: | | | |
| Toll revenues | \$ 631,728 | \$ 600,037 | \$ 496,954 |
| Transponder sales | 2,300 | 2,123 | 1,396 |
| Other operating revenue | 10,539 | 10,443 | 9,262 |
| Investment income | 23,411 | - | 4,142 |
| Goldenrod Road Extension - net | 1,815 | 1,459 | 1,308 |
| Other non-operating revenue | 316 | 874 | 409 |
| Gain on capital assets | - | - | 177 |
| Capital Contribution | - | 68,855 | - |
| Total revenues | 670,109 | 683,791 | 513,648 |
| Expenses: | | | |
| Operations | 83,518 | 76,066 | 65,807 |
| Maintenance | 21,876 | 19,335 | 18,552 |
| Administrative | 10,852 | 8,386 | 8,993 |
| Depreciation | 22,848 | 22,522 | 18,615 |
| Preservation | 24,177 | 21,465 | 20,929 |
| Other | 12,836 | 7,822 | 11,418 |
| Interest expense | 124,692 | 129,036 | 141,428 |
| Loss on Investments | - | 9,549 | - |
| Loss on capital assets | 7,137 | 4,541 | - |
| Total expenses | 307,936 | 298,722 | 285,742 |
| Change in net position | 362,173 | 385,069 | 227,906 |
| Net position, beginning of year | 3,273,625 | 2,888,556 | 2,660,650 |
| Net position, end of year | \$ 3,635,798 | \$ 3,273,625 | \$ 2,888,556 |

CFX's Operations, Maintenance and Administration ("OM&A") expenses for fiscal year 2023 increased 3% from fiscal year 2022 and ended the year 5.8% under budget. CFX came in under budget primarily due to several roadway maintenance and traffic operations programs that came in under budget, lower interoperable fees than anticipated and unfilled positions.

Transponder sales increased by 8% between fiscal years 2022 and 2023 due to a continued focus on branding and marketing of E-PASS.

Interest rates rebounded significantly in fiscal year 2023. Investment income increased by \$33 million between fiscal years 2022 and 2023 with CFX recognizing interest income of over \$23 million.

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 13% between fiscal years 2021 and 2022 and increased by 1% between fiscal years 2022 and 2023. The increase in fiscal year 2022 and 2023 is due to a rise in fees collected from the court system for uniform traffic citations.

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 increased 3% in fiscal year 2022 and then increased 13% in fiscal year 2023. These uneven growth figures should be expected as the system matures, and various sections need additional attention.

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 decreased by 46% between fiscal years 2021 and 2022 and then increased by 64% between fiscal year 2022 and 2023. This increase is largely due to additional program support and a rise in new pilot programs and feasibility studies that are not eligible to be capitalized.

There was a loss of \$4.5 million in capital assets in fiscal year 2022 and a loss of \$7.1 million in 2023. 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. The majority of the loss in fiscal year 2022 is attributed to the disposal of old toll equipment that was recently replaced with the toll system upgrade project. The bulk of the loss in fiscal year 2023 was due to a bridge that was torn down and some signs that were replaced.

Capital Asset and Debt Administration

Capital Assets - CFX's investment in capital assets amounted to \$6,134,109,000 net of accumulated depreciation as of June 30, 2023, an increase of \$459,549,000 (8%) over that of June 30, 2022. CFX's investment in capital assets amounted to \$5,674,560,000 net of accumulated depreciation as of June 30, 2022, an increase of \$403,346,000 (8%) over that of June 30, 2021. 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 2022 included the following:

- Completion of widening SR 528 from Narcoossee road to SR 417.
- Completion of the project to replace various guide signs across the system.
- SR 537/417 system interchange work started.
- Largescale resurfacing project started on SR 528.

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 2023 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 2022, projected expenses for preservation were \$39,480,000 with \$21,465,000 being spent. For fiscal year 2023, projected expenses for preservation were \$30,101,000 with \$24,177,000 being spent. The expenses were lower than projected due to timing and delayed anticipated start dates on several projects.

Long-term Debt - CFX has outstanding bonds payable of \$3,254,581,000 (net of unamortized bond premiums and discounts) as of June 30, 2023.

CFX did not issue any new debt during fiscal year 2023.

The annual requirements to amortize all revenue bonds and revenue refunding bonds outstanding as of June 30, 2023, along with more detailed information on long-term debt activity, can be found in Note 5, Long-Term Debt, which begins on page 33 of the financial statements.

CFX's debt service ratio changed to 2.72 for fiscal year 2023 from 2.51 for fiscal year 2022 and 2.03 in fiscal year 2021. The fiscal year 2023 increase can be attributed to both an increase in toll revenue and a decrease in debt payments. Fiscal year 2022 had a considerable increase resulting from an increase in toll revenue.

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, 2023 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.

BASIC FINANCIAL STATEMENTS

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Balance Sheets

| | June 30, | |
|--|----------------|--------------|
| | 2023 | 2022 |
| Assets and Deferred Outflows of Resources | (in thousands) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 188,939 | \$ 121,150 |
| Investments | 291,234 | 286,405 |
| Accrued interest and accounts receivable | 81,508 | 62,791 |
| Prepaid expenses | 4,005 | 3,106 |
| Due from governmental agencies | 25,393 | 80,842 |
| Lease receivable | 809 | 777 |
| Inventory | 3,094 | 1,167 |
| Total current unrestricted assets | 594,982 | 556,238 |
| Current restricted assets: | | |
| Cash and cash equivalents | 158,134 | 207,803 |
| Total current assets | 753,116 | 764,041 |
| Noncurrent assets: | | |
| Lease receivable | 4,563 | 5,372 |
| Prepaid bond insurance | 4,247 | 4,588 |
| Total noncurrent unrestricted assets | 8,810 | 9,960 |
| Noncurrent restricted assets: | | |
| Cash and cash equivalents | 23,913 | 112,901 |
| Investments | 133,784 | 205,490 |
| Accrued interest receivable and prepaid expenses | 214 | 79 |
| Total noncurrent restricted assets | 157,911 | 318,470 |
| Total noncurrent assets before capital assets | 166,721 | 328,430 |
| Capital assets not being depreciated: | | |
| Infrastructure | 4,991,544 | 4,971,253 |
| Construction in progress | 949,136 | 513,358 |
| Capital assets - net of accumulated depreciation: | | |
| Property and equipment | 193,429 | 189,949 |
| Total capital assets - net of accumulated depreciation | 6,134,109 | 5,674,560 |
| Total noncurrent assets | 6,300,830 | 6,002,990 |
| Total assets | 7,053,946 | 6,767,031 |
| Deferred outflow of resources | 259,292 | 282,303 |
| Total assets and deferred outflows of resources | \$ 7,313,238 | \$ 7,049,334 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Balance Sheets (continued)

| Liabilities, Deferred Inflows of Resources, and Net Position | June 30, | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| | (in thousands) | |
| Current liabilities payable from unrestricted assets: | | |
| Accounts payable and accrued liabilities | \$ 72,016 | \$ 20,011 |
| Unearned toll revenue | 36,836 | 21,988 |
| Unearned other revenue | 12,922 | 13,218 |
| Current portion of bond anticipation note | | |
| Current portion of lease payable | | |
| Current portion of due to governmental agencies | 8,514 | 7,901 |
| Total current liabilities payable from unrestricted assets | 130,288 | 63,118 |
| Current liabilities payable from restricted assets: | | |
| Accounts payable and accrued liabilities | 2,812 | 52,703 |
| Interest payable | 62,052 | 66,120 |
| Current portion of revenue bonds payable | 93,270 | 88,980 |
| Total current liabilities payable from restricted assets | 158,134 | 207,803 |
| Total current liabilities | 288,422 | 270,921 |
| Noncurrent liabilities: | | |
| Revenue bonds payable - less current portion | 3,161,311 | 3,279,265 |
| Due to governmental agencies - less current portion | 206,737 | 204,563 |
| Net pension liability | 10,982 | 4,360 |
| Total noncurrent liabilities | 3,379,030 | 3,488,188 |
| Total liabilities | 3,667,452 | 3,759,109 |
| Deferred inflow of resources | 9,988 | 16,600 |
| Total liabilities and deferred inflows of resources | 3,677,440 | 3,775,709 |
| Net position: | | |
| Net investment in capital assets | 2,872,312 | 2,536,055 |
| Restricted for: | | |
| Operation, maintenance and administrative reserve | 15,790 | 13,645 |
| Renewal and replacement reserve | 8,899 | 20,308 |
| Total restricted net position | 24,689 | 33,953 |
| Unrestricted | 738,797 | 703,617 |
| Total net position | 3,635,798 | 3,273,625 |
| Total liabilities, deferred inflows of resources, and net position | \$ 7,313,238 | \$ 7,049,334 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"
CENTRAL FLORIDA EXPRESSWAY AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position

| | June 30, | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| | (in thousands) | |
| Operating revenues: | | |
| Toll revenues | \$ 631,728 | \$ 600,037 |
| Transponder sales | 2,300 | 2,123 |
| Fees and other | 10,539 | 10,443 |
| Total operating revenues | 644,567 | 612,603 |
| Operating expenses: | | |
| Operations | 83,518 | 76,066 |
| Maintenance | 21,876 | 19,335 |
| Administrative | 10,852 | 8,386 |
| Depreciation | 22,848 | 22,522 |
| Preservation | 24,177 | 21,465 |
| Other expenses | 12,836 | 7,822 |
| Total operating expenses | 176,107 | 155,596 |
| Operating income | 468,460 | 457,007 |
| Nonoperating revenues (expenses): | | |
| Investment income (loss) | 23,411 | (9,549) |
| Gain (loss) on capital assets | (7,137) | (4,541) |
| Other nonoperating | 316 | 874 |
| Goldenrod Road Extension - net | 1,815 | 1,459 |
| Interest expense | (124,692) | (129,036) |
| Total nonoperating revenues (expenses) | (106,287) | (140,793) |
| Income before contributions | 362,173 | 316,214 |
| Capital contribution | - | 68,855 |
| Change in net position | 362,173 | 385,069 |
| Net position at beginning of year | 3,273,625 | 2,888,556 |
| Net position at end of year | \$ 3,635,798 | \$ 3,273,625 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Statements of Cash Flows

| | June 30, | |
|--|-------------------|-------------------|
| | 2023 | 2022 |
| | (in thousands) | |
| Operating activities: | | |
| Receipts from customers and users | \$ 642,533 | \$ 589,112 |
| Payments to suppliers | (161,416) | (121,382) |
| Payments to employees | (7,903) | (6,994) |
| Net cash provided by operating activities | 473,214 | 460,736 |
| Capital and related financing activities: | | |
| Capital contributions | 68,855 | - |
| Acquisition and construction of capital assets | (484,334) | (426,801) |
| Proceeds (payments) from disposal of capital assets | (6) | 487 |
| Proceeds from issuance of bonds | - | 267,270 |
| Interest paid on revenue bonds | (129,484) | (146,736) |
| Payment of principal on revenue bonds | (88,980) | (322,430) |
| Payment of principal on government advances | (286) | (216) |
| Net cash provided by (used in) capital and related financing activities | (634,235) | (628,426) |
| Investing activities: | | |
| Purchase of investments | (497,477) | (731,063) |
| Proceeds from sales and maturities of investments | 564,354 | 655,759 |
| Interest received | 23,276 | 3,467 |
| Net cash provided by (used in) investing activities | 90,153 | (71,837) |
| Net increase (decrease) in cash and cash equivalents | (70,868) | (239,527) |
| Cash and cash equivalents at beginning of year | 441,854 | 681,381 |
| Cash and cash equivalents at end of year | \$ 370,986 | \$ 441,854 |
| | | |
| Cash and cash equivalents - unrestricted | \$ 188,939 | \$ 121,150 |
| Restricted cash and cash equivalents - current | 158,134 | 207,803 |
| Restricted cash and cash equivalents - noncurrent | 23,913 | 112,901 |
| | \$ 370,986 | \$ 441,854 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Statements of Cash Flows (continued)

| | June 30, | |
|---|-------------------|-------------------|
| | 2023 | 2022 |
| | (in thousands) | |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Income from operations | \$ 468,460 | \$ 457,007 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 22,848 | 22,522 |
| Goldenrod Road Extension and other miscellaneous | 2,131 | 2,333 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (18,717) | (25,149) |
| Due from governmental agencies | (13,406) | (3,463) |
| Prepaid expenses | (899) | 478 |
| Lease receivable | 777 | 746 |
| Inventory | (1,927) | 332 |
| Deferred outflows - pension-related | (839) | 1,239 |
| Accounts payable and accrued liabilities | (3,080) | 3,168 |
| Due to governmental agencies | 3,073 | 5,003 |
| Unearned toll revenue | 14,848 | 897 |
| Unearned other revenue | (296) | (1,572) |
| Net pension liability | 6,622 | (7,652) |
| Deferred inflows - leases | (871) | (867) |
| Deferred inflows - pension-related | (5,510) | 5,714 |
| Net cash provided by operating activities | \$ 473,214 | \$ 460,736 |
| Noncash investing, capital, and financing activities: | | |
| Increase (decrease) in fair value of investments | \$ 20,096 | \$ (13,114) |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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. When both restricted and unrestricted resources are available for use, it is CFX's policy to use restricted resources first for their intended purpose, and then unrestricted resources, as they are needed.

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, 2023 and 2022

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.

Lease Receivable - CFX recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term for lease agreements for which CFX is a lessor. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

Inventory - Inventory, which consists of E-PASS transponders that will be distributed to customers, is carried at the lower-of-cost or market and is valued using the first-in, first-out (FIFO) 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 assets that applies to future periods and will not be recognized as an outflow of resources (expense) until then. CFX has two items that qualify for reporting as deferred outflows of resources.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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, 2023 and 2022 as a deferred outflow of resources in the amount of \$255,043,000 and \$278,892,000, 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 \$4,250,000 and \$3,411,000 at June 30, 2023 and 2022, 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 assets that applies to future periods and will not be recognized as an inflow of resources until then. CFX has three 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, 2023 and 2022 as a deferred inflow of resources in the amount of \$4,385,000 and \$4,616,000, 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, 2023 and 2022 totaled \$446,000 and \$5,956,000, 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.

Deferred Inflows for Leases - During the fiscal year ended June 30, 2022, CFX implemented GASB Statement No. 87, *Leases*, and recognized a deferred inflow of resources related to a Fiber Optic Conduit Lease Agreement with Sprint Communications Company, L.P. The deferred inflow related to this lease at June 30, 2023 and 2022 totaled \$5,157,000 and \$6,028,000, respectively, and is further discussed in Note 6.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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

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.

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 with a half-year convention 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.

Retainage Payable - Retainage payable represents amounts billed to CFX by contractors/consultants for which payment is not due pursuant to retained percentage provisions in various contracts until performance is accepted 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 \$206,000 from June 30, 2022 to June 30, 2023.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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, 2023 and 2022

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.

Reclassifications - Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 classifications.

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 August 12, 2021, 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, 2023 and 2022

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 and ETFs | 25% | 10% | N/A | 3 Years | |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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

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, 2023, the carrying amount of CFX's various deposits accounts was \$370,985,204. 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 – The following is the percent of any issuer with whom CFX had invested more than 5% of the total portfolio as of June 30, 2023 and 2022:

| Issuer | 2023 | 2022 |
|--|-------|-------|
| Federal National Mortgage Association | 5.62% | 5.90% |
| Federal Home Loan Mortgage Corporation | 5.77% | 8.30% |
| Federal Home Loan Bank | 6.25% | N/A |

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, 2023 and 2022**

Note 2 - Deposits and Investments (Continued)

CFX uses the distribution of maturities to manage interest rate risk. As of June 30, 2023, 39% of CFX's investments had a maturity of less than 6 months, 18% had a maturity of 6 to 12 months, 16% had a maturity of 1 to 2 years, 21% had a maturity of 2 to 3 years, 3% had a maturity of 3 to 4 years, and 3% had a maturity of over 4 years. As of June 30, 2022, 37% of CFX's investments had a maturity of less than 6 months, 17% had a maturity of 6 to 12 months, 25% had a maturity of 1 to 2 years, 14% had a maturity of 2 to 3 years, 4% had a maturity of 3 to 4 years, and 3% had a maturity of over 4 years.

Total distributions of maturities are as follows:

| | As of June 30, 2023 | | | | | |
|-------------------------|-------------------------------|--------------------------|------------------------|------------------------|---------------------|-------------------|
| | (in thousands) | | | | | |
| | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 3 years | 3+ years | Total |
| US Treasury Securities | \$ 43,008 | \$ 58,131 | \$ 36,272 | \$ 51,234 | \$ - | \$ 188,645 |
| Federal Instruments | 61,236 | - | 1,215 | 9,333 | 3,224 | 75,008 |
| Corporate Note | - | 6,820 | 26,984 | 22,168 | 1,456 | 57,428 |
| Commercial Paper | 62,133 | 11,018 | - | - | - | 73,151 |
| Municipal Bond Note | 552 | - | 260 | 388 | - | 1,200 |
| Corp. Asset Backed Sec. | 391 | 494 | 1,147 | 5,318 | 22,236 | 29,586 |
| Total | <u>\$ 167,320</u> | <u>\$ 76,463</u> | <u>\$ 65,878</u> | <u>\$ 88,441</u> | <u>\$ 26,916</u> | <u>\$ 425,018</u> |

| | As of June 30, 2022 | | | | | |
|-------------------------|-------------------------------|--------------------------|------------------------|------------------------|---------------------|-------------------|
| | (in thousands) | | | | | |
| | Less than 6 months | 6 - 12 months | 1 - 2 years | 2 - 3 years | 3+ years | Total |
| US Treasury Securities | \$ 74,092 | \$ 28,923 | \$ 43,590 | \$ 35,079 | \$ - | \$ 181,684 |
| Federal Instruments | 1,337 | 14,503 | 44,824 | 919 | 11,515 | 73,098 |
| Corporate Note | 4,807 | 22,116 | 26,272 | 27,871 | 4,007 | 85,073 |
| Commercial Paper | 102,310 | 18,415 | - | - | - | 120,725 |
| Municipal Bond Note | 239 | 1,633 | 4,777 | 260 | 393 | 7,302 |
| Corp. Asset Backed Sec. | - | - | 3,608 | 5,674 | 14,731 | 24,013 |
| Total | <u>\$ 182,785</u> | <u>\$ 85,590</u> | <u>\$ 123,071</u> | <u>\$ 69,803</u> | <u>\$ 30,646</u> | <u>\$ 491,895</u> |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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, 2023 | | |
| United States Treasury Securities | \$ 188,645 | \$ 188,645 | |
| Commercial Paper | 73,152 | 73,152 | |
| Federal Instrumentalities | 75,008 | 75,008 | |
| Money Market Mutual Funds | 176,309 | 176,309 | |
| Municipal Bond Note | 1,200 | 1,200 | |
| Corporate Note | 57,427 | 57,427 | |
| Corporate Asset Backed Securities | 29,586 | - | \$ 29,586 |
| Total investments by fair value measure | 601,327 | \$ 571,741 | \$ 29,586 |
| Total deposits | 194,677 | | |
| Total deposits and investments | 796,004 | | |
| Restricted | 315,831 | | |
| Unrestricted | \$ 480,173 | | |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 2 - Deposits and Investments (Continued)

| | | 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, 2022 | | |
| United States Treasury Securities | \$ 181,684 | \$ 181,684 | |
| Commercial Paper | 120,725 | 120,725 | |
| Federal Instrumentalities | 73,098 | 73,098 | |
| Money Market Mutual Funds | 167,019 | 167,019 | |
| Municipal Bond Note | 7,303 | 7,303 | |
| Corporate Note | 85,073 | 85,073 | |
| Corporate Asset Backed Securities | 24,013 | - | \$ 24,013 |
| Total investments by fair value measure | 658,915 | \$ 634,902 | \$ 24,013 |
| Total deposits | 274,835 | | |
| Total deposits and investments | 933,750 | | |
| Restricted | 526,194 | | |
| Unrestricted | \$ 407,556 | | |

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 are rated "AA+" by Standard & Poor's. The investments in Municipal Obligations are rated "AAA" and "AA" by Standard & Poor's. The Corporate Notes Standard & Poor's credit ratings are "AAA", "AA+", "AA", "AA-", "A+", "A", and "BBB". 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, 2023 and 2022

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, 2023 and 2022, 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, | |
|--|-----------------------|-------------------|
| | 2023 | 2022 |
| | (in thousands) | |
| Reserve funds: | | |
| Operations, maintenance and administrative reserve | \$ 15,790 | \$ 13,645 |
| Renewal and replacement reserve | 8,899 | 20,308 |
| Total reserve funds | <u>24,689</u> | <u>33,953</u> |
| Bond funds: | | |
| Principal and interest accounts | 164,092 | 155,391 |
| Reserve accounts | 127,050 | 124,569 |
| Total bond funds | <u>291,142</u> | <u>279,960</u> |
| Construction funds: | | |
| 2021D construction funds | - | 212,281 |
| Total construction funds | <u>-</u> | <u>212,281</u> |
| Total restricted cash, cash equivalents and investments | 315,831 | 526,194 |
| Portion related to cash and cash equivalents | 182,047 | 320,704 |
| Portion related to investments | <u>\$ 133,784</u> | <u>\$ 205,490</u> |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 3 - Due From Governmental Agencies

Due from governmental agencies consists of the following:

| | June 30, | |
|--|-----------------------|--------------------|
| | 2023 | 2022 |
| | <i>(in thousands)</i> | |
| City of Orlando - Tolls Recovered | \$ - | \$ 2 |
| E-ZPass - E-Zpass Customers' use of E-PASS Roads | 1,966 | 1,698 |
| Florida Department of Transportation - Florida Toll Relief | 10,678 | - |
| Florida Department of Transportation - Operations and Maintenance Reimbursement | 991 | 1,113 |
| Florida Department of Transportation - SunPass Customers' use of E-PASS Roads | 6,122 | 5,257 |
| Lee County - LeeWay Customers' use of E-PASS Roads | 6 | 5 |
| Orange County - Fines/Fees | 582 | 541 |
| Osceola County - CR 534 Reimbursement | - | 68,855 |
| Osceola County - CR 532 Widening Reimbursement | 4,485 | 3,371 |
| Osceola County - Shingle Creek/Poinciana Ramp Reimbursement | 563 | - |
| | <u>\$ 25,393</u> | <u>\$ 80,842</u> |
| Less current portion | <u>(25,393)</u> | <u>(80,842)</u> |
| | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

Note 4 - Capital Assets

Capital assets are summarized as follows (in thousands):

| | <u>June 30, 2022</u> | <u>Additions</u> | <u>Reductions</u> | <u>Transfers</u> | <u>June 30, 2023</u> |
|--|--------------------------|-------------------|-------------------|------------------|--------------------------|
| Infrastructure (non-depreciable): | | | | | |
| Right-of-way | \$ 991,866 | \$ 73 | \$ - | \$ 4,050 | \$ 995,989 |
| Highways and bridges | <u>3,979,387</u> | <u>5,673</u> | <u>(6,632)</u> | <u>17,127</u> | <u>3,995,555</u> |
| Total infrastructure (non-depreciable) | <u>4,971,253</u> | <u>5,746</u> | <u>(6,632)</u> | <u>21,177</u> | <u>4,991,544</u> |
| Construction in progress (non-depreciable): | | | | | |
| Right-of-way | 98,451 | 10,859 | - | (4,050) | 105,260 |
| Highways and bridges | 389,567 | 433,429 | - | (17,128) | 805,868 |
| Buildings and toll facilities | 2,709 | 989 | - | (2,368) | 1,330 |
| Toll equipment | 689 | 1,923 | - | (1,235) | 1,377 |
| Furniture, equipment and other | <u>21,942</u> | <u>29,183</u> | | <u>(15,824)</u> | <u>35,301</u> |
| Total construction in progress (non-depreciable) | <u>513,358</u> | <u>476,383</u> | <u>-</u> | <u>(40,605)</u> | <u>949,136</u> |
| Property and equipment (depreciable): | | | | | |
| Toll equipment | 86,400 | 4,085 | - | 1,235 | 91,720 |
| Buildings and toll facilities | 168,086 | 176 | - | 2,368 | 170,630 |
| Furniture, equipment and other | <u>122,535</u> | <u>3,138</u> | <u>(811)</u> | <u>15,825</u> | <u>140,687</u> |
| Total property and equipment (depreciable) | <u>377,021</u> | <u>7,399</u> | <u>(811)</u> | <u>19,428</u> | <u>403,037</u> |
| Less accumulated depreciation for: | | | | | |
| Toll equipment | (35,931) | (8,446) | - | - | (44,377) |
| Buildings and toll facilities | (87,239) | (5,140) | - | - | (92,379) |
| Furniture, equipment and other | <u>(63,902)</u> | <u>(9,262)</u> | <u>312</u> | <u>-</u> | <u>(72,852)</u> |
| Total accumulated depreciation | <u>(187,072)</u> | <u>(22,848)</u> | <u>312</u> | <u>-</u> | <u>(209,608)</u> |
| Total property and equipment being depreciated, net | <u>189,949</u> | <u>(15,449)</u> | <u>(499)</u> | <u>19,428</u> | <u>193,429</u> |
| Total capital assets | <u>\$ 5,674,560</u> | <u>\$ 466,680</u> | <u>\$ (7,131)</u> | <u>\$ -</u> | <u>\$ 6,134,109</u> |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 4 - Capital Assets (Continued)

| | <u>June 30,</u> <u>2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>Transfers</u> | <u>June 30,</u> <u>2022</u> |
|--|--------------------------------|-------------------|-------------------|------------------|--------------------------------|
| Infrastructure (non-depreciable): | | | | | |
| Right-of-way | \$ 992,275 | \$ 83 | \$ (500) | \$ 8 | \$ 991,866 |
| Highways and bridges | 3,859,572 | 611 | (3,781) | 122,985 | 3,979,387 |
| Total infrastructure (non-depreciable) | <u>4,851,847</u> | <u>694</u> | <u>(4,281)</u> | <u>122,993</u> | <u>4,971,253</u> |
| Construction in progress (non-depreciable): | | | | | |
| Right-of-way | 902 | 97,557 | - | (8) | 98,451 |
| Highways and bridges | 206,663 | 305,889 | - | (122,985) | 389,567 |
| Buildings and toll facilities | 414 | 2,295 | - | - | 2,709 |
| Toll equipment | 115 | 691 | - | (117) | 689 |
| Furniture, equipment and other | 15,985 | 19,659 | - | (13,702) | 21,942 |
| Total construction in progress (non-depreciable) | <u>224,079</u> | <u>426,091</u> | <u>-</u> | <u>(136,812)</u> | <u>513,358</u> |
| Property and equipment (depreciable): | | | | | |
| Toll equipment | 158,462 | 2,101 | (74,280) | 117 | 86,400 |
| Buildings and toll facilities | 167,253 | 833 | - | - | 168,086 |
| Furniture, equipment and other | 107,854 | 1,178 | (199) | 13,702 | 122,535 |
| Total property and equipment (depreciable) | <u>433,569</u> | <u>4,112</u> | <u>(74,479)</u> | <u>13,819</u> | <u>377,021</u> |
| Less accumulated depreciation for: | | | | | |
| Toll equipment | (100,625) | (8,860) | 73,554 | - | (35,931) |
| Buildings and toll facilities | (82,117) | (5,122) | - | - | (87,239) |
| Furniture, equipment and other | (55,539) | (8,541) | 178 | - | (63,902) |
| Total accumulated depreciation | <u>(238,281)</u> | <u>(22,523)</u> | <u>73,732</u> | <u>-</u> | <u>(187,072)</u> |
| Total property and equipment being depreciated, net | <u>195,288</u> | <u>(18,411)</u> | <u>(747)</u> | <u>13,819</u> | <u>189,949</u> |
| Total capital assets | <u>\$ 5,271,214</u> | <u>\$ 408,374</u> | <u>\$ (5,028)</u> | <u>\$ -</u> | <u>\$ 5,674,560</u> |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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 | \$ 38,304,324 |

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, 2023 and 2022

Note 5 - Long-Term Debt

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

| Bonds Payable: | June 30, 2022 | Additions | Deletions | June 30, 2023 |
|--|---------------|-------------|-------------|---------------|
| Series 2012 | \$ 25,680 | \$ - | \$ (25,680) | \$ - |
| Series 2013B | 44,260 | - | (21,635) | 22,625 |
| Series 2016A | 147,865 | - | (875) | 146,990 |
| Series 2016B | 617,995 | - | (2,135) | 615,860 |
| Series 2017 | 337,955 | - | (9,445) | 328,510 |
| Series 2018 | 211,830 | - | (3,875) | 207,955 |
| Series 2019A | 126,245 | - | (2,230) | 124,015 |
| Series 2019B | 430,465 | - | (7,370) | 423,095 |
| Series 2021 | 548,175 | - | (4,300) | 543,875 |
| Series 2021D | 198,435 | - | - | 198,435 |
| Total Bonds Payable | 2,688,905 | - | (77,545) | 2,611,360 |
| Direct Borrowings: | | | | |
| Series 2012A | 30,925 | - | (7,005) | 23,920 |
| Series 2020A | 99,515 | - | (1,230) | 98,285 |
| Series 2021B | 88,135 | - | (1,780) | 86,355 |
| Series 2021C | 53,145 | - | (1,420) | 51,725 |
| Total Direct Borrowings | 271,720 | - | (11,435) | 260,285 |
| | 2,960,625 | - | (88,980) | 2,871,645 |
| Add unamortized bond premium | 407,620 | - | (24,684) | 382,936 |
| Less current portion of revenue bonds payable | (88,980) | (93,270) | 88,980 | (93,270) |
| Revenue bonds payable - net of current portion | \$ 3,279,265 | \$ (93,270) | \$ (24,684) | \$ 3,161,311 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

| | June 30, 2021 | Additions | Deletions | June 30, 2022 |
|--|----------------------|------------------|------------------|----------------------|
| Bonds Payable: | | | | |
| Series 2012 | \$ 25,680 | \$ - | \$ - | \$ 25,680 |
| Series 2013A | 242,320 | - | (242,320) | - |
| Series 2013B | 46,735 | - | (2,475) | 44,260 |
| Series 2016A | 148,700 | - | (835) | 147,865 |
| Series 2016B | 620,030 | - | (2,035) | 617,995 |
| Series 2017 | 338,630 | - | (675) | 337,955 |
| Series 2018 | 215,520 | - | (3,690) | 211,830 |
| Series 2019A | 128,370 | - | (2,125) | 126,245 |
| Series 2019B | 437,485 | - | (7,020) | 430,465 |
| Series 2021 | 548,175 | - | - | 548,175 |
| Series 2021D | - | 198,435 | - | 198,435 |
| Total Bonds Payable | 2,751,645 | 198,435 | (261,175) | 2,688,905 |
| Direct Borrowings: | | | | |
| Series 2012A | 35,780 | - | (4,855) | 30,925 |
| Series 2020A | 155,915 | - | (56,400) | 99,515 |
| Series 2021B | 88,135 | - | - | 88,135 |
| Series 2021C | 53,145 | - | - | 53,145 |
| Total Direct Borrowings | 332,975 | - | (61,255) | 271,720 |
| | 3,084,620 | 198,435 | (322,430) | 2,960,625 |
| Add unamortized bond premium | 384,561 | 68,835 | (45,776) | 407,620 |
| Less current portion of revenue bonds payable | (80,110) | (88,980) | 80,110 | (88,980) |
| Revenue bonds payable - net of current portion | \$ 3,389,071 | \$ 178,290 | \$ (288,096) | \$ 3,279,265 |

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, 2023 and 2022

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 2021D, were originally issued on July 28, 2021 and were outstanding in the aggregate principal amount of \$198,435,000 and 198,435,000 on June 30, 2023 and 2022, all of which were serial bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2026 through July 1, 2035 in amounts ranging from \$3,220,000 to \$40,675,000, plus interest. The 2021D Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2021D Bonds is due and paid semiannually. The purpose of the Series 2021D Bonds was to fund a portion of the Five-Year Work Plan.

The Central Florida Expressway Authority Taxable Refunding Revenue Bond, Series 2021C, was originally issued on June 24, 2021 and was outstanding in the aggregate principal amount of \$51,725,000 and \$53,145,000 on June 30, 2023 and 2022 respectively. The bond was issued in the form of a bank loan directly with the bondholder, Citizens First Bank. The bond is due in annual installments beginning on July 1, 2023 through July 1, 2025 in amounts ranging from \$1,420,000 to \$25,180,000 plus interest. Interest on the 2021C Bond is due and paid semiannually. The 2021C Bond is payable from, and secured by, a pledge of net revenues from the operation of the expressway System. The purpose of the Series 2021C Bond was to refund a portion of the Series 2013B Bonds for net present value savings of \$2,222,586 which represents \$2,253,553 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$2,633,478.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

The Central Florida Expressway Authority Taxable Convertible Refunding Revenue Bond, Series 2021B, was originally issued on June 24, 2021 and was outstanding in the aggregate principal amount of \$86,355,000 and \$88,135,000 on June 30, 2023 and 2022 respectively. The bond was issued in the form of a bank loan directly with the bondholder, Key Government Finance, Inc. The bond is due in annual installments beginning on July 1, 2023 through July 1, 2025 in amounts ranging from \$28,745,000 to \$28,820,000 plus interest. Interest on the 2021B Bonds is due and paid semiannually. The 2021B Bond is payable from, and secured by, a pledge of net revenues from the operation of the expressway System. The purpose of the Series 2021B Bonds was to refund a portion of the Series 2012 Bonds for net present value savings of \$5,638,964, which represents \$5,726,048 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$8,697,527.

The Central Florida Expressway Authority Refunding Revenue Bonds, Series 2021, were originally issued on April 22, 2021 and were outstanding in the aggregate principal amount of \$543,875,000 and \$548,175,000 on June 30, 2023 and 2022 respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2040 in amounts ranging from \$4,320,000 to \$62,120,000, plus interest. The 2021 Bonds are payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2021 Bonds is due and paid semiannually. The purpose of the Series 2021 Bonds was to lower the risk profile of CFX's debt by refunding the remaining portions of the Series 2008B variable Bonds and terminate the Swaps associated with them, for net present value savings of \$1,193,124, which represents \$525,607 of higher debt service payments over the life of the debt.

The Central Florida Expressway Authority Refunding Revenue Bond, Series 2020A, was originally issued on August 18, 2020 and was outstanding in the aggregate principal amount of \$98,285,000 and \$99,515,000 on June 30, 2023 and 2022 respectively. The bond was issued in the form of a bank loan directly with the bondholder, STI Institutional & Government, Inc. The bond is due in annual installments beginning on July 1, 2023 through July 1, 2032 in amounts ranging from \$1,255,000 to \$15,480,000 plus interest. The 2020A Bond is payable from, and secured by, a pledge of net revenues from the operation of the expressway System. Interest on the 2020A Bond is due and paid semiannually. The purpose of the Series 2020A Bond was to refund portions of the Series 2010B and 2013C Bonds for net present value savings of \$11,219,373, which represents \$12,322,473 of lower debt service payments over the life of the debt. The deferred outflow on the refunding for accounting purposes was \$1,046,259.

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 \$124,015,000 and \$126,245,000 on June 30, 2023 and 2022 respectively, including \$62,630,000 of serial bonds and \$63,615,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2039 in amounts ranging from \$2,340,000 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.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

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 \$423,095,000 and \$430,465,000 on June 30, 2023 and 2022, including \$207,350,000 of serial bonds and \$223,115,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2039 in amounts ranging from \$7,740,000 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 \$207,955,000 and \$211,830,000 on June 30, 2023 and 2022 respectively, including \$118,335,000 of serial bonds and \$93,495,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2040 in amounts ranging from \$4,070,000 to \$9,325,000, plus interest. 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 \$328,510,000 and \$337,955,000 on June 30, 2023 and 2022 respectively, including \$239,845,000 of serial bonds and \$98,110,000 of term bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2042 in amounts ranging from \$875,000 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 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 \$615,860,000 and \$617,995,000 on June 30, 2023 and 2022 respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2040 in amounts ranging from \$2,220,000 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.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

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 \$146,990,000 and \$147,865,000 on June 30, 2023 and 2022 respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments beginning on July 1, 2023 through July 1, 2032 and July 1, 2036 through July 1, 2037 in amounts ranging from \$920,000 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.

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 \$22,625,000 and \$44,260,000 on June 30, 2023 and 2022, respectively, all of which were serial bonds. The outstanding serial bonds are due in annual installments on July 1, 2023 in the amount of \$22,625,000, 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 2012, were originally issued on November 29, 2012 and were outstanding in the aggregate principal amount of \$0 and \$25,680,000 on June 30, 2023 and 2022 respectively, all of which were serial bonds. 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 \$23,920,000 and \$30,925,000 on June 30, 2023 and 2022 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, 2023 through July 1, 2025 in amounts ranging from \$7,475,000 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.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

Fixed Rate Debt (Continued)

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 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.

Variable Rate Debt

On April 22, 2021, CFX issued the Central Florida Expressway Authority Refunding Revenue Bonds, Series 2021 Bonds which refunded and retired all outstanding 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 \$0 was outstanding on June 30, 2021 and \$129,875,000, \$117,395,000, \$148,490,000, and \$98,965,000 was outstanding on June 30, 2020. 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.

The Series 2008B Bonds were dated the date of their original issuance and delivery and had a maturity date of July 1, 2040. The Series 2008B Bonds were initially issued 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.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

Variable Rate Debt (Continued)

The 2008B Bonds were 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. All outstanding 2008B Bonds were redeemed on April 22, 2021 and are no longer outstanding.

The annual requirements to amortize all revenue bonds and revenue refunding bonds outstanding as of June 30, 2023, are summarized as follows (all amounts in thousands). The totals below are net of capitalized interest funds available for debt service.

| | Bonds Payable | | | Direct Borrowings | | |
|-----------|---------------------|---------------------|---------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total P&I Due | Principal | Interest | Total P&I Due |
| 2024 | \$ 54,355 | \$ 118,326 | \$ 172,681 | \$ 38,915 | \$ 2,988 | \$ 41,903 |
| 2025 | 33,285 | 114,926 | 148,211 | 63,150 | 2,442 | 65,592 |
| 2026 | 48,580 | 112,880 | 161,460 | 63,795 | 1,786 | 65,581 |
| 2027 | 104,715 | 109,047 | 213,762 | 10,910 | 1,370 | 12,280 |
| 2028 | 108,940 | 103,706 | 212,646 | 11,675 | 1,196 | 12,871 |
| 2029-2033 | 600,895 | 435,085 | 1,035,980 | 71,840 | 2,806 | 74,646 |
| 2034-2038 | 757,760 | 278,138 | 1,035,898 | - | - | - |
| 2039-2043 | 614,875 | 124,610 | 739,485 | - | - | - |
| 2044-2048 | 205,760 | 44,518 | 250,278 | - | - | - |
| 2049-2053 | 82,195 | 3,526 | 85,721 | - | - | - |
| | <u>\$ 2,611,360</u> | <u>\$ 1,444,763</u> | <u>\$ 4,056,123</u> | <u>\$ 260,285</u> | <u>\$ 12,589</u> | <u>\$ 272,874</u> |

Debt Service Reserve Requirements – CFX has purchased surety policies from bond insurers for the outstanding 2013B, 2016A, 2021 and 2021D 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 2020A, 2021B and 2021C Bonds are not secured by a reserve. Bond covenants do not require minimum ratings for providers of surety policies.

Defeased Bonds - In June of 2021 CFX utilized proceeds from the issuance of the Series 2021B and 2021C Refunding Bonds to fund an escrow to provide for the payment of principal and interest on the refunded Series 2012 and 2013B Bonds as of their call date of July 1, 2022 and July 1, 2023. The principal for the defeased bonds was fully paid as of June 30, 2023.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 5 - Long-Term Debt (Continued)

Due to Governmental Agencies

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

| | <u>June 30, 2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2023</u> |
|--|----------------------|------------------|------------------|----------------------|
| Advances from FDOT for construction, operations and maintenance of certain plazas and roadways | \$ 1,113 | \$ 991 | (1,113) | \$ 991 |
| Loans and advances for specific projects | 204,849 | 2,475 | (286) | 207,038 |
| Toll revenue due to other state agencies | 6,502 | 170,582 | (169,862) | 7,222 |
| | <u>212,464</u> | <u>174,048</u> | <u>(171,261)</u> | <u>215,251</u> |
| Less current portion | <u>(7,901)</u> | <u>(8,514)</u> | <u>7,901</u> | <u>(8,514)</u> |
| Due to other governments net of current portion | <u>204,563</u> | <u>165,534</u> | <u>(163,360)</u> | <u>206,737</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> |
|---------------------------------|-------------------|
| 2024 | \$ 8,514 |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| 2028 | - |
| Thereafter | <u>206,737</u> |
| | <u>\$ 215,251</u> |

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

Included in the Loans and Advances for specific projects is \$3,833,958 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 \$202,901,038 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 Fiscal Year 2029 and continue through Fiscal Year 2050.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 6 - Leases

During fiscal year 2022, CFX adopted Governmental Accounting Standards Board Statement No. 87 – *Leases*. The Statement requires the recognition of certain lease assets, and liabilities for leases that previously were classified as operating leases and recognize them as inflows of resources or outflows of resources based on the payment provisions of the contract.

CFX leases excess capacity of the Fiber Optic Network (FON) to Sprint Communications Company L.P. This is a ten-year lease with two five-year renewal options followed by three three-year renewal options. 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 first three-year renewal was executed at the end of fiscal year 2021.

CFX implemented GASB No. 87 for the year ended June 30, 2022 and recorded \$6,900,000 balances for lease receivable and deferred inflows of resources as of July 1, 2021. In fiscal year 2023, the lease receivable balance was reduced and interest income recognized for \$777,000 and \$55,000, respectively.

Future minimum lease payments are as follows (all amounts in thousands):

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|------------------|-----------------|
| 2024 | \$ 809 | \$ 48 |
| 2025 | 842 | 41 |
| 2026 | 876 | 33 |
| 2027 | 912 | 25 |
| 2028 | 948 | 17 |
| Thereafter | 985 | 8 |
| | <u>\$ 5,372</u> | <u>\$ 172</u> |

Note 7 - Commitments and Contingencies

Commitments - Outstanding construction and other significant commitments for improvements, maintenance and operation of the System totaled approximately \$682,220,000 at June 30, 2023.

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

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 \$7.5. The minimum payment is \$45 and the maximum payment is \$225 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 fiscal year 2023 were 9.3% regular class and 10.67% for senior management class and for fiscal year 2022 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, 2023 and 2022

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 2023 contribution rate applied to regular employee salaries was 11.91%, including 1.66% for a post-retirement health insurance subsidy ("HIS"). The fiscal year 2022 contribution rate was 10.82%, which included 1.66% for HIS. The fiscal year 2023 contribution rate applied to senior management salaries was 31.57%, including 1.66% HIS. The fiscal year 2022 contribution rate was 29.01%, which included 1.66% for HIS. The fiscal year 2023 contribution rate applied to the salaries of the employees in DROP was 18.60%, including 1.66% for HIS. The fiscal year 2022 contribution rate was 18.34%, which included 1.66% for HIS.

CFX's actual contributions to the FRS for the fiscal years ended June 30, 2023 and 2022 were \$1,509,000 and \$1,230,000, respectively. Employee contributions were \$277,000 and \$246,000 for the fiscal years ended June 30, 2023 and 2022, respectively.

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

CFX reported a liability of \$10,982,000 and \$4,360,000, at June 30, 2023 and 2022, respectively, for its proportionate share of the net pension liability of FRS and HIS. The net pension liability as of June 30, 2023 and 2022 was measured as of June 30, 2022 and 2021, 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 2021 and 2022 relative to the historical contributions of all participating employers. At June 30, 2022, CFX's proportion was 0.02285% and 0.02343% for FRS and HIS, respectively, which was an increase of 0.00095% and an increase of 0.00137% from its respective proportion measured as of June 30, 2021.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

Note 8 - Retirement Plans (Continued)

At June 30, 2021, CFX's proportion was 0.02190% and 0.02206% for FRS and HIS, respectively, which was a increase of 0.00023% and an increase of 0.00062% from its respective proportion measured as of June 30, 2020.

For the year ended June 30, 2023, CFX recognized a total of \$1,581,000 pension expense with \$1,337,000 and \$244,000, for FRS and HIS, respectively. For the year ended June 30, 2022, CFX recognized a total of \$417,000 pension expense with \$129,000 and \$288,000, for FRS and HIS, respectively.

At June 30, 2023, CFX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | FRS | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 404 | \$ - |
| Changes of assumptions | 1,047 | - |
| Differences between projected and actual earnings on pension plan investments | 561 | - |
| Changes in proportion | 402 | 51 |
| CFX contributions subsequent to the measurement date | 1,147 | - |
| Total | <u>\$ 3,561</u> | <u>\$ 51</u> |

| | HIS | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 75 | \$ 11 |
| Changes of assumptions | 142 | 384 |
| Differences between projected and actual earnings on pension plan investments | 4 | - |
| Changes in proportion | 308 | - |
| CFX contributions subsequent to the measurement date | 159 | - |
| Total | <u>\$ 688</u> | <u>\$ 395</u> |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 8 - Retirement Plans (Continued)

At June 30, 2022, CFX reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | FRS | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 284 | \$ - |
| Changes of assumptions | 1,132 | - |
| Differences between projected and actual earnings on pension plan investments | - | 5,771 |
| Changes in proportion | 304 | 69 |
| CFX contributions subsequent to the measurement date | 975 | - |
| Total | \$ 2,695 | \$ 5,843 |

| | HIS | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 90 | \$ 1 |
| Changes of assumptions | 213 | 112 |
| Differences between projected and actual earnings on pension plan investments | 3 | - |
| Changes in proportion | 268 | - |
| CFX contributions subsequent to the measurement date | 142 | - |
| Total | \$ 716 | \$ 113 |

\$1,147,000 and \$1,117,000 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, 2023 and June 30, 2022 respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2023 will be recognized in pension expense as follows (in thousands):

| Years Ending June 30: | FRS | HIS |
|--------------------------|--------|-------|
| 2024 | \$ 478 | \$ 44 |
| 2025 | 472 | 44 |
| 2026 | 440 | 30 |
| 2027 | 432 | 13 |
| 2028 | 400 | 2 |
| Thereafter | 141 | 1 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Actuarial Assumptions – The actuarial assumptions that determined the total pension liability as of June 30, 2023 and June 30, 2022, were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2021.

| | | |
|---------------------------------------|---|---|
| Valuation date | July 1, 2021 | July 1, 2022 |
| Measurement date | June 30, 2021 | June 30, 2022 |
| Inflation | 2.40% | 2.40% |
| Salary increases, including inflation | 3.25% | 3.25% |
| Mortality | PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 | PUB-2010 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 6.70% and 6.80% as of June 30, 2022 and June 30, 2021 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% |
| Fixed Income | 20% | 4% |
| Global equity | 54% | 9% |
| Real Estate (property) | 10% | 7% |
| Private equity | 11% | 12% |
| Strategic investments | 4% | 6% |
| Total | 100.00% | |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

Note 8 - Retirement Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.70% and 6.80% for FRS for June 30, 2022 and June 30, 2021 respectively. The discount rate used to measure the total pension liability was 3.54% and 2.16% for HIS as of June 30, 2022 and June 30, 2021 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 6.70% and 6.80% for FRS for June 30, 2022 and June 30, 2021 respectively. The discount rate of 3.54% and 2.16% was used for HIS for June 30, 2022 and June 30, 2021 respectively. The following also presents what CFX's proportionate share of the net pension liability would be at June 30, 2023 and 2022 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, 2023 | | | |
|---|----------------------|-----------------------------------|----------------------|
| FRS | | | |
| | 1% Decrease 5.7% | Current Discount Rate 6.7% | 1% Increase 7.7% |
| CFX's proportionate share of the net pension liability (asset) | \$ 14,705,170 | \$ 8,502,894 | \$ 3,317,053 |
| HIS | | | |
| | 1% Decrease 2.54% | Current Discount Rate 3.54% | 1% Increase 4.54% |
| CFX's proportionate share of the net pension liability (asset) | \$ 2,838,794 | \$ 2,481,285 | \$ 2,185,454 |

| As of June 30, 2022 | | | |
|---|----------------------|-----------------------------------|----------------------|
| FRS | | | |
| | 1% Decrease 5.8% | Current Discount Rate 6.8% | 1% Increase 7.8% |
| CFX's proportionate share of the net pension liability (asset) | \$ 7,401,006 | \$ 1,654,941 | \$ (3,148,126) |
| HIS | | | |
| | 1% Decrease 1.16% | Current Discount Rate 2.16% | 1% Increase 3.16% |
| CFX's proportionate share of the net pension liability (asset) | \$ 3,129,365 | \$ 2,706,836 | \$ 2,360,668 |

"DRAFT FOR DISCUSSION PURPOSES ONLY"

**CENTRAL FLORIDA EXPRESSWAY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022**

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, 2021 | Additions | Deletions | June 30, 2022 | Due Within One year |
|-----------------------|---------------|-----------|-----------|---------------|------------------------|
| Net pension liability | \$ 4,360 | \$ 10,410 | \$ 3,788 | \$ 10,982 | \$ - |

| | June 30, 2021 | Additions | Deletions | June 30, 2022 | Due Within One year |
|-----------------------|---------------|-----------|-----------|---------------|------------------------|
| Net pension liability | \$ 12,012 | \$ 2,866 | \$ 10,518 | \$ 4,360 | \$ - |

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 subject to various risk exposures including liability from tort, errors and omissions, and employment practices. Additional exposures include damage to property, theft of assets, cyber intrusion, loss of revenue, crime and bond, equipment breakdown, automobile, and injuries to employees.

No claims have exceeded coverage limits in place during 2021, 2022 and 2023 year-to-date.

CFX is covered by commercial insurance policies through which risk is transferred in exchange for annual premium payments.

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 five completed inspections are as follows:

| Evaluation Period | |
|--------------------------|---------------|
| Fiscal Year | Rating |
| 2023 | 92% |
| 2022 | 92% |
| 2021 | 93% |
| 2020 | 91% |
| 2019 | 91% |

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

| Fiscal Year | Budget | Actual |
|--------------------|-----------------------|---------------|
| | <i>(in thousands)</i> | |
| 2023 | \$ 30,101 | \$ 24,177 |
| 2022 | 39,480 | 21,465 |
| 2021 | 33,064 | 20,929 |
| 2020 | 51,040 | 31,002 |
| 2019 | 44,000 | 21,586 |

"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 |
|---------------------------------------|---|---|--|-----------------------------|---|---|
| 2023 | 2022 | 0.0229% | \$ 8,503 | \$ 6,055 | 140.43% | 82.89% |
| 2022 | 2021 | 0.0219% | 1,655 | 5,426 | 30.50% | 96.40% |
| 2021 | 2020 | 0.0217% | 9,396 | 5,100 | 184.24% | 78.85% |
| 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 |
|---------------------------------------|---|---|--|-----------------------------|---|---|
| 2023 | 2022 | 0.0234% | \$ 2,481 | \$ 8,537 | 29.06% | 4.81% |
| 2022 | 2021 | 0.0221% | 2,707 | 7,811 | 34.66% | 3.56% |
| 2021 | 2020 | 0.0214% | 2,618 | 7,441 | 35.18% | 3.00% |
| 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% |

"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 | | | |
| 2023 | \$ 1,147 | \$ 1,147 | \$ - | \$ 6,863 | 16.71% |
| 2022 | 975 | 975 | - | 6,055 | 16.10% |
| 2021 | 835 | 835 | - | 5,426 | 15.39% |
| 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 | | | |
| 2023 | \$ 159 | \$ 159 | \$ - | \$ 9,577 | 1.66% |
| 2022 | 142 | 142 | - | 8,537 | 1.66% |
| 2021 | 130 | 130 | - | 7,811 | 1.66% |
| 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% |

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, | |
|--|----------------|----------------------|------------|
| | | 2023 | 2022 |
| | | (in thousands) | |
| Schedule 1 | | | |
| Revenues: | | | |
| Tolls | | \$ 631,728 | \$ 600,037 |
| Fees tied to revenue collection | | 8,261 | 6,878 |
| Transponder sales | | 2,300 | 2,123 |
| Other operating | | 1,338 | 1,995 |
| Interest | | 13,192 | 2,490 |
| Miscellaneous | | 931 | 766 |
| | Total revenues | 657,750 | 614,289 |
| Expenses: | | | |
| Operations | | 83,518 | 76,066 |
| Maintenance | | 21,876 | 19,335 |
| Administration | | 10,852 | 8,386 |
| Other operating | | 3,436 | 2,573 |
| | Total expenses | 119,682 | 106,360 |
| Add deposits into OMA reserve | | 2,145 | 1,094 |
| Less advances allowable for operations and maintenance expenses received from FDOT | | (7,307) | (7,866) |
| | Net expenses | 114,520 | 99,588 |
| Net revenues, as defined, inclusive of advances received from the FDOT | | \$ 543,230 | \$ 514,701 |
| Senior lien debt service payments | | \$ 199,991 | \$ 205,248 |
| Senior lien debt service ratio of net revenues to debt service payments | | 2.72 | 2.51 |
| Subordinate Payments | | \$ 11,695 | \$ 10,214 |
| Subordinate Debt Service Ratio* | | 2.57 | 2.39 |

*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.

**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, 2023, and have issued our report thereon dated [DATE].

Report on 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

Report on 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, 2023, and have issued our report thereon dated [DATE].

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.

This report 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, 2023. CFX's 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 AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether CFX complied with the aforementioned requirements in all material respects. An examination involves performing procedures to obtain evidence about CFX's compliance with those requirements, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of CFX's compliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. Our examination does not provide a legal determination on CFX's compliance with the specified requirements.

In our opinion, CFX complied with the aforementioned requirements for the fiscal year ended June 30, 2023, in all material respects.

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, 2023, 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, 2023.

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

- 1) The total number of CFX employees compensated in the last pay period of CFX's fiscal year as 94.
- 2) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CFX's fiscal year as zero.
- 3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$9,698,137.
- 4) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- 5) Each construction project with a total cost of at least \$65,000 approved by CFX that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
 - i. None
- 6) A budget variance based on the budget adopted under Section 189.016(4), *Florida Statutes*, before the beginning of the fiscal year being reported if CFX amends a final adopted budget under Section 189.016(6), *Florida Statutes* as \$0.

"DRAFT FOR DISCUSSION PURPOSES ONLY"

To the Members of the
Central Florida Expressway Authority

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]

D.2



SENSITIVE DATA REVIEW

June 2023

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

TABLE OF CONTENTS



03 Executive Summary

EXECUTIVE SUMMARY

| | |
|---|--|
| 1 | Background |
| | In accordance with the 2023 Internal Audit (“IA”) Plan, Central Florida Expressway’s (“CFX”) IA Department performed a Sensitive Data review. The focus of the review was to perform an assessment of the organization’s processes to define, obtain, process, store, and manage sensitive data. |
| 2 | Overview |
| | This report represents the results of the Sensitive Data Review conducted by IA for CFX. IA interviewed multiple stakeholders, held walkthroughs, and reviewed documentation in order to gain an in-depth understanding of sensitive data within the CFX environment. |
| 3 | Summary Of Observations |
| | <p>As a result of this review, Internal Audit identified three (3) observations regarding:</p> <ul style="list-style-type: none">• Data Loss Prevention technology.• The Data Governance Program.• Data relating to employees. |
| 4 | Summary Of Recommendations |
| | <p>To address the above issues, CFX should consider:</p> <ul style="list-style-type: none">• Management should continue plans with the Data Loss Prevention (DLP) technology in the environment.• Continue to mature the Data Governance Program.• Continue plans to procure and ERP solution. |

SCOPE AND APPROACH

1

Scope

The scope of this review included sensitive data that exists within the CFX environment. This included data stored on internal applications developed by CFX (e.g. TRIMS) or by vendors (e.g. Microsoft's SharePoint, Tyler Eden's ERP solution). In addition to the logical locations in which data exists, IA reviewed the lifecycle of sensitive data within the environment, further defined in the Approach section below.

2

Approach

IA's approach to performing the Sensitive Data review included:

- Identifying systems and applications that store, process, or transmit sensitive data within the CFX environment by:
 - Conducting interviews across multiple departments
 - Holding working sessions with application owners to view how the applications handle sensitive data
 - Reviewing any current data maps that exist
- Understanding lifecycle of the inventoried sensitive data within the CFX environment, including how data:
 - Enters the environment
 - Is stored within the environment
 - Is managed and accessed
 - Is ultimately deleted when no longer necessary for business purposes

Applications identified during fieldwork as in scope for this review included:

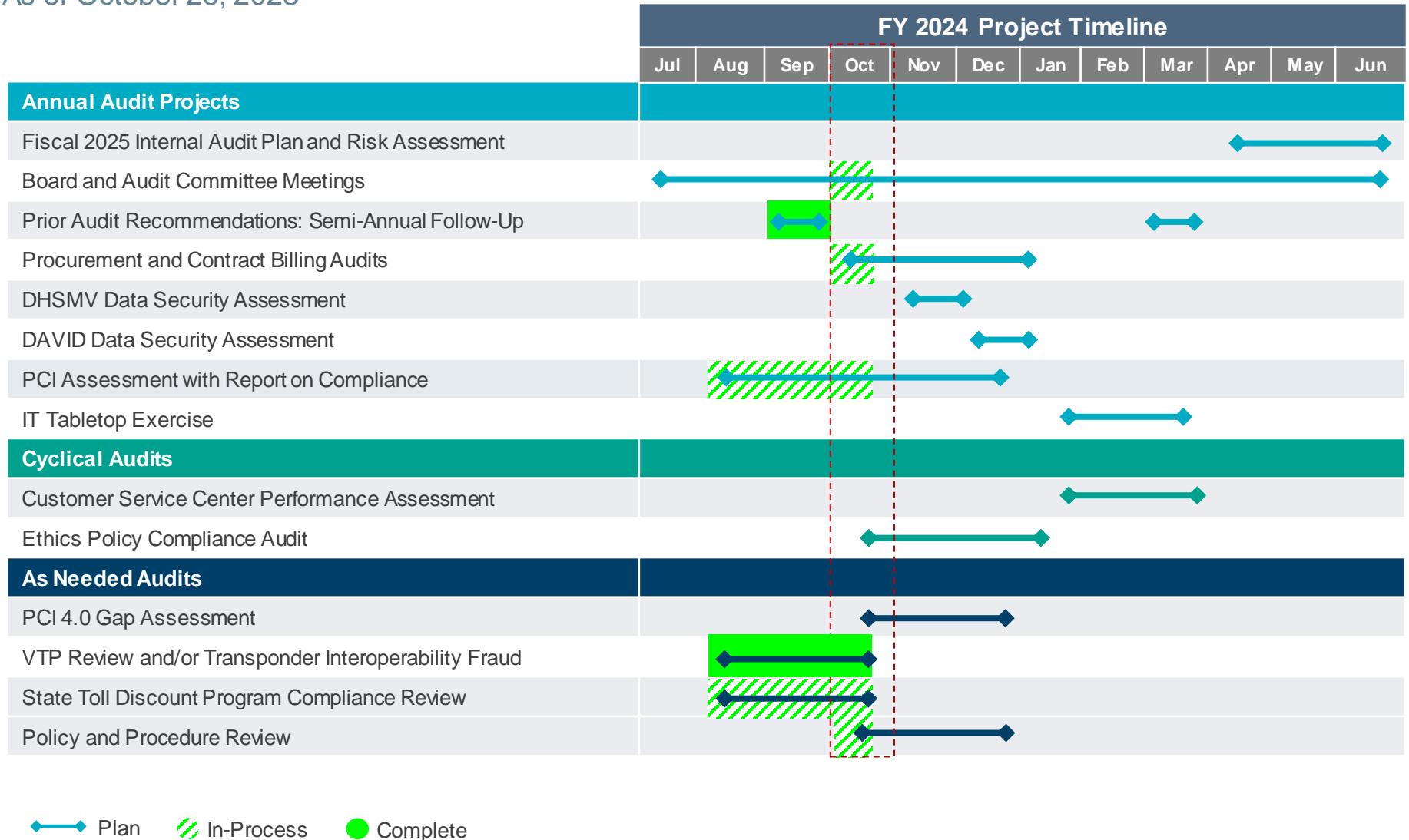
- OnBase – Document management solution
- Lenel – Badging system
- Tyler Eden ERP system – Enterprise resource planning solution
- Microsoft SharePoint – Web-based collaboration platform
- Microsoft OneDrive – File storage platform
- Microsoft Office – Suite of productivity tools
- DAVID – Driver and Vehicle Identification Database
- TRIMS – Toll Revenue Integrated Management System

Face the Future with Confidence

D.3

INTERNAL AUDIT TIMELINE

As of October 26, 2023



D.4

CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Prior Audit Recommendations Follow-Up

September 30, 2023

TABLE OF CONTENTS



3 **Executive Summary**

5 **Status of Open Recommendations**

EXECUTIVE SUMMARY



Overview

As part of the Fiscal Year 2024 Internal Audit plan, Internal Audit performed a review of open audit recommendations from prior audit reports as of September 30, 2023, to verify the implementation status reported by management. Open recommendations from the following audits were evaluated:



| | |
|--|---|
| 2018 IT General Controls Review | 2022 Customer Service Center Performance Assessment |
| 2019 Accounting Financial Controls Review | 2022 Right of Way Audit |
| 2019 IT Project Management Review | 2023 Maintenance and Safety Compliance Audit |
| 2020 Secure Code Review | 2023 Accounting Controls, System Access, SOD Review |
| 2020 P-Card and Gas Card Audit | 2023 Toll Revenue Audit |
| 2020 Retail Transponder Sales Review | |
| 2022 Engineering and Construction Invoicing Review | |

Internal Audit last reviewed the status of open audit recommendations in March 2023. Results were reported to the Audit Committee in April 2023.



Objectives, Scope, and Approach

This review was completed as of September 30, 2023 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 the recommendations that remained open at the time of the last review have been included in this report. If a recommendation was completed as of March 31, 2023, 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 March 31, 2023 | New Action Plans | Completed as of September 30, 2023 | In Progress as of September 30, 2023* | Past Due** |
|---|---------------------------|------------------|------------------------------------|---------------------------------------|------------|
| 2018 IT General Controls Review | 1 | 0 | 1 | 0 | 0 |
| 2019 Accounting and Financial Controls Audit | 1 | 0 | 0 | 1 | 0 |
| 2019 IT Project Management Review | 1 | 0 | 0 | 1 | 0 |
| 2020 Secure Code Review | 1 | 0 | 0 | 1 | 1 |
| 2020 P-Card and Gas Card Audit | 1 | 0 | 0 | 1 | 0 |
| 2020 Retail Transponder Sales Review | 1 | 0 | 0 | 1 | 0 |
| 2022 Engineering and Construction Invoicing Review | 2 | 0 | 0 | 2 | 0 |
| 2022 Customer Service Center Performance Assessment | 1 | 0 | 0 | 1 | 1 |
| 2022 Right of Way Audit | 10 | 0 | 10 | 0 | 0 |
| 2023 Maintenance and Safety Compliance Audit | 2 | 0 | 2 | 0 | 0 |
| 2023 Accounting Controls, System Access, and SOD Review | 0 | 2 | 2 | 0 | 0 |
| 2023 Toll Revenue Audit | 0 | 3 | 1 | 2 | 0 |
| Total | 21 | 5 | 16 | 10 | 2 |

***Ten** recommendations are classified as "In Progress".

****Eight** recommendations are past the original, agreed-upon due date. **Six** of these are contingent upon the implementation of a new ERP or CRM system and due dates have been revised to reflect this contingency and to match the estimated timing to the necessary event. Of the remaining **two** past due findings, **one** relates to the 2020 Secure Code review, which has been impacted by the phased system implementation approach management has chosen to pursue and has a revised due date of June 30, 2024. **One** relates to the 2022 Customer Service Center Performance Assessment, the implementation of which will be contingent upon a procurement event to engage a vendor to rewrite the IVR and has a revised due date of September 30, 2024.

STATUS OF ALL OPEN RECOMMENDATIONS

STATUS OF ALL OPEN RECOMMENDATIONS

2018 IT General Controls Review (Complete) Exempt F.S.282.318

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 CFO's monthly review procedures. | Lisa Lumbard, 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, CFX 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 12/31/2024. | Original: 8/31/2019 Revised: 12/31/2022 Revised: 6/30/2023 Revised: 6/30/2024 Revised: 12/31/2024 |

STATUS OF ALL OPEN RECOMMENDATIONS

2019 IT Project Management Review

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|--|--|--|--|--|
| 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 and CFO, remediation of this finding will involve integration of CFX's timekeeping ERP system within Cherwell. As EDEN is slated to be replaced in 2024 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 of 12/31/2024. | Original: 7/31/2020 Revised: 12/31/2022 Revised: 6/30/2023 Revised: 6/30/2024 Revised: 12/31/2024 |

2020 Secure Code Review (One In Progress - Past Due) Exempt F.S.282.318

STATUS OF ALL OPEN RECOMMENDATIONS

2020 P-Card and Gas Card Audit

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|---|--|---|---|
| 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 - Contingent on Implementation of New ERP System | Per discussion with the CFO, implementation of a digital approval workflow will involve integration with CFX's new ERP system. As the completion of this action plan is contingent upon implementation of the new ERP system in 2024, the revised due date reflects this contingency. Per discussion with the Director of Procurement on 9/12/2023, the management action plan is expected to be completed by the revised due date of 12/31/2024. | Original: 12/31/2020 Revised: 12/31/2022 Revised: 6/30/2023 Revised: 6/30/2024 Revised: 12/31/2024 |

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, 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 – Contingent on Implementation of CRM System | Per discussion with the Director of Accounting and Finance, completion of the management action plan is contingent upon implementation of the CRM System. CFX is working towards a scheduled production rollout of the CRM system with a go-live date of April 2024. The management action plan is expected to be completed by the revised due date of 6/30/2024. | Original: 3/31/2021 Revised: 12/31/2022 Revised: 12/31/2023 Revised: 6/30/2024 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Engineering and Construction Invoicing Review

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|-------------------|--|---|--|
| Invoice Review and Approval Workflow – Long-term: CFX recognizes that restructuring of contract management and invoicing is tightly linked to our planned replacement of the legacy Eden ERP system. The ERP is the foundation on which more efficient contract management processes and procedures will be created. As a result, CFX has initiated an engagement to ensure the ERP procurement accommodates the requirements of these contract management functions. | Lisa Lumbard, CFO | In Progress - Contingent on Implementation of New ERP System | Per discussion with the CFO, completion of this action plan is contingent upon replacement of the legacy Eden ERP system and implementation of its replacement. As the ERP implementation process is currently underway, this recommendation is expected to be completed by the revised due date of 12/31/2024. | Original: 6/30/2024 Revised: 12/31/2024 |
| Integration Between SharePoint and Eden: – Long-term: CFX recognizes that restructuring of contract management and invoicing is tightly linked to our planned replacement of the legacy Eden ERP system. The ERP is the foundation on which more efficient contract management processes and procedures will be created. As a result, CFX has initiated an engagement to ensure the ERP procurement accommodates the requirements of these contract management functions. | Lisa Lumbard, CFO | In Progress - Contingent on Implementation of New ERP System | Per discussion with the CFO, completion of this action plan is contingent upon replacement of the legacy Eden ERP system and implementation of its replacement. As the ERP implementation process is currently underway, this recommendation is expected to be completed by the revised due date of 12/31/2024. | Original: 6/30/2024 Revised: 12/31/2024 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Customer Service Center Performance Assessment

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|--|--|---------------------------|---|--|
| Interactive Voice Response (IVR) System: Management will engage a vendor to perform a redesign of the IVR and will incorporate elements within the design of the IVR to facilitate effective path reporting. | Dave Wynne, Director of Toll Operations | In Progress (Past Due) | Per discussion with the Director of Toll Operations, management temporarily tabled this project in February 2023 and has since begun to explore the possible use of an alternative vendor resource which may require CFX to complete a procurement event. This recommendation is expected to be completed by the revised due date of 9/30/2024. | Original: 7/1/2023 Revised: 9/30/2024 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Right of Way Audit

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|--|----------|---|---|
| Management will develop and prepare, for Board approval, a policy-level document to assign responsibility for Right of Way activities and establish management's responsibility for revising and maintaining a detailed procedural document which will serve as guidance in the performance of daily Right of Way activities. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |
| Management will develop and prepare for Board approval a policy-level document establishing the Executive Director's authority to sign agreements within the context of Right of Way activities. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |
| Management will perform an evaluation of the appropriateness of the current threshold for requiring public sale of surplus property; any recommendation to change the threshold as a result of this evaluation will be brought to the Board for approval. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Right of Way Audit (Continued)

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|--|----------|---|---|
| Management will establish and require completion of a liability waiver form for the use of CFX property, including general terms and conditions. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |
| Management will include within a Right of Way policy, a provision delegating authority over actions resulting in the final settlement of property acquisition or disposition to the Executive Director and/or delegate according to criteria established in the updated Right of Way procedural manual. Management will concurrently establish within the Right of Way procedural manual, a set of authority thresholds for approving acquisition and disposition settlements which align the procurement levels set forth in the Procurement Policy (i.e., settlements under \$50,000 may be approved by the Executive Director and/or delegates). | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Right of Way Audit (Continued)

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|---|----------|---|---|
| Management will establish within the Right of Way procedural manual criteria and thresholds under which an appraisal and appraisal review are not required and will define any alternative valuation methods which may be applied in such circumstances | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |
| Management will include within a Right of Way policy document a provision delegating authority for the execution of easement agreements to the Executive Director and/or delegates according to criteria established in the updated Right of Way procedural manual. Management will concurrently establish within the Right of Way procedural manual that easements of one year or less or whose value is determined to be below \$50,000 may be approved by the Executive Director and/or delegates. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Right of Way Audit (Continued)

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|--|--|----------|---|---|
| Management will revise the Right of Way procedural manual to allow private entities to apply for a utility permit without a public entity co-signer. The procedural manual will be updated to include guidance around the use of the standard utility permit template and will require approval from the Executive Director or designee for changes to the standard utility permit template and non-standard utility permit requests. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |
| Management will include within a Right of Way policy document a provision delegating authority for the execution of lease agreements to the Executive Director and/or delegates according to criteria established in the updated Right of Way procedural manual. Management will concurrently establish within the Right of Way procedural manual that leases of one year or less or whose value is determined to be below \$50,000 may be approved by the Executive Director and/or delegates. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2022 Right of Way Audit (Continued)

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|--|----------|---|---|
| Management will include within a Right of Way policy document a provision delegating authority for the execution of license agreements to the Executive Director and/or delegates according to criteria established in the updated Right of Way procedural manual. Management will concurrently establish within the Right of Way procedural manual that licenses of one year or less or whose value is determined to be below \$50,000 may be approved by the Executive Director and/or delegates. | Woody Rodriguez, General Counsel; Laura Newlin Kelly, Associate General Counsel | Complete | Per discussion with the CFO, management has completed the Right of Way procedural document as prescribed by the action plan. Internal Audit obtained and inspected the Property Acquisition, Disposition & Permitting Procedures Manual to confirm completion of the action plan. | Original: 3/31/2023 Revised: 5/31/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2023 Maintenance & Safety Compliance Audit

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|---|----------|--|-----------|
| CFX will develop Wrong Way Driving Detection Program objectives and key performance measures to support achievement of its strategic objectives. Formal documentation and tracking of progress to the extent appropriate for public disclosure will follow the completion of this task. | Bryan Homayouni, Director of Intelligent Transportation Systems | Complete | Per discussion with the Director of Intelligent Transportation Systems, management has developed a document identifying program objectives and key performance measures. Internal Audit obtained and inspected the CFX Wrong Way Driving Program document to confirm completion of the action plan. | 6/30/2023 |
| Phase 2: Establish mechanism through UCF or consultant staff for the additional analysis identified. | Bryan Homayouni, Director of Intelligent Transportation Systems | Complete | Per inquiry with the Director of Intelligent Transportation Systems, management conducted meetings with UCF and Consultant staff to review monthly reports and identify additional metrics to include in reporting. Internal Audit obtained and inspected the CFX Wrong Way Driving Monthly Detection Report for July 2023 to confirm completion of the action plan. | 6/30/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2023 Accounting Controls, System Access, and SOD Review

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|--|--|----------|--|-----------|
| Management will investigate the function of the administrative group to determine whether it is necessary or may be deleted, and if not necessary, should delete it. If management determines that the group is necessary, it should continue monitoring membership within the group during quarterly access reviews performed by Finance. | Rafael Millan, Director of Information Technology | Complete | Per discussion with the Director of Information Technology, the administrative group has been removed from EDEN as of 9/22/2023. Internal Audit obtained system screenshots evidencing deletion of the administrative user group from the Director of Information Technology to confirm completion of the action plan. | 9/30/2023 |
| CFX will implement an internal control to review and approve all modifications to GL accounts prior to setting-up new accounts or making changes to existing accounts in the system. | Mike Carlisle, Director of Accounting and Finance | Complete | Per discussion with the Director of Accounting and Finance, management has implemented an internal control requiring email approval for GL account creations and modifications. Once the new ERP implementation is complete, the approval process will be incorporated as a long-term function of the system. Internal Audit obtained an example of the email approval control to confirm completion of the action plan. | 9/30/2023 |

STATUS OF ALL OPEN RECOMMENDATIONS

2023 Toll Revenue Audit

| Management Action Plan | Responsible Party | Status | Summary of Status | Due Date |
|---|--|-------------|---|------------|
| CFX Toll Operations and IT will collaborate on performing further analysis of registration hold discrepancies as recommended. | David Wynne, Director of Toll Operations, and Rafael Milan, Director of IT | In Progress | Per discussion with the Director of Toll Operations and Director of Information Technology, management has begun collaborating regarding this action plan. This recommendation is expected to be completed by the prescribed due date. | 12/31/2023 |
| CFX will consider prioritizing the project to enable DHSMV and CFX technology applications to communicate real-time flow of data as recommended. | David Wynne, Director of Toll Operations, and Rafael Milan, Director of IT | In Progress | Per discussion with the Director of Toll Operations and Director of Information Technology, management has begun consideration of enabling DHSMV and CFX technology applications to communicate real-time flow of data. This recommendation is expected to be completed by the prescribed due date. | 12/31/2024 |
| Management will conduct an impact assessment, determine an acceptable timeframe with which terminated employees should have TRIMS access removed, and develop procedures as recommended | Rafael Milan, Director of IT and David Wynne, Director of Toll Ops | Complete | Per discussion with the Director of Information Technology and Manager of IT Infrastructure, management has conducted an impact assessment and determined an acceptable timeframe for the Service Desk to remove access for terminated employees. Internal Audit obtained policy documentation and system screenshots evidencing the last TRIMS login date for each terminated employee from the Manager of IT Infrastructure to confirm completion of the action plan. | 12/31/2023 |

Face the Future with Confidence

D.5

Central Florida Expressway Authority
Fiscal 2024
Internal Audit Contract Selections

| Fiscal Year | Vendor | Contract # | Type | Contract Total Value | Selection reason |
|---------------|---------------------------|------------|--|----------------------|---|
| 2024 Proposed | THE MIDDLESEX CORPORATION | 1871 | Construction | \$ 97,659,430 | Large construction contract; have not previously audited this vendor. |
| 2024 Proposed | CATHEDRAL CORPORATION | 1604 | Toll Operations Printing and Mailing Service | \$ 15,247,161 | Expenditures have exceeded the total initial contract value with two years remaining. |

D.6



VISITOR TOLL PASS AND TRANSPONDER INTEROPERABILITY FRAUD REVIEW

October 2023

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

TABLE OF CONTENTS

| Section | Page |
|---|------|
| Executive Summary | 3 |
| Summary of Audit Procedures Performed and Results | 6 |
| Detailed Observations | 8 |

EXECUTIVE SUMMARY



Overview – Visitor Toll Pass (VTP) Program

Overview

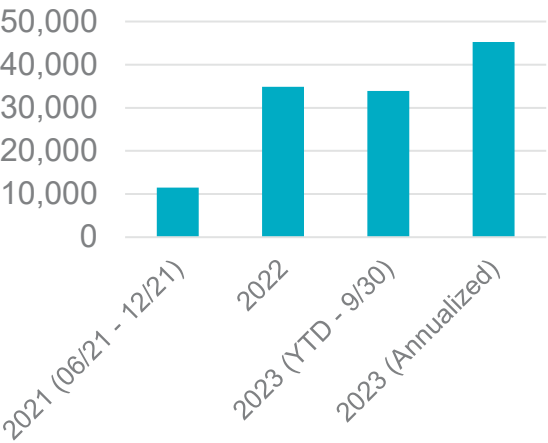
The Central Florida Expressway Authority (CFX) launched the Visitor Toll Pass (VTP) pilot program in May 2019 as a component of its strategic goal to enhance customer satisfaction for Central Florida visitors. Following the pilot program’s initial success and a temporary pause in March 2020 due to travel restrictions, the program returned in June 2021 as a long-term, cost-effective alternative to rental car toll programs.

In accordance with the FY 2024 Internal Audit Plan, Internal Audit reviewed CFX’s policies, procedures, and internal controls surrounding the Visitor Toll Pass (VTP) Program.

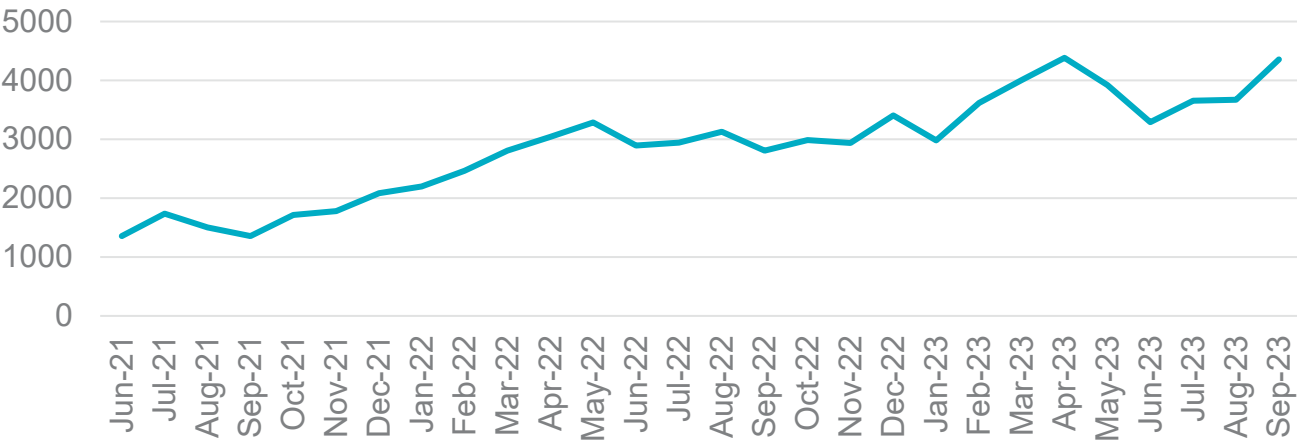
CFX engages a third-party contractor to facilitate the day-to-day operations of the VTP Program, which distributes complimentary, temporary E-PASS transponders to customers traveling through the Orlando International Airport. Customers download the Visitor Toll Pass application, create a trip reservation through their account, collect a transponder at Terminal A from a vending machine, position the transponder within their vehicle for use, and return the transponder at the end of their trip to one of eight drop box locations throughout the airport. Returned transponders are collected at regular intervals each day and cleared of their association with customer accounts prior to redeployment. While not in-use, VTP transponders remain active and are assigned to a master CFX account.

The VTP Program has processed approximately 165K successful payments resulting in approximately \$1.09 million in revenue since inception. Additional details are shown below. Data is from June 2021 through September 2023, was obtained from third-party contractor personnel, and is for informational purposes only:

Total VTP Trips by Year



Total VTP Customers by Month



EXECUTIVE SUMMARY



Overview – Transponder Interoperability Fraud

Overview

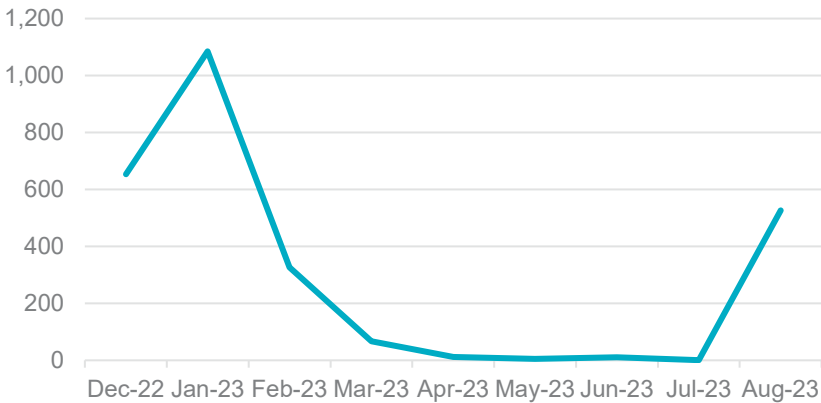
Separately, in conjunction with the VTP program review and in accordance with the fiscal year 2024 Internal Audit Plan, Internal Audit consulted with CFX to review the causes of Transponder Interoperability Fraud that were recently identified by CFX, along with the related actions that CFX has taken to address it.

CFX markets and distributes E-PASS transponders virtually through its website (cfxway.com) and via consignment through Amazon. The CFX website requires users to create and fund an E-PASS account prior to placing an order, which CFX personnel then review prior to activating and shipping the transponder(s). Transponders ordered through Amazon are shipped directly to the user, and the user can then create an E-PASS account and activate the device once received.

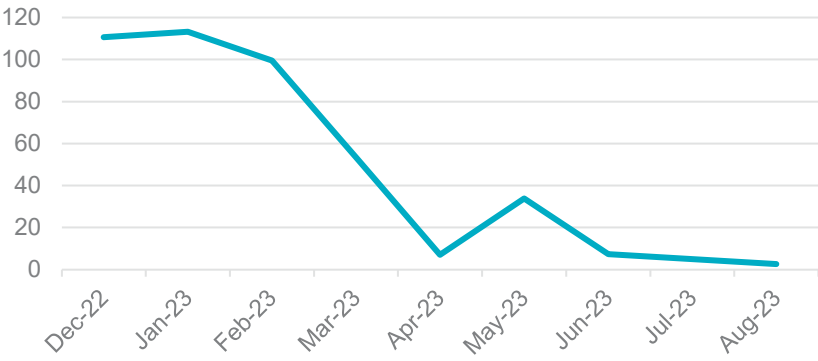
Beginning in December 2022, CFX began receiving a large volume of returned mail addressed to fictitious names and addresses that were overwhelmingly associated with what it determined to be fraudulent, out-of-state E-PASS accounts that had accrued large negative balances primarily using transponders obtained through Amazon. CFX conducted further analysis and determined that fraud-related financial losses comprised approximately \$1.1 million, or 95%, of the \$1.16 million written off as bad debt during FY23.

CFX subsequently implemented numerous changes to business rules and internal processes in February 2023 based on lessons learned, trend analyses performed, and the identified root causes of the transponder fraud. The specifics of these changes are detailed within the body of this report, while the identified impact to date is highlighted below. Data is from December 2022 through August 2023, was obtained from CFX personnel, and is for informational purposes only:

Fraudulent Accounts Identified and Closed



Average Days between Opening and Closing of Fraudulent Accounts Identified



EXECUTIVE SUMMARY



Objectives, Scope, and Approach

VTP Program Review - Project Scope and Approach

The objectives of this audit of this program were to:

- (1) Conduct interviews with management to understand and document the current state of VTP Program processes and controls, from account setup to payment.
- (2) Identify key financial and operational risks associated with VTP Program processes, emphasizing payment capture and reporting, and
- (3) Evaluate the design and operating effectiveness of VTP Program internal controls and provide recommendations to improve the control environment.

Transponder Interoperability Fraud Review - Project Scope and Approach

The objectives of the audit of interoperability fraud were to:

- (1) Identify and document the root cause(s) of out-of-state Transponder Interoperability Fraud through interviews with management,
- (2) Review key terms of interoperability agreements and analyze data related to fraudulent activity to review for potential fraud mitigation opportunities and trends, and
- (3) Review the current state of management's current fraud prevention efforts and provide recommendations for improvement, if noted.

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