

Comprehensive Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2010

HILLSBOROUGH TRANSIT AUTHORITY
A/K/A HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY, FL



HART
Hillsborough Area Regional Transit Authority
www.goHART.org

**Hillsborough Transit Authority
A/K/A Hillsborough Area Regional Transit Authority
Tampa, Florida**

**Comprehensive Annual Financial Report
For the Year Ended September 30, 2010**

Mission Statement

**Our Team is dedicated to providing excellent customer service
while building solutions to support
Hillsborough County's needs...now
and into the future.**

Prepared by the Finance Department

**HILLSBOROUGH TRANSIT AUTHORITY
 FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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SECTION 1

INTRODUCTORY SECTION



Hillsborough Area Regional Transit Authority

1201 E. 7th Avenue • Tampa, Florida 33605
(813) 223-6831 • fax (813) 223-7976 • www.goHART.org



February 21, 2011

Ms. Alison Hewitt, Board Chair and
Members of the Board of Directors of the Hillsborough Transit Authority
A/K/A Hillsborough Area Regional Transit Authority and
Citizens of our Service Area

Dear Board Chair, Board Members and Citizens:

State law requires that all independent special districts publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority (“the Authority”), for the fiscal year ended September 30, 2010.

This CAFR is indicative of Authority management’s continued commitment to provide high quality, complete, concise, and reliable financial information on the Authority.

This report consists of management’s representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to provide the Authority’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority’s basic financial statements have been audited by Crowe Horwath LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified, “clean” opinion that the Authority’s financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditors’ report is located at the front of the financial section of this report.

The independent audit of the financial statements of the Authority was part of a broader, mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are included in the Single Audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. This year’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Authority

The Hillsborough Transit Authority, operating and also known as Hillsborough Area Regional Transit Authority, or HART, was created as a body politic and corporate under Chapter 163, Part V, Sections 163.567, et seq., Florida Statutes, on October 3, 1979. It was chartered for the purpose of providing mass transit service to its two charter members, the City of Tampa (“the City”) and the unincorporated areas of Hillsborough County, Florida (“the County”). The Authority may admit to membership any county or municipality contiguous to one of its members upon application and after approval by a majority vote of the entire Board of Directors. The City of Temple Terrace has been admitted as a member of the Authority.

The Authority’s Board of Directors is comprised of two directors appointed by the Governor of the State of Florida and a minimum of one director from each member. Members are allowed an additional director for each 150,000 persons, or major fraction thereof, residing in those members’ jurisdictional limits. The Authority is governed by its twelve-member Board of Directors (“Board”). The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal responsibility.

The Authority has been determined to be an “Independent Special District” as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (\$.50) on the taxable value of real and tangible personal property within the jurisdiction of its members. Chapter 165.570, Florida Statutes, allows the Authority to levy up to a three mill levy, subject to public referendum. The Authority’s ad valorem taxes are assessed as part of the annual assessment of Hillsborough County, which levies its taxes November 1 of each year.

Collection of taxes is scheduled for November through the following March. Taxes become delinquent April 1 and tax certificates placing liens on the property are sold May 31.

Additional revenues and funding are received from passenger fares, other revenue services and grants from the United States Government, the State of Florida, the City and the County.

Located in Hillsborough County, Florida, on the west coast of Florida, the Authority is a *regional* provider of mass transportation services primarily within Hillsborough County. The total area is 1,266 square miles and has a population of 998,948 according to the 2000 Census and an estimated population of 1,205,299 in 2010. A schematic of the Authority's service area is presented on the following page.

Services and Service Delivery

The Authority provides virtually all public transportation services in this area. These services include fixed route, paratransit, vanpool, light rail (TECO Streetcar) and specialized services. The service area population is estimated at 821,306 and the service area is 243 square miles. The authority services this area with 45 routes--27 local, 10 express, 5 connector, and 3 limited express. The Authority maintains over 3,786 bus stops, 2 transit centers, 9 transfer centers, and a fleet of 160 fixed route buses and vans plus 30 Paratransit vehicles.

The FY2010 ridership for each mode compared to FY2009 is presented below:

Mode	September 30, 2010	September 30, 2009	Percent of Change
Bus Operations	12,264,357	11,638,548	5.4%
Paratransit	104,378	97,004	7.6%
HARTFlex	2,927	0	(12.0%)
Streetcar	407,011	462,524	N/A
Vanpool	66,707	83,133	(19.8%)

Tables in the Statistical Section contain service delivery statistics for ten years.

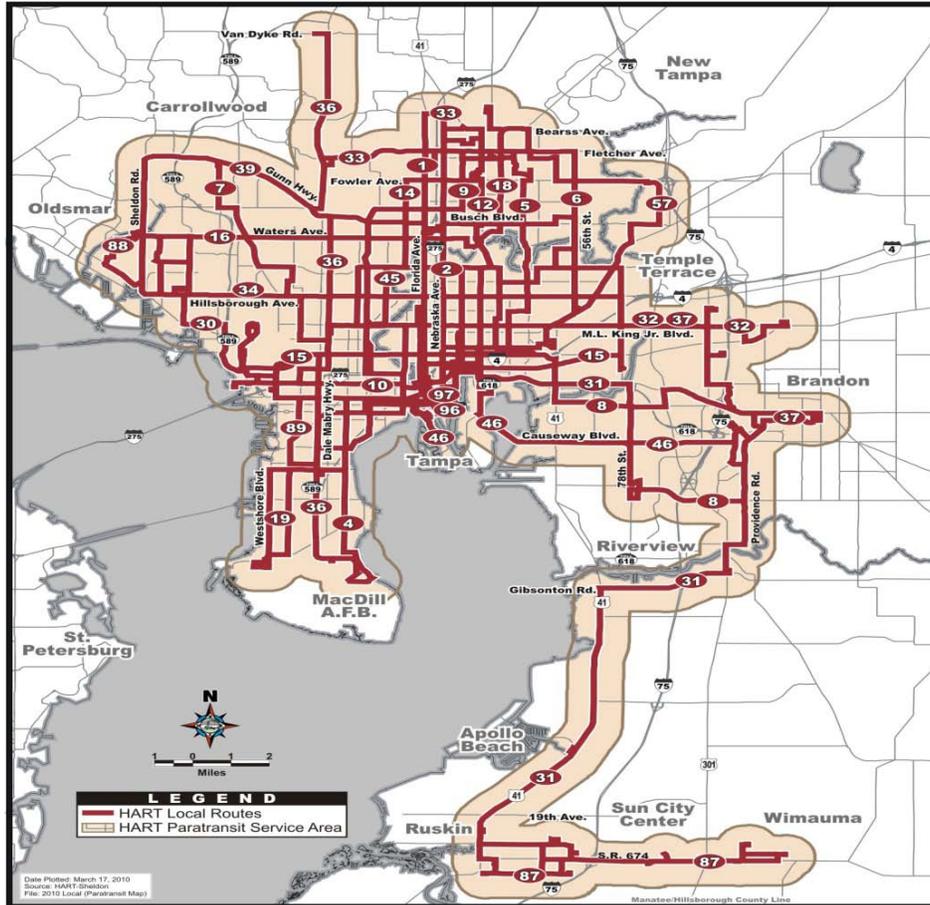
Officials

The Board establishes its policies and sets direction for the Authority. The Board is made up of a chair and eleven members. Three members are appointed by the City of Tampa, six members are appointed by the Hillsborough Board of County Commissioners, one member is appointed by the City of Temple Terrace, and two members are appointed by the Governor. Board members serve staggered three-year terms.

Management

The Chief Executive Officer is responsible for the Authority's daily operations and directly supervises the core personnel who lead the organization: Government Affairs, Finance, Planning and Community Relations, Bus Operations, Maintenance, Engineering, and Administration. Additionally, there are departments that support these functions.

Hillsborough Transit Authority 2010 Local and Paratransit Routes



Budget

The Board is required to adopt an annual operating budget before the beginning of the fiscal year. The budget serves as a policy document, an operations guide, a financial plan and a communication device. The process for developing the Authority's budget begins with budget review and planning in March through May; and through a series of meetings and analysis, results in a balanced operating budget and a prioritized capital budget. The Authority may not spend more than the approved operating budget. The Board must approve increases to the budget. The Chief Executive Officer and the Chief Financial Officer may permit movement of funds within the approved budget.

The HART Board adopted FY2010-11 fiscal year operating and capital budget totaling \$136.8 million inclusive of the Authority's biennial 2010/2011 budget. This financial plan allows the Authority to continue to provide the same level of transit service in FY2011 consistent with the FY2010. The passage of the FY2011 budget totaling \$136.8 million, which is \$11.3 million or 7.6% under FY2010 budget, is attributed to \$13.5 million capital decrease in capital improvements program expenses due to projects completed.

The property tax initiative driven by mandated property tax reduction has significantly affected the Authority funding services and the delivery of transit services in Hillsborough County.

The FY2011 budget of \$74.1 million is attributed essentially to the Authority Capital Improvement Program budget, of which \$72.8 million represents the Bus Operations and \$1.3 million the Streetcar capital budget for expansion of the rail system. The Hillsborough County government has contributed \$40 million to the Authority to construct two bus rapid transit routes for the East-West corridor and the North-South corridor projected to be operational in 2013. The main feature of a bus rapid transit system is having dedicated bus lanes which operate separate from all other traffic modes. This allows buses to operate at a very high level of reliability since only professional motorists are allowed on the bus way.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

Local economy. The regional economy currently enjoys a slightly favorable economic environment compared with other cities in Florida and local indicators point to continued stability. The regional economy has a diverse economic base that includes tourism, agriculture, construction, finance, health care, technology, and the Port of Tampa. Major industries with headquarters or divisions located within the regional area's boundaries or in close proximity include telephone and electric service companies, computer hardware and electrical controls manufacturers, tourist attractions, fertilizer manufacturers, MacDill Air Force Base, and the Port of Tampa. Institutions of higher learning located in the regional area include the University of South Florida, the University of Tampa, Hillsborough Community College, and the Stetson University College of Law.

Property tax revenue increases over the previous two years were significantly lower than prior years. The area's MSA unemployment rate is currently 12.4 percent, slightly higher than the national rate of 9.6 percent and slightly higher than the statewide rate of 11.9 percent. The region's growth and economic diversity are expected to be the basis for continued health of the local economy in coming years.

The Authority's ability to fund its operations is heavily dependent on a millage levy generated from property taxes. The property tax revenues have declined by \$8.2 million or 22% since 2007. The millage rate for 2007 was .50 compared to the 2011 millage rate of .4682.

As with the global economy, local fuel prices continue to rise above historical highs. This occurrence has a two-sided affect on public transportation providers. Higher fuel prices at the pump tend to encourage higher utilization of public transportation by citizens. However, these same rising costs also impact the Authority's ability to afford fuel. Rising fuel costs ultimately impacts the cost of maintenance materials and energy costs associated with the Authority's fleet and customer amenities. Management believes that higher fuel prices will decrease the amount

of disposable income in the area, which would decrease consumer spending thereby affecting the local economy and increasing ridership.

Even in light of these challenges, the Authority remains steadfast in its commitment to provide public transportation to its riders while meeting its fiscal challenges by purchasing fuel prices at a lower rate in the futures market.

Long-Range Financial Planning

Due to the significant investment in buses and bus facilities used for service delivery and the necessary funding required to refurbish and to replace those assets when needed, the Authority has been building up resources. As of September 30, 2010, the Authority's unrestricted net assets totals \$22.4 million. Long-term financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions.

Major Initiatives

On December 2, 2009, the Hillsborough County, Florida, Board of County Commissioners approved a Resolution declaring its intent to place on the November 2, 2010 ballot for presentation to the Hillsborough County electorate a referendum question of whether to approve the levy of an on-going one percent (1%) Charter County Transportation System Surtax. The proceeds from the tax will be used to fund 75 percent transit related projects with the remaining 25 percent to fund planning, development and maintenance of various non-transit transportation projects. Should the voters approve the referendum for a one percent sales tax to fund the HART Rapid Transit Investment Plan this should provide a dedicated funding source for the transit improvements discussed herewith. The plan as proposed is expected to address the Hillsborough County-wide program of new services and projects. The referendum did not pass and as a result the Hillsborough County and the Transit Authority are exploring alternative funding sources for future transit services.

- Address unmet needs
- Enhance existing service
- Extend service to new areas
- Introduce new service types
- Move people faster

The Proposed Plan Framework is Outlined Below:

- Invest resources in highly productive transit corridors with high performance bus and rail
- Develop circulators in activity centers that connect bus and rail to specific destinations
- Implement effective mobility options in suburban areas that improve Express and flexible services

Total Estimated Revenues for 30 years \$13.83 billion (2011-2041)

- Sales Tax \$7.48 billion
- Ad Valorem \$1.56 billion
- Farebox & Other \$1.65 billion

- New Starts \$2.16 billion
- Other Federal \$.768 billion
- Other State \$.161 billion
- Miscellaneous \$.050 billion

Cash management policies and practices. Cash temporarily idle during the year was invested in the Florida State Board of Administration (SBA) Local Government Investment Pool. The investment returns through fiscal year end September 30, 2010, totaled an average of 27 basis points compared to an average of 89 basis points for FY2009. The SBA investment pool allocation consists of U.S. Treasury Bills/Bonds, Federal Agency Obligations, REPO Agreements, Commercial Paper, Certificates of Deposit, and Asset-Backed Securities. This mix of asset allocation provides a strong diversity for a balanced portfolio. The Board awarded a new banking agreement in 2006 that freed-up all idle cash for investment by pooling the available cash for reinvestment utilizing zero balance operating accounts.

Risk management. Commercial insurance is carried for damage to buildings with a deductible that varies with the cause of loss. The Authority is self-insured for worker’s compensation and general liability. Additional information regarding the Authority’s risk management activity can be found in Note 7 of the notes to the financial statements.

Pension and other post-employment benefits. Substantially, all full-time Authority employees are participants in the Florida Retirement System (“the System”), a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature, covers approximately 1,076,837 (as of June 30, 2009) full-time employees of various governmental units within the State of Florida.

The System provides for vesting benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after 62 years with six or more years of service. Early retirement is available after six years of service with a 5 percent reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based on age, average compensation and years-of-service credit where the average compensation is computed as the average of an individual’s highest five years of earnings. Employees are not required to contribute to this retirement system.

The most recent Florida Retirement System (FRS) Annual Report published is for FY2009 (July 1, 2008 through June 30, 2009). According to this report, the FRS actuarial value of assets totaled \$118.8 billion with an actuarial accrued liability of \$136.4 billion resulting in a funded ratio of 87.09 percent. However, from the current and FY2010 economic conditions and the volatility in the U.S. stock market, the FRS portfolio has realized some decline.

The Authority’s contribution for FY2010 consisted of 9.85 percent of gross wages for regular employees, 13.12 percent for senior management, and 10.91 percent for the deferred retirement option program participants. The FY2010 contributions totaled \$3.2 million.

The Authority has no responsibility to the System other than to make the periodic payments required by State Statutes. The Florida Division of Retirement issues a publicly available

financial report that includes financial statements and required supplementary information for the System.

Participating employer contributions are based upon statewide rates established by the State of Florida. The Authority does not provide any other post employment benefits to retirees.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hillsborough Transit Authority (HART) for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the first year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, HART also received the GFOA's Distinguished Budget Presentation Award for its FY2009 annual budget document dated September 22, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the governing board of directors for their unfailing support for maintaining the highest standards of professionalism in the management of the Hillsborough Transit Authority's finances.

Respectfully submitted,



David J. Armijo
Chief Executive Officer



Stephen Hendershott
Chief of Operations & Interim Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Hillsborough Transit Authority
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

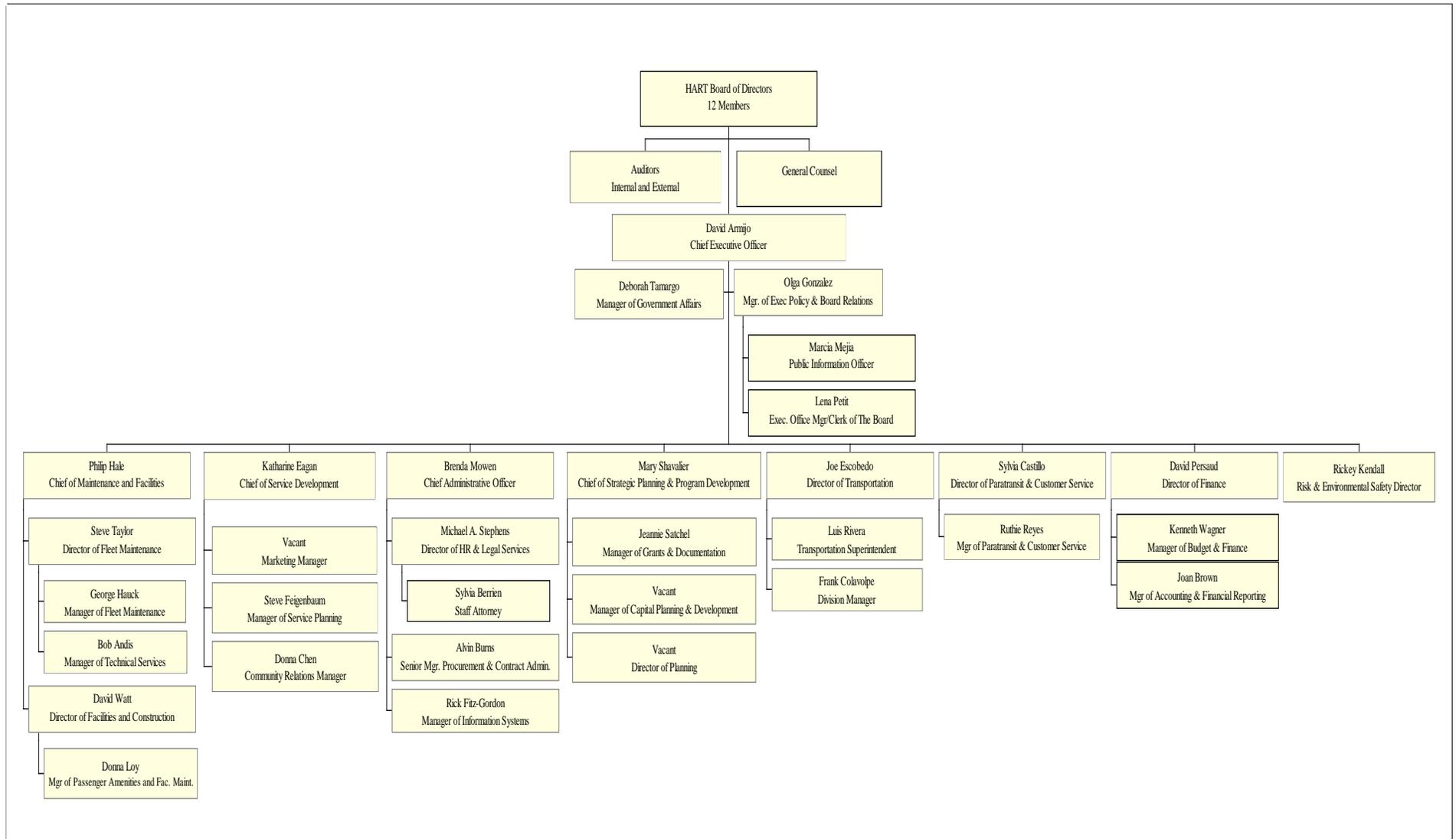
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**HILLSBOROUGH TRANSIT AUTHORITY
ORGANIZATIONAL CHART
AS OF AUGUST 16, 2010**



**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

ELECTED AND APPOINTED OFFICIALS

**HART Board of Directors
(As of September 30, 2010)**

Officers

Ron Govin, Chairperson
Alison A. Hewitt, Vice Chairperson
Fran Davin, Secretary

Hillsborough County

Wallace Bowers
Dr. Steven Polzin
Michael York
Commissioner Rose V. Ferlita
Commissioner Mark Sharpe
Commissioner Kevin Beckner

City of Temple Terrace

Council Member Ron Govin

City of Tampa

Councilmember Curtis Stokes
David Mechanik
Fran Davin

State of Florida

John Byczek
Alison A. Hewitt

Chief Executive Officer

David J. Armijo

General Counsel

Stiles, Taylor & Grace, PA

Independent Auditors

Crowe Horwith, LLP

Internal Auditors

Protiviti, Inc.

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

DIRECTORY OF OFFICIALS

**APPOINTED OFFICIALS
(As of September 30, 2010)**

Olga Gonzalez, Manager of Executive Policy and Board Relations

Philip Hale, Chief of Maintenance and Facilities

Joe Escobedo, Director of Transportation

Brenda Mowen, Chief Administrative Officer

Katharine Eagan, Chief of Service Development

Mary Shavalier, Chief of Strategic Planning & Program Development

David Persaud, Director of Finance

Rickey Kendall, Director of Risk and Environmental Safety

Sylvia Castillo, Director of Paratransit and Customer Service

SECTION II

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Hillsborough Transit Authority
Tampa, Florida

We have audited the accompanying basic financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority, or HART (the "Authority"), as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Hillsborough Transit Authority as of September 30, 2009, were audited by other auditors whose report dated January 22, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hillsborough Transit Authority, as of September 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2011, on our consideration of the Hillsborough Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

(Continued)

The Management's Discussion and Analysis on 11-4 through 11-10 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hillsborough Transit Authority's basic financial statements. The introductory section and statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


Crowe Horwath LLP

Tampa, Florida
February 21, 2011

HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) of the Hillsborough Transit Authority's ("the Authority"), a/k/a Hillsborough Area Regional Transit, financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of three parts: management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, and other required supplementary information.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to an enterprise fund using an accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Included in the financial statements are the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, the Statement of Cash Flows, and the related notes.

The Statement of Net Assets presents information on the Authority's assets and liabilities, of which the difference is net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets present information on the Authority's operating revenues and expenses and non-operating revenue and expenses for the fiscal year. The net income or loss when combined with capital grant revenue determines the net change in assets for the year. The net change in assets is combined with the previous year-end's net asset total to arrive at the net asset total for this fiscal year.

The Statement of Cash Flows presents information on the Authority's cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year.

HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Net assets of the Authority increased by \$770,372 or .6 percent, of which \$3,649,304 or 3.4 percent represents an increase in the amount invested in capital assets and \$2,878,932 or 11.4 percent represents a decrease in unrestricted assets.
- The \$3.6 million increase in capital assets (net of depreciation) is largely attributable to: purchases of twenty-nine revenue vehicles, construction of the streetcar system extension, construction costs for 21st Avenue which included the construction of the above ground fuel tanks and the maintenance roof rehab, continued installation of the enterprise resource planning (ERP) system, and data processing equipment.
- The Authority's total operating revenues increased \$345,487 or by 2.7 percent. This increase was a result of a 1.7 percent increase in passenger fares and a 22.5 percent increase in advertising revenues.
- Operating expenses increased by \$372,933 or .6 percent. Salary expense increased \$1,644,352 or 6.0 percent due to the addition of new positions and increases in pay rates per labor contracts. Fringe benefits increased \$725,012 or 5.1 percent due to increases in health insurance rates. Fuel and Lubricants cost decreased by \$1,090,800 or 17.0 percent due to decreases in diesel fuel cost per gallon. All other expenses had a net decrease of \$905,631 due to: decrease in parts and supplies of \$94,586, increase in contract services of \$122,036, increase in insurance and risk management cost of \$352,135, decrease in utilities expense of \$270,267, decrease in marketing by \$314,145, decrease in space rental cost of \$112,624, decrease in miscellaneous expenses by \$352,754, and decrease in contribution to community redevelopment agency by \$90,811.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statements of Net Assets

- As noted earlier, net assets serve as a measurement of the Authority's financial position over a period of time. The Authority's assets exceeded liabilities by \$134,997,081 and \$134,226,709 as of September 30, 2010 and 2009, respectively.
- The largest portion of the Authority's net assets each year, 83.4 percent and 81.1 percent at September 30, 2010 and 2009, respectively, represents its investment in capital assets (i.e., land, buildings and improvements, buses, paratransit vans and non revenue vehicles). The Authority uses these capital assets to provide services to its customers. These assets are not available for spending in future years.

**HILLSBOROUGH TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS**

A portion of the Authority's net assets, \$13,482,567 or 10.0 percent and \$6,339,910 or 4.7 percent at September 30, 2010 and 2009, respectively, represents resources that are reserved for the Authority's future operations and capital projects. The remaining portion of the Authority's net assets, \$8,991,685 or 6.7 percent and \$19,013,274 or 14.2 percent at September 30, 2010 and 2009, respectively, represents resources that are unrestricted. These funds may be used to meet the ongoing obligations of the Authority.

- As discussed in Note 3 to the basic financial statements, in December 2007 the Florida State Board of Administration was restructured and split into two groups. Fund A consists of high quality money market instruments and Fund B consists of sub-prime related instruments. In the opinion of management, the restructuring will not impair the principal amount of the investments held by the Authority as of September 30, 2010.
- Additional information in the Name of Government's Capital Assets can be found in note 4 of this report.

**Table 1
Condensed Statement of Net Assets**

	<u>2010</u>	<u>2009</u>	Increase (Decrease)	Percent Change	<u>2008</u>
Assets:					
Current assets	37,434,234	39,195,541	(1,761,307)	-4.5%	36,688,599
Capital assets	112,522,829	108,873,525	3,649,304	3.4%	105,544,500
Total assets	<u>149,957,063</u>	<u>148,069,066</u>	<u>1,887,997</u>	<u>1.3%</u>	<u>142,233,099</u>
Liabilities:					
Current liabilities	9,058,066	9,235,855	(177,789)	-1.9%	7,753,607
Non-current liabilities	5,901,916	4,606,502	1,295,414	28.1%	5,626,273
Total liabilities	<u>14,959,982</u>	<u>13,842,357</u>	<u>1,117,625</u>	<u>8.1%</u>	<u>13,379,880</u>
Net assets:					
Invested in capital assets	112,522,829	108,873,525	3,649,304	3.4%	105,544,500
Unrestricted	22,474,252	25,353,184	(2,878,932)	-11.4%	23,308,719
Total net assets	<u>134,997,081</u>	<u>134,226,709</u>	<u>770,372</u>	<u>0.6%</u>	<u>128,853,219</u>

Statements of Revenues, Expenses and Changes in Net Assets

The Authority operates as a single enterprise fund providing public transportation to the community. User charges, in the form of passenger fares, represented 21.1 percent and 19.8 percent of total operating revenues and non-operating revenues in fiscal years 2010 and 2009, respectively. The cost of providing the remainder of the service was subsidized by ad valorem tax revenue collections and federal, state, and local funding. The Authority's millage rate for the 2010 and 2009 tax year was 0.4682 and 0.4682 mill, respectively.

**HILLSBOROUGH TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS**

**Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	2010	2009	Increase (Decrease)	Percent Change	2008
Operating revenues	13,134,919	12,789,432	345,487	2.7%	12,682,182
Operating expenses	(65,132,421)	(64,759,488)	(372,933)	0.6%	(56,955,476)
Operating loss before depreciation	(51,997,502)	(51,970,056)	(27,446)	0.1%	(44,273,294)
Depreciation	(13,394,583)	(11,482,036)	(1,912,547)	16.7%	(9,335,084)
Operating loss	(65,392,085)	(63,452,092)	(1,939,993)	3.1%	(53,608,378)
Federal, state and local grants	13,870,646	13,848,663	21,983	0.2%	9,615,363
Property tax proceeds	31,028,970	34,723,204	(3,694,234)	-10.6%	36,303,961
Other revenues	867,035	339,546	527,489	155.4%	1,365,162
Total non-operating revenues	45,766,651	48,911,413	(3,144,762)	-6.4%	47,284,486
Loss before capital grants	(19,625,434)	(14,540,679)	(5,084,755)	35.0%	(6,323,892)
Capital grants	20,395,806	19,914,170	481,636	2.4%	14,134,091
Increase in net assets	770,372	5,373,491	(4,603,119)	-85.7%	7,810,199

As noted above, fiscal year 2010 operating revenues increased by 2.7 percent, while operating expenses prior to the recognition of depreciation increased by 0.6 percent.

- Passenger fares increased \$212,493 or 1.7 percent in fiscal year 2010, from \$12,197,462 in fiscal year 2009 to \$12,409,955 in fiscal year 2010. Advertising revenues increased \$132,994 or 22.5 percent in fiscal year 2010, from \$591,970 in fiscal year 2009 to \$724,964 in fiscal year 2010.
- Salaries increased \$1,644,352 or 6.0 percent in fiscal year 2010 over fiscal year 2009. Salaries in fiscal year 2010 increased from fiscal year 2009 due to increases in number of bus operators, by 22, and increase in pay rates due to labor contracts for the unions and also for non-bargaining employees.
- Fringe benefits increased \$725,012 or 5.1 percent in fiscal year 2010 over fiscal year 2009. This increase is due to increases in health insurance and state pension rates.
- Fuel and lubricants decreased by \$1,090,800 or 17.0 percent in fiscal year 2010 over fiscal year 2009. The decrease was mainly because of the decrease in the average cost of diesel fuel per gallon.
- Parts and supplies decreased by \$94,586 or 2.6 percent in fiscal year in 2010 from fiscal year 2009. This decrease is primarily attributed to the addition of 59 new buses and removal of 60 old buses during the past two fiscal years.

HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

- Contract services increased by \$122,036 or 3.8% in fiscal year 2010 from fiscal year 2009. This increase is related to reclassification of internet access costs previously charged to utilities expense in fiscal year 2009.
- Insurance premiums, self insurance costs and settlements increased by \$352,135 in fiscal year 2010. This increase is due to the increase in claims settlements by \$131,046 and increase in estimate for unreported claims of \$245,000.
- Operating expenditures reimbursed by grants increased by \$127,576 in fiscal year 2010. Some of the costs subsidized are by outside agencies were used for financial planning, project administration, design and engineering, purchase of parts to maintain the integrity of the fleet, quality service analysis, and lease expenses.
- Total operating assistance grants increased by \$21,983 or 0.2 percent in fiscal 2010. Most of the decrease was due to decrease in funding from American Recovery and Reinvestment Act in FY 2009 and was offset by increases in funding from the State of Florida and the City of Tampa.
- Ad valorem distributions net of Property Appraiser and Tax Collector commissions decreased \$3,694,234 or 10.6 in fiscal year 2010. This decrease is related to 11 percent in market value of residential properties in Hillsborough County.
- Other revenues increased \$527,489 or 155.4 percent in fiscal year 2010. This increase is due to reduction in the estimate of the allowance on SBA investments by \$198,571, increase in recovery of claims by \$120,414 and increase in miscellaneous revenues by \$74,133.
- Capital grants from local agencies decreased by \$481,636 in fiscal year 2010. This increase was due to additional federal and state grants offset by a reduction in local grants. These grants are a direct result of capital purchases and programs during fiscal year 2010.

Capital Assets

The Authority's investment in capital assets for the fiscal year ending September 30, 2010 included: buildings and improvements, computer software and hardware, revenue and other vehicles and equipment.

- The Authority's acquisition of revenue vehicles and related equipment included the purchase of twenty-nine buses, six demand response vehicles, two flex service vehicles, and three administrative vehicles.

HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

Capital Assets (continued)

- Transit Infrastructure improvements included the placement of 113 (97 Signal Outdoor, 1 developer, 15 HART) bus shelters which were a collaboration by HART and its advertising contractor Signal Outdoor. Also in FY 2010, 3 bus bays were built by Hillsborough County, FDOT and HART, as well as 90 landing pads throughout the county by various agencies including HART.
- The Streetcar Extension Phase IIa construction project design specifications were completed in 2009. Construction started in 2009 and the route extension became operational on December 19, 2010.
- The Maintenance Fueling Facility for the upgrade to above ground storage tanks was bid in May 2009. Work was stopped in July 2009 due to design changes. The project was restarted in November 2009. Final completion was in March 2010.
- The Maintenance Building Roof Rehabilitation project was completed in November 2009.
- Six ticket vending machines were purchased in September 2010 for placement along the streetcar line.

On-going Projects

- The organization-wide integrated Enterprise Resource Planning (ERP) System software conversion was partially completed by July 2009. The new software is Microsoft Dynamics (GP), AssetWORKS FASuites, and ProActis. Additional conversions were completed in 2010. Final application conversions are expected in August 2011.
- Preliminary engineering and traffic analysis for the North-South Metro Rapid Transit were conducted in 2009. Land acquisitions are expected in 2011 with project completion in 2012.
- Major operations analysis started in 2009 to determine facility needs at 21st Avenue. Based on the results of the site analysis, HART will move forward with the renovation and expansion of the existing administration facility. Design of the facility is expected to begin in December of 2010.
- The Tampa International Airport (TIA) Transfer Center, near Spruce Street and O'Brien Avenue at TIA property was approved for property lease in July 2009. Project design was expected to go for bid in late 2010. Completion is expected in late 2012.

**HILLSBOROUGH TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS**

Long Term Debt Administration

The Authority has no long-term debt. Stringent capital funding and project implementation requirements have enabled the Authority to avoid issuing long-term debt instruments for the construction of capital projects.

REQUESTS FOR INFORMATION

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. If you have questions concerning information contained within this report, contact Stephen Hendershott, Interim Director of Finance and Chief of Operations, Hillsborough Area Regional Transit Authority, Finance Division, 1201 East 7th Avenue, Tampa, Florida 33605.

HILLSBOROUGH TRANSIT AUTHORITY
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash, cash equivalents and investments (Note 3)	\$ 23,982,978	\$ 29,716,047
Investments (Note 3)	484,306	486,270
Accounts receivable		
Trade and other, net of allowance for uncollectible accounts of \$25,981 in 2010 and \$32,613 in 2009	845,932	771,353
Federal grants	9,608,332	5,347,731
State grants	112,192	203,459
Local grants	155,133	503,355
Inventory of replacement parts and supplies	1,488,164	1,556,352
Prepaid expenses	757,197	610,974
Total current assets	<u>37,434,234</u>	<u>39,195,541</u>
Capital assets		
Land (Note 4)	13,509,257	13,509,257
Construction in progress (Note 4)	4,246,422	1,415,649
Capital assets, net of accumulated depreciation (Note 4)	<u>94,767,149</u>	<u>93,948,619</u>
Total capital assets	112,522,829	108,873,525
 Total assets	 <u><u>149,957,063</u></u>	 <u><u>148,069,066</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	4,821,432	4,266,091
Accrued expenses	1,654,361	1,533,626
Deferred revenue	915,457	873,278
Self insurance and loss contingencies due within one year (Notes 7, 8 and 11)	1,446,816	2,421,860
Compensated absences due within one year (Note 8)	<u>220,000</u>	<u>141,000</u>
Total current liabilities	9,058,066	9,235,855
Noncurrent liabilities		
Self insurance and loss contingencies (Notes 7, 8 and 11)	3,560,184	2,340,140
Compensated absences (Note 8)	<u>2,341,732</u>	<u>2,266,362</u>
Total noncurrent liabilities	<u>5,901,916</u>	<u>4,606,502</u>
Total liabilities	14,959,982	13,842,357
NET ASSETS		
Invested in capital assets	112,522,829	108,873,525
Unrestricted (Note 9)	<u>22,474,252</u>	<u>25,353,184</u>
Total net assets	<u><u>\$ 134,997,081</u></u>	<u><u>\$ 134,226,709</u></u>

See accompanying notes to financial statements.

HILLSBOROUGH TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating revenues		
Passenger fares	\$ 12,409,955	\$ 12,197,462
Advertising	<u>724,964</u>	<u>591,970</u>
Total operating revenues	13,134,919	12,789,432
Operating expenses		
Salaries and wages	28,976,002	27,331,650
Payroll taxes, fringe benefits and workers' compensation	14,875,779	14,150,767
Fuel and lubricants	5,332,088	6,422,888
Parts and supplies	3,543,504	3,638,090
Contracted services	3,296,307	3,174,271
Insurance	2,310,511	1,958,376
Utilities	756,763	1,027,030
Marketing and promotion	713,228	1,027,373
Other	1,463,051	2,291,431
Operating expenditures reimbursed by grants	<u>3,865,188</u>	<u>3,737,612</u>
Total operating expenses before depreciation	<u>65,132,421</u>	<u>64,759,488</u>
Operating (loss) before depreciation	<u>(51,997,502)</u>	<u>(51,970,056)</u>
Depreciation	<u>13,394,583</u>	<u>11,482,036</u>
Operating loss	(65,392,085)	(63,452,092)
Nonoperating revenues (expenses)		
Operating assistance grants		
Federal	8,566,909	8,922,111
State	3,937,879	3,669,407
Local	1,365,858	1,257,145
Property tax proceeds, net	31,028,970	34,723,204
Interest income	290,111	86,189
Other income	<u>576,924</u>	<u>253,357</u>
Total nonoperating revenues	45,766,651	48,911,413
Net loss before capital contributions	\$ (19,625,434)	\$ (14,540,679)

See accompanying notes to financial statements.

HILLSBOROUGH TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Net loss before capital contributions	\$ (19,625,434)	\$ (14,540,679)
Capital grants		
Federal	\$ 19,717,043	\$ 16,746,036
State	38,139	170
Local	<u>640,624</u>	<u>3,167,964</u>
Total capital grants	<u>20,395,806</u>	<u>19,914,170</u>
Increase in net assets	770,372	5,373,491
Net assets at beginning of year	<u>134,226,709</u>	<u>128,853,218</u>
Net assets at end of year	<u>\$ 134,997,081</u>	<u>\$ 134,226,709</u>

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from customers	\$ 13,060,341	\$ 13,270,671
Cash paid to employees	(43,576,676)	(40,727,611)
Cash paid to suppliers	(20,558,335)	(23,152,802)
Other receipts	<u>409,359</u>	<u>282,419</u>
Net cash used in operating activities	<u>(50,665,311)</u>	<u>(50,327,323)</u>
 Cash flows from noncapital financing activities		
Operating grants received	9,524,015	12,261,256
Property tax revenues received	<u>31,028,970</u>	<u>34,723,203</u>
Net cash provided by noncapital financing activities	<u>40,552,985</u>	<u>46,984,459</u>
 Cash flows from capital and related financing activities		
Purchase of capital assets	(17,050,151)	(15,023,431)
Capital assistance grants	20,963,504	19,755,289
Proceeds from the sale of revenue vehicles	<u>173,829</u>	<u>183,312</u>
Net cash provided by capital and related financing activities	<u>4,087,182</u>	<u>4,915,170</u>
 Cash flows from investing activities		
Proceeds from sales and maturities of investments	200,535	185,792
Interest income	<u>91,540</u>	<u>269,423</u>
Net cash provided by investing activities	<u>292,075</u>	<u>455,215</u>
 Net increase (decrease) in cash, cash equivalents and investments	(5,733,069)	2,027,521
 Cash and cash equivalents at beginning of year	<u>29,716,047</u>	<u>27,688,526</u>
 Cash and cash equivalents at end of year	<u>\$ 23,982,978</u>	<u>\$ 29,716,047</u>

(Continued)

**HILLSBOROUGH TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Reconciliation of operating expenses in excess of operating revenues to net cash used in operating activities		
Operating loss	\$ (65,392,085)	\$ (63,452,092)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash used in operating activities		
Add back depreciation	13,394,583	11,482,036
Add income from other receipts	409,359	282,418
(Increase) decrease in accounts receivable	(74,579)	481,238
(Increase) decrease in inventories	68,188	40,839
(Increase) decrease in prepaid expenses	(146,223)	139,561
Increase (decrease) in accounts payable	555,341	(26,231)
Increase (decrease) in accrued expenses	120,735	648,051
Increase (decrease) in self insurance	245,000	(29,901)
Increase (decrease) in accumulated unused compensated absences	<u>154,370</u>	<u>106,758</u>
 Total adjustments	 <u>14,726,774</u>	 <u>13,124,769</u>
 Net cash used in operating activities	 <u>\$ (50,665,311)</u>	 <u>\$ (50,327,323)</u>

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

General: Hillsborough Transit Authority, operating and also known as Hillsborough Area Regional Transit Authority, or HART (“the Authority”), was created as a body politic and corporate under Chapter 163, Part V, Sections 163.567, et seq., Florida Statutes, on October 3, 1979. It was chartered for the purpose of providing mass transit service to its two charter members, the City of Tampa (“the City”) and the unincorporated areas of Hillsborough County, Florida (“the County”). The Authority may admit to membership any county or municipality contiguous to a member of the Authority upon application and after approval by a majority vote of the entire Board of Directors. The City of Temple Terrace has been admitted as a member of the Authority.

The Authority’s Board of Directors is comprised of two directors appointed by the Governor of the State of Florida and a minimum of one director from each member of the Authority. Members are allowed an additional director for each 150,000 persons, or major fraction thereof, resident in those members’ jurisdictional limits.

Basis of Presentation: The Authority operates the transit system as a single enterprise fund with operational cost centers to account for costs of services: operations, maintenance, and administrative. Ad valorem tax revenues, operating grants and other non-capital grant revenue are classified as non-operating revenue. Capital grants are separately presented in the statements of revenue, expenses and changes in fund net assets.

The Authority’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The Authority applies all applicable pronouncements of the Financial Accounting Standards Board of the Financial Accounting Foundation (FASB) issued on or before November 30, 1989 which do not contradict GASB pronouncements, and all applicable pronouncements required by the Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB) subsequent to that date.

The accompanying financial statements are reported on the accrual basis of accounting, under which, revenues are recognized when earned and measurable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority’s significant financial and accounting policies utilized in formulating these financial statements are as follows:

Cash, Cash Equivalents and Investments: The Authority’s cash, cash equivalent and investments include: cash on hand, demand deposits and highly liquid investments which are readily convertible to cash.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Policy: Florida Statute 218.415, and the Authority's investment policy authorize the Authority to invest surplus funds in the following:

- a. the Local Government Surplus Funds Trust Fund, an investment pool, under the sponsorship of the FSBA;
- b. negotiable direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by, the U.S. Government;
- c. interest bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes;
- d. obligations of the Federal Home Loan Mortgage Corporation;
- e. obligations of the Federal National Mortgage Association;
- f. securities of, or other interest in open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C ss.80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or trust fund is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided such an entity takes delivery of such collateral either directly or through an authorized custodian;
- g. prime commercial paper with the highest credit quality rating from a nationally recognized agency;
- h. tax exempt obligations rated "AA" or higher and issued by state and local governments.

The Authority invests funds throughout the year with the Local Government Surplus Funds Trust Fund Investment Pool, ("the Pool"), administered by the State Board of Administration (SBA) under the regulatory oversight of State of Florida, Chapter 19-7 of the Florida Administrative Code.

On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. Pool A, subsequently renamed the LGIP pool, consisted of all money market appropriate assets. The LGIP pool is considered a Securities and Exchange Commission (SEC) "2a7-like" fund, with the fair value of the investment equal to the account balance. A 2a7-like fund is not registered with the SEC as an investment company, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, the rules governing money market funds. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

Pool B, referred to as the Fund B Surplus Funds Trust Fund ("Fund B"), consists of securities originally purchased for the LGIP pool that 1) defaulted in the payment of principal and interest; 2) were extended; 3) were restructured or otherwise subject to workout; 4) experienced elevated market illiquidity; or 5) did not meet the criteria of the nationally recognized statistical rating organization that provides the LGIP pool's AAAM rating. Fund B will be accounted for as a fluctuating net asset value (NAV) pool. These Pool B funds are valued at fair value.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable: The Authority provides for an allowance for doubtful accounts based on the expected collectability of outstanding balances.

Inventory: Inventory, principally consisting of vehicle replacement parts and operating supplies, is stated at average cost. The average cost of inventory is based on recently received inventory as well as older received inventory.

Capital Assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives as follows:

<u>Description</u>	<u>Useful lives (years)</u>
Building and improvements	5 to 40
Revenue vehicles	3 to 30
Operating transit and related equipment	3 to 7
Other equipment, fixtures and other vehicles	3 to 7

On an annualized basis, the Authority evaluates the useful lives of the capital assets and writes off net capitalized costs of assets with no future value.

Donated capital assets are valued at their fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Deferred Revenue: Deferred revenue is considered a liability until it becomes relevant to the business at hand, such as payment received for work not performed or revenues received which have not the earned.

Compensated Absences: Vacation pay is accrued when earned; vested or accumulated vacation leave up to a maximum of 240 hours, per employee, is reported as expense and a liability; the employee is allowed to transfer accumulated hours in excess of 240 to the sick leave pool. The portion of sick leave that is payable at retirement is accrued when vested; the Authority allows employees to accumulate unused sick leave at varying rates depending on several factors, including the employee's union representation and length of employment.

In accordance with GASB Statement No. 16, Accounting for Compensated Absences, the compensated absences liability is calculated based on the pay or salary rates in effect at the balance sheet date. Additionally, accruals have been made for salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The salary-related payments subject to this accrual are those items for which an employer is liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. Accordingly, the Authority has also recognized 7.65% of the compensated absences liability, representing its share of the Social Security and Medicare taxes. An accrual is also made for the pension cost related to the compensated absences amount because the Authority's employees are covered under the Florida Retirement System.

Net Assets: Net assets present the difference between assets and liabilities in the statements of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Unrestricted net assets may be designated for specific purposes as the option of the Authority's Board of Directors. If restricted and unrestricted net assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Invested in capital assets: This consist of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Passenger and Charter Fares: Passenger cash fares are recorded as revenue at the fare box. Multi-issue passes are recorded as revenue when sold. Charter revenue is recorded at the time services are performed.

Operating Revenue: Revenues resulting from the normal operations of the Authority such as fares and advertising.

Non Operating Revenue: Non-operating revenue includes types of income that the authority receive that are not part of the line of business such as operating assistance grants, property tax revenue, interest income.

Property Tax Revenue: The Authority has been determined to be an "Independent Special District" as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (\$.500000) on the taxable value of real and tangible personal property within the jurisdiction of its members. Chapter 165.570, Florida Statutes, allows the Authority to levy up to a three mill levy, subject to public referendum. Property tax collections are governed by Chapter 197, Florida Statutes. The Hillsborough County Tax Collector bills and collects all property taxes levied within the County. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively.

The Tax Collector remits collected taxes at least monthly to the Authority. The Authority recognizes property tax revenue on a cash basis as it is received from the Tax Collector since virtually all taxes levied will be collected through the tax collection process, and the remittances in October and November for prior fiscal year taxes are insignificant.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Calendar of Events:

January 1	Property taxes are based on assessed value at this date
July 1	Assessment roll approved by the state
September 30	Millage resolution approved the Authority
October 1	Beginning of fiscal year for which taxes have been levied
November 1	Property taxes due and payable
November 30	Last day for 4% maximum discount
April 1	Unpaid property taxes become delinquent
May 15	Tax certificates are sold by the Hillsborough County Tax

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from these estimates.

Reclassifications: Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Based on these reclassifications there are no changes in prior year net assets or change in net assets.

New Accounting Pronouncements:

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. It defines an intangible asset's required characteristics, and generally requires that they be treated as capital assets. The statement is effective for the Authority's fiscal year beginning October 1, 2009. The Authority does not have any Intangible Assets Statement to report.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments. It requires endowments to report their land and other real estate investments at fair value. Statement No. 52 is effective for the Authority's fiscal year ending September 30, 2009. Statement No. 52 has no impact on the Authority as no Endowments hold any investments in land or real estate.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Statement No. 53 is effective for the Authority's fiscal year ending September 30, 2010. The Authority has no derivatives instruments.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Statement 54 is effective for the Authority's fiscal year ending September 30, 2011. This statement does not apply to the authority.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The carrying value of the Authority's cash, cash equivalents and investments as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Cash, cash equivalents and investments		
Cash on hand	\$ 63,994	\$ 69,563
Demand deposits	1,374,753	2,886,173
Florida State Board of Administration - Pool A	<u>22,544,231</u>	<u>26,760,311</u>
Total Cash, cash equivalents and investments	23,982,978	29,716,047
Investments		
Florida State Board of Administration - Pool B	<u>484,306</u>	<u>486,270</u>
	<u>\$ 24,467,284</u>	<u>\$ 30,202,317</u>

The Federal Deposit Insurance Corporation (FDIC) insures the balances up to \$250,000 for each banking relationship. The remaining balances are collateralized pursuant to Chapter 280, Florida Statutes. The difference between the Authority's books and bank balance is due to outstanding checks and deposits in transit in these accounts. The Authority's procedures have been to replenish the bank accounts with transfers from the interest bearing accounts at the Florida State Board of Administration Local Government Surplus Trust Fund Investment Pool to cover cash needs.

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Custodial risk - Custodial credit risk is the risk that the Authority will not be able to recover deposits or the value of investments in the event of the failure of a depository financial institution or a third party holding the investment securities. Demand deposits and SBA investments are fully insured by the FDIC and the multiple financial institution collateral pool, required by Section 280.07 and 280.08, Florida Statutes.

Credit risk - Credit quality risk results from potential default of investments that are not financially sound. The LGIP pool was rated AAAM by Standard & Poor's at September 30, 2010. Fund B is not rated by a nationally recognized statistical rating agency.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

State Board of Administration – The SBA manages Florida PRIME, a 2a-7-like pool, carried at amortized cost. A 2a-7-like is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that is operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund and the Authority's position in Florida PRIME is considered to be equivalent to its fair value.

Regulatory oversight of the SBA is provided by three state of Florida elected officials designated as trustees: the Governor serves as Chairman of the SBA; the Chief Financial Officer serves as Treasurer of the SBA; and the Attorney General serves as Secretary of the SBA. External oversight of the State Board of Administration is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, provides insight, advice and counsel on these and other matters when appropriate. Audit oversight is also provided by the state of Florida Audit General.

At September 30, 2010, all of the Authority's excess cash was invested with the State Board of Administration Local Government Surplus Trust Funds Investment Pool. Investments in Fund B are only made available to participants as the underlying assets mature, or as interest payments on these assets are made. As of September 30, 2010, the weighted average days to maturity of the LGIP pool was 52 days; the weighted average life (based on expected future cash flows) of Fund B was 7.49 years. Because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2010 and 2009 is summarized as follows:

Description	Balance Oct. 1, 2009	Additions and Reclasses	Deletions	Balance Sep. 30, 2010
Non-depreciable capital assets				
Land	\$ 13,509,257	\$ -	\$ -	\$ 13,509,257
Construction work in progress	<u>1,415,649</u>	<u>2,830,773</u>	<u>-</u>	<u>4,246,422</u>
Total non-depreciable capital assets	14,924,906	2,830,773	-	17,755,680
Depreciable assets				
Buildings and improvements	50,564,692	1,865,615	9,217	52,421,090
Operating and transit related equipment	22,015,311	873,206	202,509	22,686,009
Other equipment, fixtures, and other vehicles	26,921,428	626,511	533,256	27,014,683
Revenue vehicles	<u>67,459,064</u>	<u>10,854,046</u>	<u>4,619,631</u>	<u>73,693,479</u>
Total depreciable capital assets	166,960,496	14,219,378	5,364,614	175,815,260
Less accumulated depreciation				
Buildings and improvements	20,605,564	1,861,708	7,474	22,459,798
Operating and transit related equipment	11,975,706	2,698,926	202,444	14,472,188
Other equipment, fixtures, and other vehicles	8,075,266	2,160,493	528,801	9,706,959
Revenue vehicles	<u>32,355,340</u>	<u>6,673,457</u>	<u>4,619,631</u>	<u>34,409,166</u>
Total accumulated depreciation	<u>73,011,877</u>	<u>13,394,583</u>	<u>5,358,350</u>	<u>81,048,111</u>
Total depreciable assets, net	<u>93,948,619</u>	<u>824,795</u>	<u>6,264</u>	<u>94,767,149</u>
Total capital assets, net	<u>\$ 108,873,525</u>	<u>\$ 3,655,568</u>	<u>\$ 6,264</u>	<u>\$ 112,522,829</u>

The construction work in progress at September 30, 2010 is primarily related to the Streetcar extension which went to operation December 19, 2010.

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 4 – CAPITAL ASSETS (continued)

Description	Balance Oct. 1, 2008	Additions and Reclasses	Deletions	Balance Sep. 30, 2009
Non-depreciable capital assets				
Land	\$ 13,509,257	\$ -	\$ -	\$ 13,509,257
Construction work in progress	<u>2,054,525</u>	<u>(638,876)</u>	<u>-</u>	<u>1,415,649</u>
Total non-depreciable capital assets	15,563,783	(638,876)	-	14,924,906
Depreciable assets				
Buildings and improvements	49,966,782	896,600	298,690	50,564,692
Operating and transit related equipment	22,317,770	667,815	970,274	22,015,311
Other equipment, fixtures, and other vehicles	24,801,576	2,798,639	678,787	26,921,428
Revenue vehicles	<u>60,343,589</u>	<u>11,299,253</u>	<u>4,183,778</u>	<u>67,459,064</u>
Total depreciable capital assets	157,429,718	15,662,308	6,131,529	166,960,496
Less accumulated depreciation				
Buildings and improvements	19,005,150	1,789,700	189,286	20,605,564
Operating and transit related equipment	10,007,712	2,850,299	882,305	11,975,706
Other equipment, fixtures, and other vehicles	6,928,562	1,815,656	668,952	8,075,266
Revenue vehicles	<u>31,507,573</u>	<u>5,026,381</u>	<u>4,178,614</u>	<u>32,355,340</u>
Total accumulated depreciation	<u>67,448,997</u>	<u>11,482,036</u>	<u>5,919,156</u>	<u>73,011,877</u>
Total depreciable assets, net	<u>89,980,721</u>	<u>4,180,271</u>	<u>212,373</u>	<u>93,948,619</u>
Total capital assets, net	<u>\$ 105,544,503</u>	<u>\$ 3,541,395</u>	<u>\$ 212,373</u>	<u>\$ 108,873,525</u>

Depreciation expense during the years ended September 30, 2010 and 2009 was \$13,394,583 and \$11,482,036, respectively.

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 5 – PENSION PLANS

Defined Benefit Pension Plan: Substantially, all full-time employees of the Authority are participants in the Florida Retirement System (“the System”), a multiple-employer, cost-sharing public retirement system. The System is controlled by the State Legislature and covers approximately 621,175 full-time employees of various governmental units within the State of Florida.

The System provides for vesting benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based on age, average compensation and years-of-service credit where the average compensation is computed as the average of an individual’s highest five highest years of earnings. Employees are not required to contribute to this retirement system.

The Authority has no responsibility to the System other than to make the periodic payments required by State Statutes. There is no employee obligation. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Participating employer contributions are based upon statewide rates established by the State of Florida. The Authority is required to contribute at an actuarially determined rate. The current rates are regular employees, 9.85%, senior management, 13.12%, deferred retirement option program (DROP) 10.91%. The Authority’s contributions during the years ended September 30, 2010, 2009, and 2008 were \$3,234,874, \$2,952,017, and \$2,928,626 respectively, equal to the required contributions for each year which is included as part of payroll taxes, fringe benefits and workers’ compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

Effective July 1, 1998, the Florida Legislature established the DROP. Under this program eligible employees are allowed to defer receipt of monthly retirement benefit payments while continuing employment with a System employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 5 – PENSION PLANS (continued)

Defined Contribution Plan: Beginning December 1, 2002, the System offers a second retirement plan option, the Florida Retirement System Investment Plan (“FRS Investment Plan”). Under this plan the employer pays all contributions, which are a percentage of salary based on the System’s Membership Class. The employee makes investment elections within the investment funds chosen by the FSBA. The retirement benefit is based on the account balance, and the benefit is vested after one year of service. If an employee leaves the job, he or she can keep the benefit in the System, or transfer his or her account to another retirement plan. The employee can also elect to cash out the benefit when leaving but could be subject to tax penalties for taking early withdrawal. The employee in this plan is not eligible for DROP. All employees in the System’s defined benefit pension plan were given a choice of switching to the FRS Investment Plan within a designated time period.

NOTE 6 – POST EMPLOYMENT BENEFITS (OTHER THAN PENSIONS)

The Authority is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same group insurance rates that current employees are charged. Although retirees pay for healthcare at group rates, they are receiving a benefit because they can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket. The availability of this lower cost health insurance represents an “implicit subsidy” for retirees. However, the Authority has not recognized a liability for post employment benefits other than pensions due to the extremely low current and expected participation rate among retirees in the Authority’s fully insured health plan. The obligation was determined to be immaterial to the financial statements taken as a whole.

NOTE 7 – SELF INSURANCE AND LOSS CONTINGENCIES

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1987, the Authority established a self-insurance program for general liability claims. Additionally, during 1990 the Authority established a self-insurance program for its workers’ compensation claims. Workers’ compensation claims are administered internally by the Authority and a third party administrator.

The liabilities currently provided are based upon the Authority’s estimate after considering the available facts. The claims estimation process involves substantial uncertainties, including the ultimate outcome of certain legal actions that may affect the adequacy of amounts provided; however, management feels the amounts provided are appropriate.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 7 – SELF INSURANCE AND LOSS CONTINGENCIES (continued)

Self-insured claims, liability limitations and methods used to limit the exposures are as follows:

General liability claims - The Authority's exposure for general liability, including vehicle, property and bodily injury, is subject to the State of Florida sovereign immunity laws, which provide loss limits of \$100,000 per person and \$200,000 per occurrence.

Workers' compensation claims - The Authority self-insures workers' compensation claims; however, claims exceeding \$500,000 are covered by an excess workers' compensation liability policy.

Property damage insurance coverage - The Authority has an excess insurance policy for vehicles with a self-insured retention ("SIR") of \$500,000.

Unemployment compensation - The Authority is fully self-insured and charges are made quarterly as the Florida Department of Revenue, Florida Unemployment Compensation Fund, assesses the Authority based on actual claims.

Group medical - Effective January 1, 2003, employees of the Authority are covered under United Health Care, an independent insurance provider.

Settled claims have not exceeded commercial coverage in any of the past three years. The liability of \$5,007,000 and \$4,762,000 in self-insurance and loss contingencies reported at September 30, 2010 and 2009, respectively, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Authority is party to certain claims that have not been included in this estimate because of the amount of any potential liability cannot be determined.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 7 – SELF INSURANCE AND LOSS CONTINGENCIES (continued)

Changes in the claims liability amount were:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at September 30, 2008	\$ 2,580,145	\$ 2,211,757	\$ 4,791,902
Current year claims and changes			
in estimates	370,885	900,712	1,271,597
Claim payments	<u>(774,031)</u>	<u>(527,468)</u>	<u>(1,301,499)</u>
Balance at September 30, 2009	2,176,999	2,585,001	4,762,000
Current year claims and changes			
in estimates	1,529,635	162,181	1,691,816
Claim payments	<u>(911,634)</u>	<u>(535,182)</u>	<u>(1,446,816)</u>
Balance at September 30, 2010	<u>\$ 2,795,000</u>	<u>\$ 2,212,000</u>	<u>\$ 5,007,000</u>

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2010 and September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>More than One Year</u>
<u>Balance at September 30, 2010</u>						
Self insurance and loss contingencies	\$ 4,762,000	\$ 1,691,816	\$ 1,446,816	\$ 5,007,000	\$ 1,446,816	\$ 3,560,184
Compensated absences	<u>2,407,362</u>	<u>2,512,023</u>	<u>2,357,653</u>	<u>2,561,732</u>	<u>220,000</u>	<u>2,341,732</u>
Total long-term liabilities	<u>\$ 7,169,362</u>	<u>\$ 4,203,839</u>	<u>\$ 3,804,469</u>	<u>\$ 7,568,732</u>	<u>\$ 1,666,816</u>	<u>\$ 5,901,916</u>
<u>Balance at September 30, 2009</u>						
Self insurance and loss contingencies	\$ 4,791,902	\$ 1,271,597	\$ 1,301,499	\$ 4,762,000	\$ 2,421,860	\$ 2,340,140
Compensated absences	<u>2,300,605</u>	<u>2,702,565</u>	<u>2,595,808</u>	<u>2,407,362</u>	<u>141,000</u>	<u>2,266,362</u>
Total long-term liabilities	<u>\$ 7,092,507</u>	<u>\$ 3,974,162</u>	<u>\$ 3,897,307</u>	<u>\$ 7,169,362</u>	<u>\$ 2,562,860</u>	<u>\$ 4,606,502</u>

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 9 – UNRESTRICTED NET ASSETS

Designated Reserves: Unrestricted net assets include reserves which have been designated by the Authority for capital projects and operations in the amounts of \$13,482,567 and \$6,339,910, as of September 30, 2010 and 2009, respectively. These amounts are not externally restricted and do not represent measurable liabilities as of September 30, 2010 and 2009.

NOTE 10 – OPERATING LEASES

Lease Commitments: Lease expense for all operating leases recognized for the year ended September 30, 2010 and 2009 was \$92,423 and \$174,928, respectively, for office and maintenance equipment which are all cancelable leases.

On June 4, 2009, the Authority entered into a land lease agreement with Hillsborough County Aviation Authority (TIA) to operate a Transfer Center for a term of 20 years commencing October 1, 2010.

Amendment 1 of the agreement revised the amount of square feet being rented by the Authority and recalculated the monthly payment from the Authority to TIA.

The following schedule reflects the operating lease obligations for the next five years and for each five-year period thereafter:

<u>Year Ending</u> <u>September 30</u>	<u>Lease</u> <u>Payments</u>
2011	\$ 4,094
2012	\$ 4,094
2013	\$ 4,094
2014	\$ 4,094
2015	\$ 4,094
2016 - 2020	\$ 20,472
2021 - 2025	\$ 20,472
2026 - 2030	\$ 20,472

The lease also provides for cancellation under certain circumstances and for the Authority and TIA to share in the associated costs.

There was no rent expense related to the TIA land lease for FY 2010.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Environmental Clean-Up Costs: During the year ended September 30, 1988, the Authority discovered and began the clean-up of major underground diesel and unleaded gasoline fuel spills. Clean-up and associated costs incurred during the year ended September 30, 2010 and 2009 totaled approximately \$13,424 and \$22,074, respectively. Of the total costs incurred to date, \$325,601 has been recouped from the State of Florida Department of Environmental Protection. The Authority is unable to reasonably estimate the additional clean-up costs, if any that will be incurred in the future relating to this incident; therefore no liability has been accrued.

Legal Actions: The Authority is a defendant in various legal actions, which in the opinion of management will not have a significant effect on the financial statements of the Authority.

Resolution of Claim by the City of Tampa: The City and the Authority entered into a multi-year Inter-local Agreement dated September 30, 2004, effective through September 30, 2008, (“the Agreement”) whereby the City agrees to construct Pedestrian Access Improvement (“PAI”) projects, which are mutually agreed upon for a total not to exceed \$1,700,000. The Agreement further details the annual obligations by the Authority through the fiscal year ending September 30, 2009. The Authority agreed to pay from available federal funding through grants and City impact fees for these PAI projects.

PAIs are defined as new, repairing or replacement sidewalk construction, landing pads and any mutually agreed upon new construction bus stop access and bus landing bays or improvements to existing bus stops and bus loading bays. The City is responsible for the construction and maintenance of these projects. Both entities concurred that the Agreement constitutes an in lieu funding mechanism that fulfills all obligations of the Authority to provide funding for the remaining balance of the streetcar project.

**HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIALS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

The payments stipulated in the Agreement were as follows:

Immediate upon execution of agreement	\$ 450,000
After October 1, 2001	250,000
After October 1, 2005	250,000
After October 1, 2006	250,000
After October 1, 2007	250,000
After October 1, 2008	<u>250,000</u>
Total	<u><u>\$ 1,700,000</u></u>

Funds not expended in a particular fiscal year will carry over to the next fiscal year.

The amount remaining to be paid under the Agreement is approximately \$660,066 summarized as follows:

Total amount approved through September 30, 2009	<u>\$ 1,700,000</u>
Less: Prior year accrual	970,000
Less: Current year expenditures	<u>69,934</u>
Amount paid to date	<u>1,039,934</u>
Remaining for future projects yet to be determined	<u>660,066</u>
 Total remaining to be paid	 <u><u>\$ 660,066</u></u>

NOTE 12 – SUBSEQUENT EVENTS

The following board authorizations occurred as subsequent to September 30, 2010 for:

- Contract to Final Design for North-South Metrorapid for maximum of \$3,137,148,
- Contract to Traffic Signal Priority project for Metrorapid for maximum of \$500,000,
- Contract to Voice Over IP Telephone system for \$450,586,
- Contract to Design and Engineering services for 21st avenue Improvements for \$378,651,
- Contract to Purchase 3 one-ton Service Trucks for \$118,500,
- Contract to Purchase real estate related to Metro-Rapid for \$478,690,
- Amend the Interlocal agreement between the Authority and Hillsborough County Board of County Commissioners (BOCC) with the \$40 million bonds proceeds to dissolving the trustee and giving BOCC more flexibility in management of proceeds.

SUPPLEMENTAL INFORMATION

**HILLSBOROUGH TRANSIT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE PROJECTS
 YEAR ENDED SEPTEMBER 30, 2010**

<u>GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>FY2010 Program Expenditures</u>
<i>Direct federal grantor awards</i>			
<i>U.S. Department of Transportation - Federal Transit Administration</i>			
<i>Highway Planning</i>			
Ybor Station	20.205	FL-15-X004	9,671
Bus Tracking and Communication	20.205	FL-26-0005	758
Bus Tracking and Communication	20.205	FL-26-0006	2,662
Streetcar Extension Phase IIa	20.205	FL-70-X002	336,550
CMAQ	20.205	FL-90-X527	(585)
			349,056
<i>Formula Grant</i>			
Bus Purchase	20.500	FL-03-0167	\$ 2,137
Purchase Replacement Buses	20.500	FL-03-0221	385
Fixed Guideway Funds	20.500	FL-03-0274	9,370
21st Avenue Facility Upgrade	20.500	FL-04-0020	1,737
Bus Purchase	20.500	FL-04-0074	1,638,802
Bus Purchase	20.500	FL-04-0082	479,482
Fixed Guideway Funds	20.500	FL-05-0094	5,056
Fixed Guideway Funds	20.500	FL-05-0097	9,282
Historic Electric Streetcar	20.500	FL-05-0101	82,373
ARRA Streetcar Tire Replacement	20.500	FL-56-0002	34,618
Purchase Streetcars	20.507	FL-90-X295	155,323
STP Bus Purchase and Intermodal Study	20.507	FL-90-X333	674
FY99 Program of Projects*	20.507	FL-90-X360	143,552
FY00 Program of Projects*	20.507	FL-90-X396	5,000
FY01 Program of Projects*	20.507	FL-90-X424	39,471
FY03 Program of Projects*	20.507	FL-90-X481	8,377
FY04 Program of Projects*	20.507	FL-90-X519	125,579
Bus and Related Equipment Purchase	20.507	FL-90-X521	3,957
FY05 Program of Projects*	20.507	FL-90-X538	940,736
FY06 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X584	172,034
STP Funds Facilities and Improvements	20.507	FL-90-X588	69,875
FY07 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X620	581,249
FY08 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X662	845,769
FY09 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X681	2,750,792
Streetcar Extension Phase IIa	20.507	FL-95-X014	2,307,679
ARRA Replacement and Expansion Vehicles	20.507	FL-96-X013	9,637,641
FY10 Program of Projects- Urbanized Area Formula Grant	20.507	FY10 POP	6,963,358
			27,014,308
<i>Alternative Analysis</i>			
FY07 Discretionary Alternative Analysis Project Funds	20.522	FL-39-0003	14,824
Total direct federal grantor awards			27,378,188

HILLSBOROUGH TRANSIT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE PROJECTS
 YEAR ENDED SEPTEMBER 30, 2010

<u>GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>FY 2010 Program Expenditures</u>
<i>Florida Department of Emergency Management (pass through)</i>			
FY2007 IPP - Transit Security Grant Program			
08DS-66-13-00-20-350	97.075		\$ -
<i>Pinellas County Metropolitan Planning Organization (pass through)</i>			
Job Access and Reverse Commute; HART #A08024	20.516	FL-37-X026	182,903
Job Access and Reverse Commute; HART #A110399	20.516	FL-37-X033	477,292
New Freedom; Hart #A08024	20.521	FL-57-X004	245,568
Total Pass Through Federal Assistance			<u>905,763</u>
Total federal grantor awards			<u>\$ 28,283,951</u>

<u>GRANTOR / PROGRAM TITLE</u>	<u>State CSFA Number</u>	<u>State Project Number</u>	<u>FY 2010 Program Expenditures</u>
<i>Direct state financial assistance -</i>			
<i>State of Florida Department of Transportation</i>			
State Block Grant FY10	55.010	402251-18410	\$ 3,538,987
Urban Corridor Program (200X)	55.013	410693-18404	
Urban Corridor Program (200X)	55.013	410693-18405	131,830
Urban Corridor Program (200X)	55.013	410693-18406	70,380
TIA Transfer Center Project	55.014	414594-19401	3,000
TIA-TEC Transfer Center Project	55.014	416264-19401	1,488
Fishhawk S.Brandon Exp (27X)	55.012	420739-18401	13,235
Park & Ride Lots	55.011	420740-19401	17,152
New Tampa/S.Pasco Cnty Exp (51X)	55.013	420741-18402	
New Tampa/S.Pasco Cnty Exp (51X)	55.013	420741-18403	183,441
Park & Ride Lots	55.011	422720-19401	16,500
Total direct state transportation assistance			<u>3,976,013</u>
<i>Florida Department of Emergency Management</i>			
2004 Storm Jeanne WS068		WS068	7
Total FDEM Assistance			<u>7</u>
Total state grantor awards			<u>\$ 3,976,020</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance Projects includes federal and state activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments and Non-Profit Organization and the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

NOTE 2 – CONTINGENCIES

The federal and state programs shown in the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowable expenditures, and affect the Authority's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

SECTION III
STATISTICAL SECTION

STATISTICAL SECTION

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Authority's most significant local revenue source, the property tax.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the Authority provides and the activities it performs.

Miscellaneous Information

This item provides supplemental data and statistics of interest to readers of the financial statements.

Statistical Section

Financial Trends

- Net Assets by Component (FY2010 - FY2002)
- Changes in Net Assets/Fund Equity (FY2010 - FY2002)
- Revenues by Function/Program (FY2010 – FY2001)
- Expenses by Function/Program (FY2010 – FY2001)
- Property Tax Revenue by Year (FY1998 – FY2010)

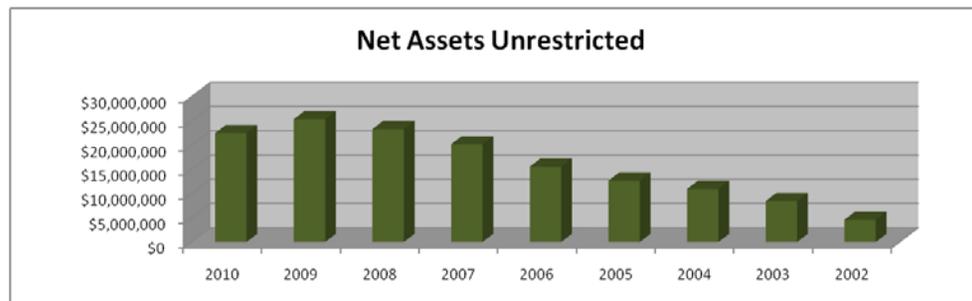
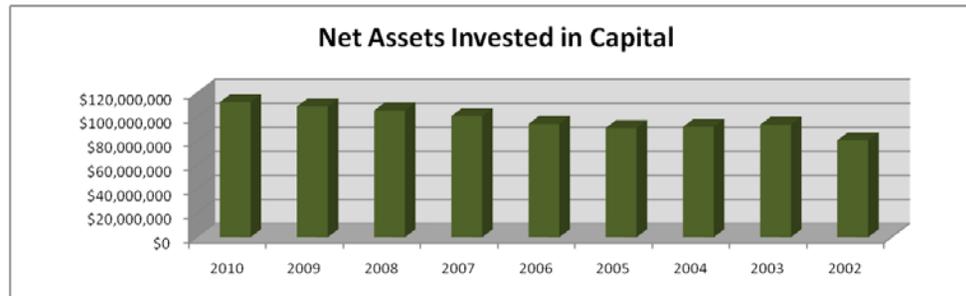
**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**NET ASSETS BY COMPONENT
FY2010 – FY2002
(Unaudited)**

	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
Business Type Activities									
Invested in Capital Assets	\$112,522,829	\$108,873,525	\$105,544,503	\$100,884,345	\$94,438,179	\$91,029,537	\$91,953,546	\$93,735,491	\$80,806,942
Unrestricted	\$22,474,252	\$25,353,184	\$23,308,715	\$20,158,679	\$15,552,628	\$12,655,313	\$10,939,693	\$8,449,758	\$4,582,453
Total Net Assets	\$134,997,081	\$134,226,709	\$128,853,218	\$121,043,024	\$109,990,807	\$103,684,850	\$102,893,239	\$102,185,249	\$85,389,395

NOTES:

- (1) FY2002 Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.

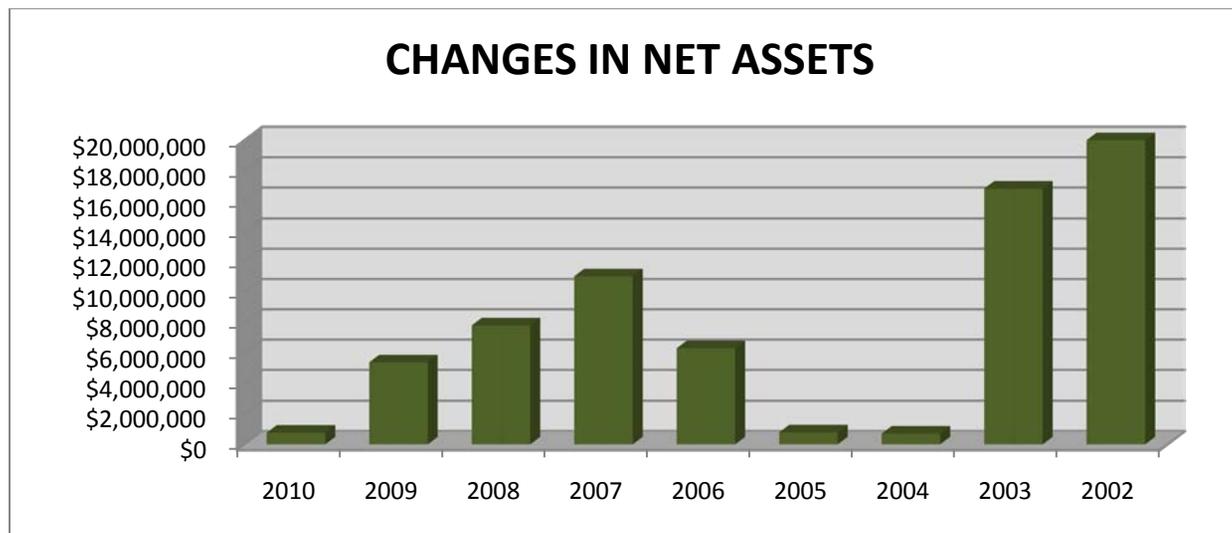


**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CHANGES IN NET ASSETS/FUND EQUITY
FY2010 - FY2002
(Unaudited)**

	FY2010 Actual	FY2009 Actual	FY2008 Actual	FY2007 Actual	FY2006 Actual	FY2005 Actual	FY2004 Actual	FY2003 Actual	FY2002 Actual
Operating revenues:									
Passenger fares	\$12,409,955	\$12,197,462	\$12,127,912	\$10,759,422	\$10,348,320	\$9,054,930	\$8,080,287	\$7,167,522	\$6,308,685
Advertising	\$724,964	\$591,970	\$554,270	\$532,250	\$482,917	\$463,110	\$343,821	\$242,167	\$170,833
Total Operating Revenues	\$13,134,919	\$12,789,432	\$12,682,182	\$11,291,672	\$10,831,237	\$9,518,040	\$8,424,108	\$7,409,689	\$6,479,518
Operating expenses:									
Salaries	\$28,976,002	\$27,331,650	\$25,831,068	\$26,048,272	\$23,631,683	\$22,092,721	\$18,140,615	\$16,563,410	\$15,297,839
Payroll Taxes, Fringes & Work Comp	\$14,875,779	\$14,150,767	\$11,961,942	\$11,149,153	\$10,941,290	\$9,442,857	\$6,899,164	\$4,815,278	\$4,021,481
Fuel and Lubricants	\$5,332,088	\$6,422,888	\$5,294,121	\$4,875,594	\$4,200,877	\$3,515,541	\$2,022,337	\$1,627,750	\$1,668,579
Parts and Supplies	\$3,543,504	\$3,638,090	\$3,532,298	\$3,594,222	\$3,031,564	\$2,805,589	\$1,819,765	\$1,645,891	\$1,612,760
Contracted services	\$3,296,307	\$3,174,271	\$2,851,526	\$2,953,046	\$2,673,728	\$2,279,214	\$4,483,635	\$4,354,562	\$3,379,722
Insurance	\$2,310,511	\$1,958,376	\$3,136,144	\$2,319,310	\$1,225,591	\$1,949,227	\$2,663,215	\$1,374,196	\$1,837,682
Utilities	\$756,763	\$1,027,030	\$887,666	\$732,533	\$674,603	\$601,353	\$570,692	\$546,780	\$423,071
Marketing and Promotions	\$713,228	\$1,027,373	\$666,462	\$841,890	\$735,051	\$843,638	\$642,438	\$868,880	\$622,672
Other Expenses	\$1,463,051	\$2,291,431	\$1,727,176	\$1,982,014	\$1,747,392	\$1,628,148	\$1,537,634	\$1,131,925	\$1,182,733
Operating Expenditures Reimbursed by Grants	\$3,865,188	\$3,737,612	\$1,079,616	\$1,505,948	\$2,473,473	\$1,414,518	\$3,211,740	\$3,344,976	\$1,443,775
Total Operating Expenses	\$65,132,421	\$64,759,488	\$56,968,019	\$56,001,982	\$51,335,252	\$46,572,806	\$41,991,235	\$36,273,648	\$31,490,314
Operating (Loss) Before Depreciation	(\$51,997,502)	(\$51,970,056)	(\$44,285,837)	(\$44,710,310)	(\$40,504,015)	(\$37,054,766)	(\$33,567,127)	(\$28,863,959)	(\$25,010,796)
Depreciation	\$13,394,583	\$11,482,036	\$9,335,084	\$8,144,251	\$7,791,245	\$7,400,882	\$7,641,164	\$7,741,655	\$6,597,718
Operating (Loss)	(\$65,392,085)	(\$63,452,092)	(\$53,620,921)	(\$52,854,561)	(\$48,295,260)	(\$44,455,648)	(\$41,208,291)	(\$36,605,614)	(\$31,608,514)
Non-Operating Revenues:									
Federal	\$8,566,909	\$8,922,111	\$4,445,445	\$4,226,858	\$4,564,443	\$5,385,927	\$2,694,133	\$3,569,651	\$1,142,205
State	\$3,937,879	\$3,669,407	\$3,694,543	\$3,569,393	\$3,455,026	\$3,574,740	\$3,600,063	\$3,523,230	\$3,505,580
Local	\$1,365,858	\$1,257,145	\$1,475,375	\$1,784,338	\$1,509,868	\$2,924,821	\$1,832,989	\$1,059,157	\$761,197
Property Tax Proceeds, Net	\$31,028,970	\$34,723,204	\$36,586,961	\$36,423,195	\$29,813,313	\$25,740,799	\$23,180,746	\$21,124,567	\$19,604,163
Interest Income	\$290,111	\$86,189	\$736,964	\$1,588,849	\$1,161,011	\$498,345	\$171,635	\$153,425	\$149,751
Other Income	\$576,924	\$253,357	\$583,170	\$596,645	\$431,255	\$286,833	\$324,389	\$398,378	\$726,706
Sale of Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$829,800
Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$45,766,651	\$48,911,413	\$47,522,458	\$48,189,278	\$40,934,916	\$38,411,465	\$31,803,955	\$29,828,408	\$26,719,402
(Loss) Before Capital Grants	(\$19,625,434)	(\$14,540,679)	(\$6,098,463)	(\$4,665,283)	(\$7,360,344)	(\$6,044,183)	(\$9,404,336)	(\$6,777,206)	(\$4,889,112)

	FY2010 Actual	FY2009 Actual	FY2008 Actual	FY2007 Actual	FY2006 Actual	FY2005 Actual	FY2004 Actual	FY2003 Actual	FY2002 Actual
Capital Grant Revenues:									
Federal	\$19,717,043	\$16,746,036	\$13,486,392	\$14,479,395	\$12,515,084	\$5,116,600	\$9,618,018	\$19,957,940	\$20,930,833
State	\$38,139	\$170	\$424,348	\$276,133	\$226,236	\$968,857	\$193,503	\$3,103,855	\$3,211,733
Local	\$640,624	\$3,167,964	(\$2,083)	\$961,972	\$924,981	\$750,337	\$300,805	\$511,265	\$881,100
Total Capital Grants	\$20,395,806	\$19,914,170	\$13,908,657	\$15,717,500	\$13,666,301	\$6,835,794	\$10,112,326	\$23,573,060	\$25,023,666
Increase (Decrease) in Net Assets	\$770,372	\$5,373,491	\$7,810,194	\$11,052,217	\$6,305,957	\$791,611	\$707,990	\$16,795,854	\$20,134,554
Net Assets, Beginning of the Year	\$134,226,709	\$128,853,218	\$121,043,024	\$109,990,807	\$103,684,850	\$102,893,239	\$102,185,249	\$85,389,395	\$65,254,841
Net Assets, End of the Year	\$134,997,081	\$134,226,709	\$128,853,218	\$121,043,024	\$109,990,807	\$103,684,850	\$102,893,239	\$102,185,249	\$85,389,395



**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

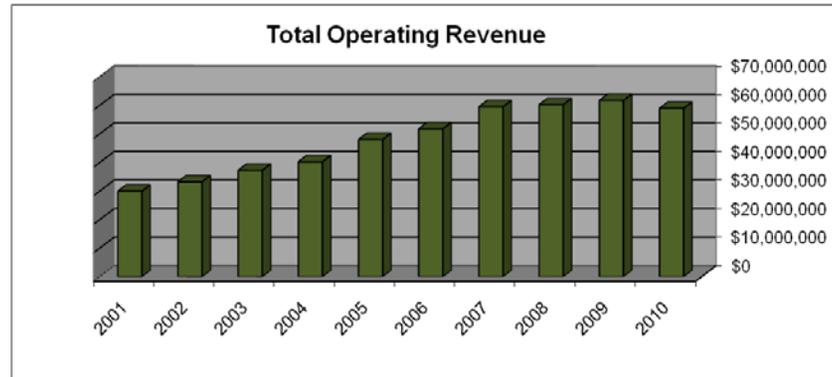
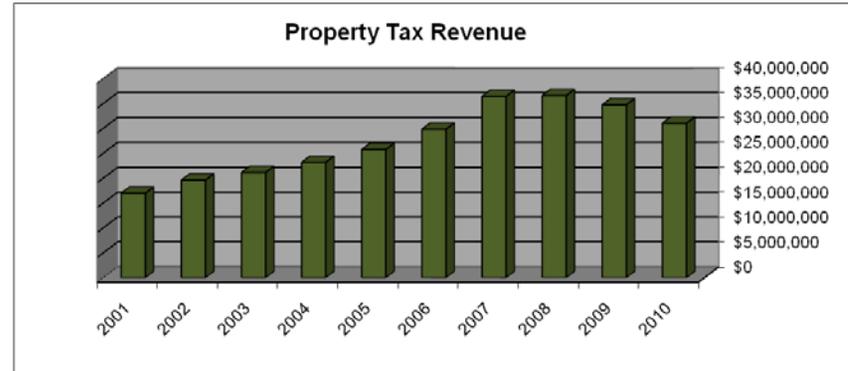
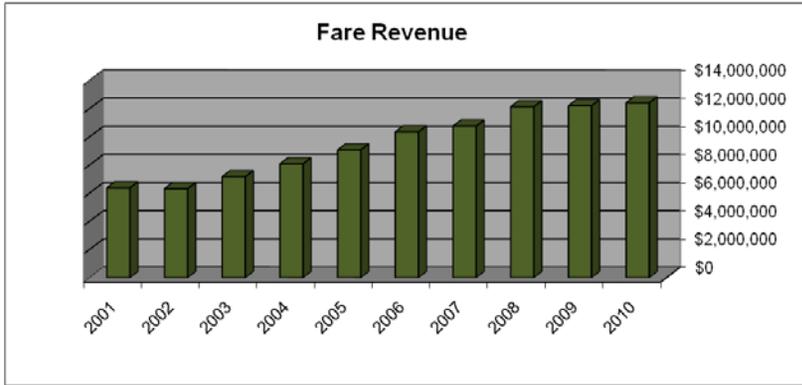
**REVENUES BY FUNCTION/PROGRAM
(BUS, PARATRANSIT, STREETCAR)
FY2010 – FY2001
(Unaudited)**

	2010 Actual	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual	2002 Actual	2001 Actual
FARES	\$12,409,955	\$12,197,462	\$12,127,912	\$10,759,421	\$10,348,320	\$9,054,930	\$8,080,287	\$7,167,522	\$6,308,685	\$6,366,398
PROPERTY TAX	\$31,028,970	\$34,723,204	\$36,586,961	\$36,423,195	\$29,813,313	\$25,740,799	\$23,180,746	\$21,124,567	\$19,604,163	\$16,958,159
FEDERAL ASSISTANCE	\$8,566,909	\$8,922,111	\$4,445,445	\$4,226,858	\$4,564,443	\$5,385,927	\$2,694,133	\$3,569,651	\$1,142,205	\$966,523
STATE ASSISTANCE	\$3,937,879	\$3,669,407	\$3,694,543	\$3,569,393	\$3,455,026	\$3,574,740	\$3,600,063	\$3,523,230	\$3,505,580	\$3,512,415
LOCAL ASSISTANCE	\$1,365,858	\$1,257,145	\$1,475,375	\$1,784,338	\$1,509,868	\$2,992,352	\$1,832,989	\$1,059,157	\$761,197	\$1,337,887
ADVERTISING	\$724,964	\$591,970	\$554,270	\$532,250	\$482,917	\$463,110	\$343,821	\$242,167	\$170,833	\$62,875
INTEREST INCOME	\$290,111	\$86,189	\$736,964	\$1,588,849	\$1,161,011	\$498,345	\$112,909	\$75,878	\$149,751	\$348,931
OTHER INCOME	\$576,924	\$253,357	\$570,632	\$596,646	\$431,255	\$286,833	\$383,115	\$475,925	\$1,556,506	\$384,700
SUBTOTAL OPERATING	\$58,901,570	\$61,700,845	\$60,192,102	\$59,480,950	\$51,766,153	\$47,997,036	\$40,228,063	\$37,238,097	\$33,198,920	\$29,937,888
FEDERAL CAPITAL	\$19,717,043	\$16,746,036	\$13,486,392	\$14,479,394	\$12,515,084	\$5,116,600	\$9,618,018	\$19,957,940	\$20,930,833	\$29,965,858
STATE CAPITAL	\$38,139	\$170	\$424,348	\$276,133	\$226,236	\$968,857	\$193,503	\$3,103,855	\$3,211,733	\$1,152,532
LOCAL CAPITAL	\$640,624	\$3,167,964	(\$2,083)	\$961,972	\$924,981	\$682,806	\$300,805	\$511,265	\$881,100	\$769,471
OTHER CAPITAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,272,822
SUBTOTAL CAPITAL	\$20,395,806	\$19,914,170	\$13,908,657	\$15,717,499	\$13,666,301	\$6,768,263	\$10,112,326	\$23,573,060	\$25,023,666	\$33,160,683
GRAND TOTAL	\$79,297,376	\$81,615,015	\$74,100,759	\$75,198,449	\$65,432,454	\$54,765,299	\$50,340,389	\$60,811,157	\$58,222,586	\$63,098,571

NOTES:

- (1) FY2001 through FY2002 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.
- (3) Change in presentation of Other Capital consistent with Enterprise Fund reporting.
- (4) FY2002 restated in FY2003 audited financials consistent with GASB Statement No. 34.

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(Unaudited)**



**HILLSBOROUGH TRANSIT AUTHORITY
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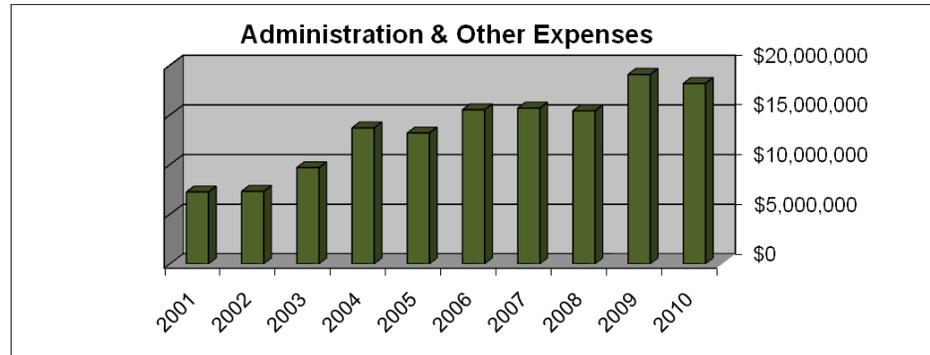
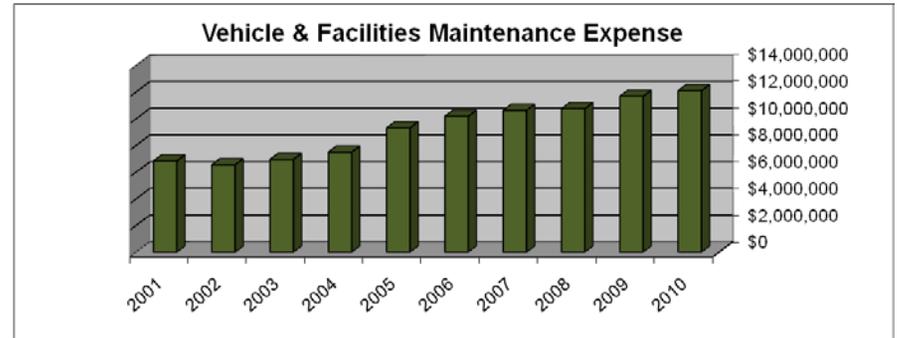
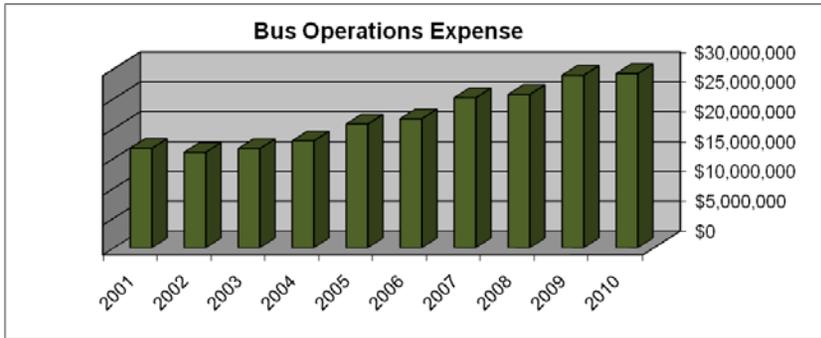
**EXPENSES BY FUNCTION/PROGRAM
(BUS, PARATRANSIT, STREETCAR)
FY2010 – FY2001
(Unaudited)**

	2010 Actual	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual	2002 Actual	2001 Actual
BUS OPERATIONS	\$29,165,160	\$28,894,300	\$25,674,357	\$25,124,269	\$21,600,223	\$20,714,748	\$17,895,403	\$16,608,159	\$15,992,088	\$16,660,827
VEHICLE & FACILITIES MAINTENANCE	\$12,090,460	\$11,675,250	\$10,756,591	\$10,633,951	\$10,192,485	\$9,294,416	\$7,499,606	\$6,958,330	\$6,556,789	\$6,841,660
ADMINISTRATION & OTHER	\$18,171,044	\$19,071,948	\$15,409,515	\$15,681,100	\$15,517,268	\$13,173,813	\$13,691,923	\$9,690,729	\$7,301,639	\$7,234,425
PARATRANSIT OPERATIONS	\$3,712,329	\$3,121,805	\$2,996,917	\$2,520,759	\$2,077,806	\$1,741,080	\$1,314,344	\$1,137,757	\$1,383,336	\$1,427,291
STREETCAR OPERATIONS	\$1,993,429	\$1,996,185	\$2,118,096	\$2,041,902	\$1,947,470	\$1,648,749	\$1,589,960	\$1,878,672	\$256,463	\$0
OPERATING EXPENSE BEFORE DEPRECIATION	\$65,132,421	\$64,759,488	\$56,955,476	\$56,001,981	\$51,335,252	\$46,572,806	\$41,991,235	\$36,273,647	\$31,490,315	\$32,164,203
DEPRECIATION	\$13,394,583	\$11,482,036	\$9,335,084	\$8,144,251	\$7,791,245	\$7,400,882	\$7,641,164	\$7,741,655	\$6,597,718	\$0
TOTAL OPERATING EXPENSE	\$78,527,004	\$76,241,524	\$66,290,560	\$64,146,232	\$59,126,497	\$53,973,688	\$49,632,399	\$44,015,302	\$38,088,033	\$32,164,203

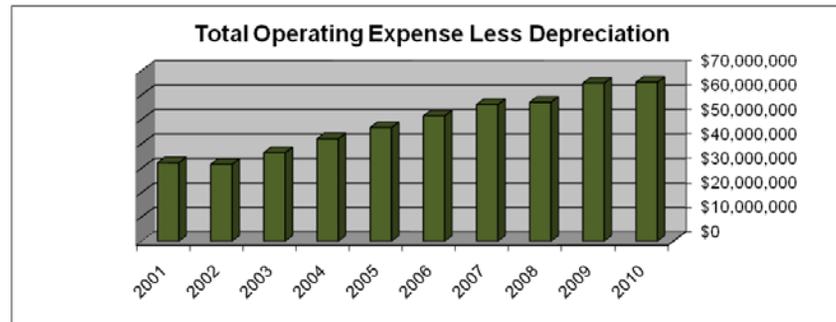
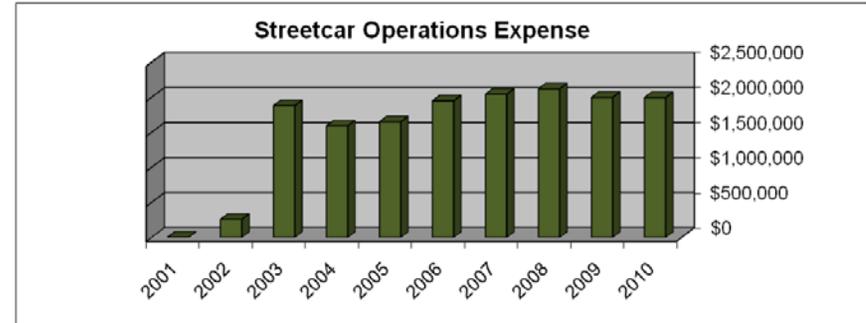
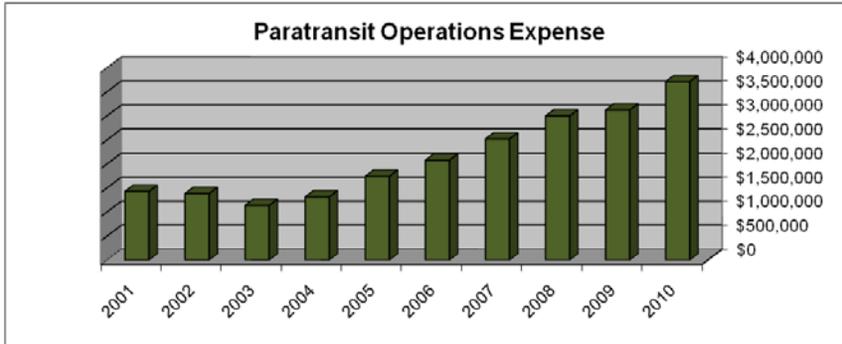
NOTES:

- (1) FY2001 through FY2002 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.
- (3) Other Expenses includes FTA Ineligibles, Risk Management Funds and Operating Expenses reimbursed by Capital Grants.
- (4) In FY2005, the Authority changed its accounting practice of recording operating expenditures reimbursed by grants as a contra-account to expense. The impact of this change is reflected in Other Expenses.

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(Unaudited)

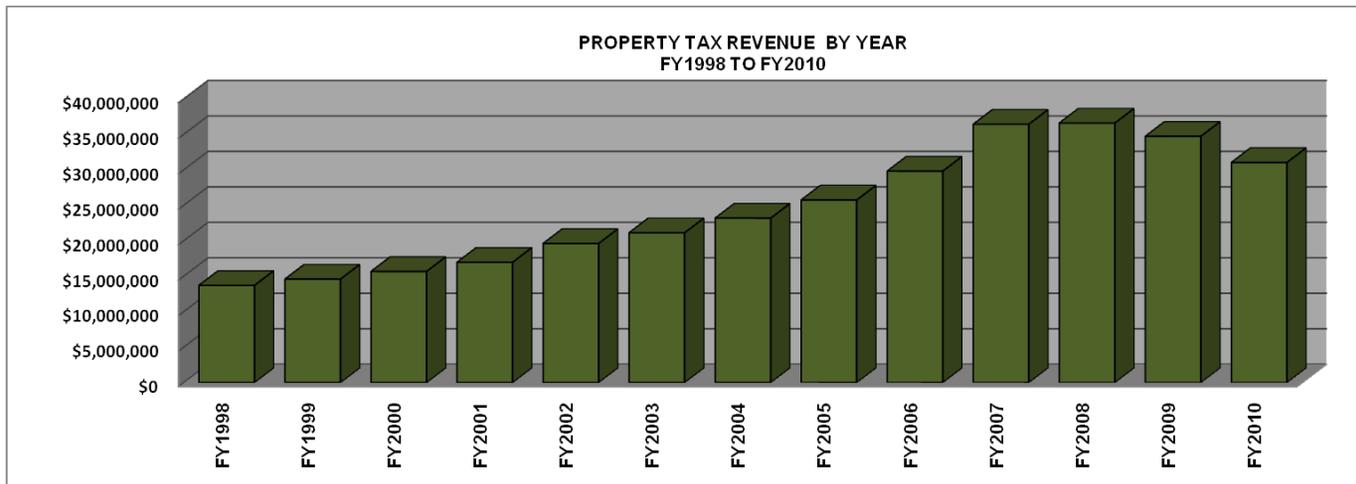
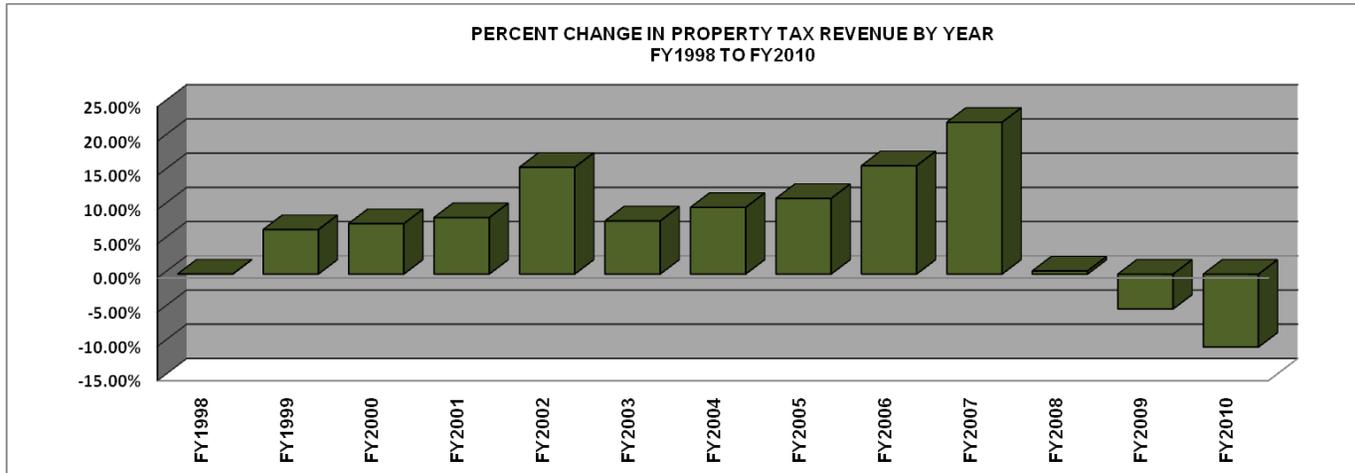


**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PROPERTY TAX REVENUE BY YEAR
BUS AND PARATRANSIT ONLY
FY1998 - FY2010
(Unaudited)**

Year	Property Tax Dollar	Percent Change	Total Revenue	Percent of Total
FY1998 Actual	\$13,701,743	0.00%	\$21,775,118	62.92%
FY1999 Actual	\$14,590,656	6.49%	\$22,834,802	63.90%
FY2000 Actual	\$15,664,986	7.36%	\$25,429,977	61.60%
FY2001 Actual	\$16,958,159	8.26%	\$26,929,041	62.97%
FY2002 Actual	\$19,604,163	15.60%	\$27,729,743	70.70%
FY2003 Actual	\$21,124,567	7.76%	\$29,456,061	71.72%
FY2004 Actual	\$23,180,746	9.73%	\$36,060,733	64.28%
FY2005 Actual	\$25,740,799	11.04%	\$44,895,524	57.33%
FY2006 Actual	\$29,813,313	15.82%	\$49,433,021	60.31%
FY2007 Actual	\$36,423,195	22.17%	\$57,028,316	63.87%
FY2008 Actual	\$36,586,961	0.45%	\$57,861,450	63.23%
FY2009 Actual	\$34,723,204	-5.09%	\$59,680,633	58.18%
FY2010 Actual	\$31,028,970	-10.64%	\$56,893,123	54.54%

HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Unaudited)



Statistical Section

Revenue Capacity

- Taxable Assessed Value and Actual Value of Property (FY2009 - FY1996)
- Principal Taxpayers (2008)
- Property Tax Levies and Collections (FY2009 - FY1997)

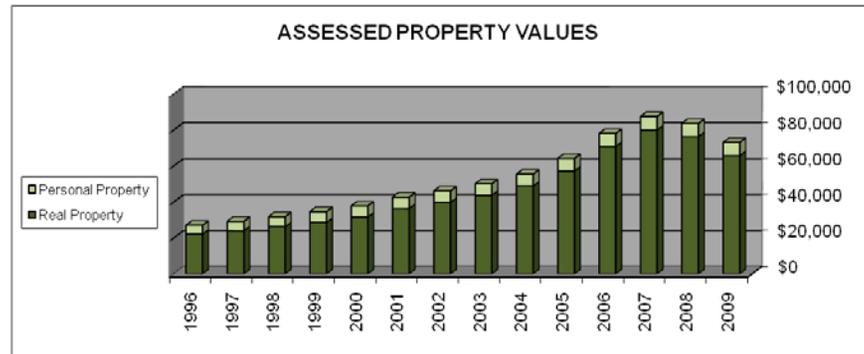
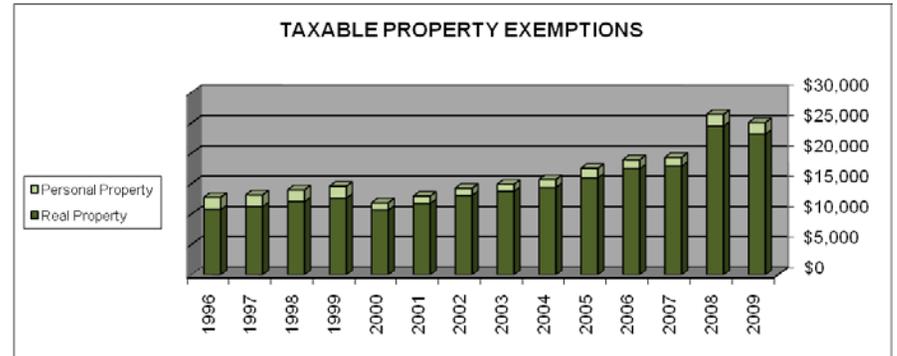
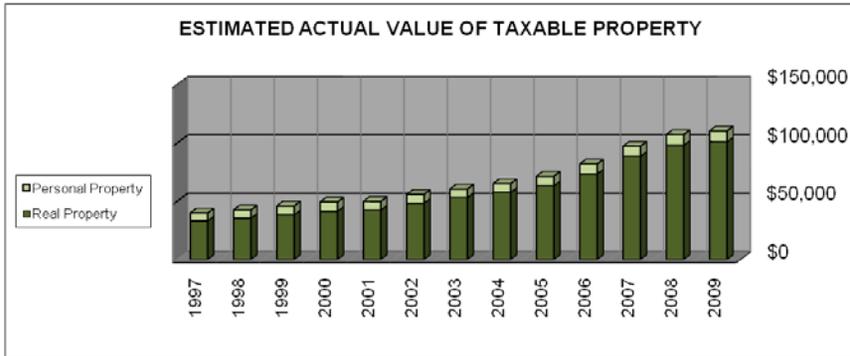
**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TAXABLE ASSESSED VALUE AND ACTUAL VALUE OF PROPERTY
HILLSBOROUGH COUNTY, FLORIDA
FY2009 - FY1996
(in millions of dollars)
(Unaudited)**

Fiscal Year Ended September 30,	<u>Estimated Actual Value</u>		<u>Exemptions</u>		<u>Assessed Value</u>	
	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
2009	\$88,960	\$9,200	\$23,170	\$1,900	\$65,790	\$7,300
2008	\$100,900	\$9,120	\$24,490	\$1,910	\$76,410	\$7,220
2007	\$97,920	\$8,990	\$17,870	\$1,430	\$80,050	\$7,560
2006	\$88,280	\$8,770	\$17,450	\$1,460	\$70,840	\$7,320
2005	\$73,190	\$8,640	\$15,970	\$1,550	\$57,220	\$7,090
2004	\$63,180	\$8,010	\$14,400	\$1,280	\$48,780	\$6,730
2003	\$57,520	\$7,480	\$13,760	\$1,150	\$43,760	\$6,330
2002	\$52,950	\$7,440	\$13,090	\$1,170	\$39,860	\$6,270
2001	\$48,160	\$7,530	\$11,790	\$1,190	\$36,370	\$6,330
2000	\$42,400	\$7,280	\$10,700	\$1,180	\$31,700	\$6,090
1999	\$41,380	\$7,810	\$12,660	\$1,930	\$28,720	\$5,880
1998	\$38,340	\$7,480	\$12,080	\$1,920	\$26,260	\$5,570
1997	\$35,280	\$7,160	\$11,260	\$1,910	\$24,020	\$5,260
1996	\$32,970	\$6,890	\$10,780	\$1,980	\$22,190	\$4,910

SOURCE: Hillsborough County Tax Collector

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Unaudited)**



**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**HILLSBOROUGH COUNTY, FLORIDA
PRINCIPAL TAXPAYERS
(Unaudited)**

<u>Taxpayer</u>	<u>FY2008 Taxes Levied</u>	<u>Rank</u>	<u>Percent of Total Taxes Levied</u>	<u>FY2008 Taxable Value</u>
Tampa Electric Company	\$31,180,755	1	1.61	\$1,435,499,437
Verizon Florida Inc.	\$25,856,729	2	1.33	\$1,190,391,956
Hillsborough County Aviation Authority	\$12,007,958	3	0.62	\$552,822,308
Mosaic Fertilizer, LLC	\$8,101,308	4	0.42	\$372,967,976
Highwoods/Florida Holdings LP	\$6,454,767	5	0.33	\$297,164,530
Camden Operating LP	\$5,758,769	6	0.30	\$265,122,177
Liberty Property	\$5,285,932	7	0.27	\$243,353,710
Post Apartment Homes LP	\$5,244,804	8	0.27	\$241,460,259
Wal-Mart	\$4,309,143	9	0.22	\$198,384,303
Tampa Port Authority	\$4,071,424	10	0.21	\$187,440,197
Total	<u>\$108,271,589</u>		<u>5.58</u>	<u>\$4,984,606,853</u>

SOURCE: Hillsborough County Tax Collector

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PROPERTY TAX LEVIES AND COLLECTIONS
HILLSBOROUGH COUNTY, FLORIDA
FY2009 - FY1997
(in millions of dollars)
(Unaudited)**

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
2009	2008	\$757,541	\$745,239	98.4%	\$1,483	\$746,722	98.6%
2008	2007	\$801,724	\$795,084	99.2%	\$1,321	\$796,405	99.3%
2007	2006	\$814,609	\$808,864	99.3%	\$618	\$809,482	99.4%
2006	2005	\$701,730	\$696,591	99.3%	\$802	\$697,393	99.4%
2005	2004	\$614,133	\$608,746	99.1%	\$2,232	\$610,978	99.5%
2004	2003	\$553,131	\$547,054	98.9%	\$1,227	\$548,281	99.1%
2003	2002	\$508,616	\$500,980	98.5%	\$644	\$501,624	98.6%
2002	2001	\$482,663	\$474,844	98.4%	\$2,797	\$477,641	99.0%
2001	2000	\$429,559	\$422,776	98.4%	\$2,887	\$425,663	99.1%
2000	1999	\$396,193	\$388,930	98.2%	\$980	\$389,910	98.4%
1999	1998	\$370,500	\$365,501	98.7%	\$1,060	\$366,561	98.9%
1998	1997	\$342,837	\$338,329	98.7%	\$935	\$339,264	99.0%
1997	1996	\$319,628	\$316,201	98.9%	\$864	\$317,065	99.2%

SOURCE: Hillsborough County Tax Collector

Statistical Section

Demographic and Economic Information

- Demographic and Economic Statistics (FY2009 – FY1997)
- Principal Employers (2009)

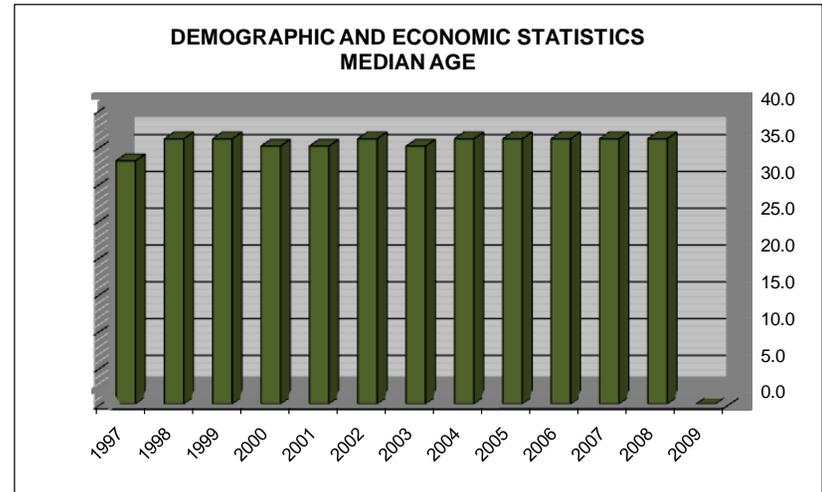
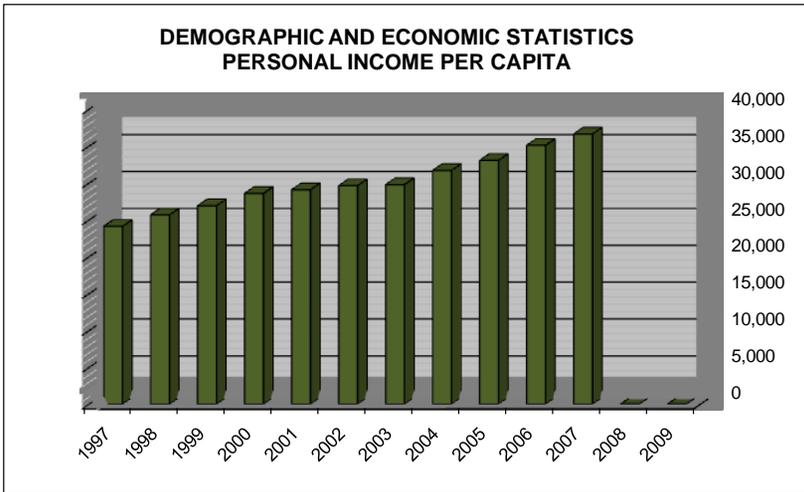
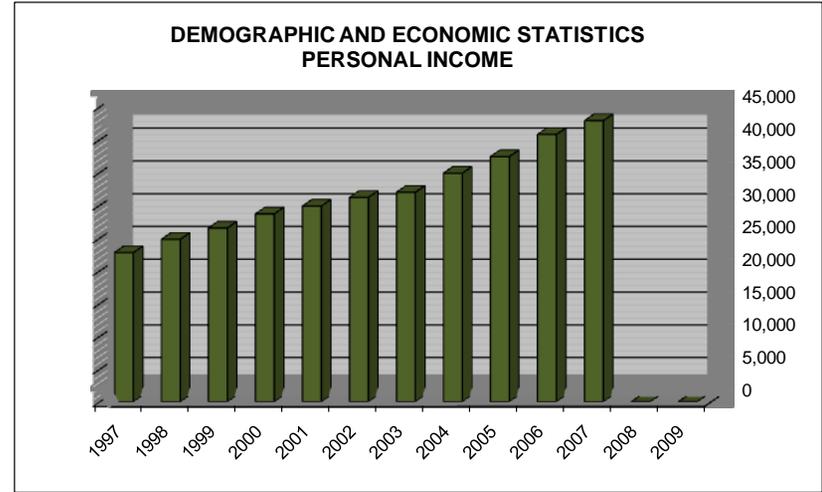
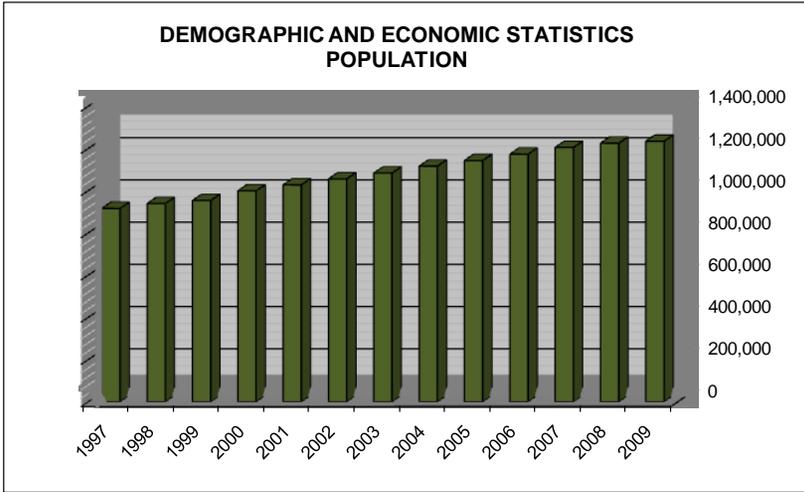
**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
HILLSBOROUGH COUNTY, FLORIDA
FY2009 - FY1997
(Unaudited)**

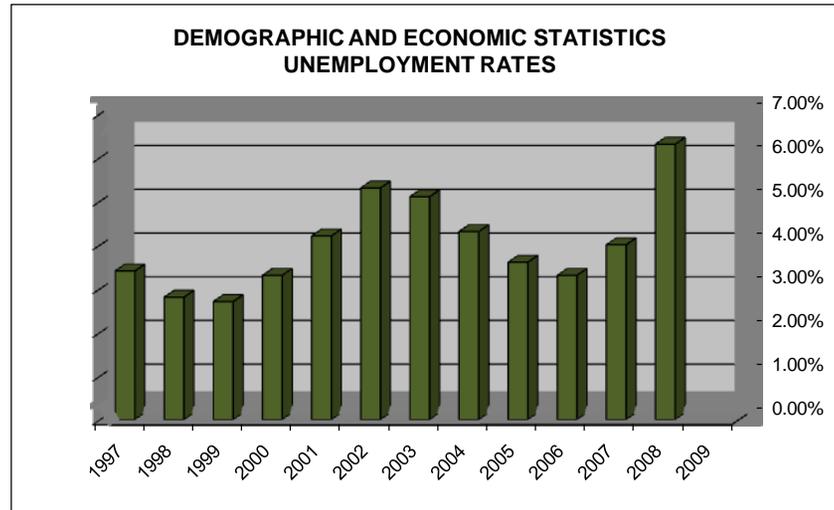
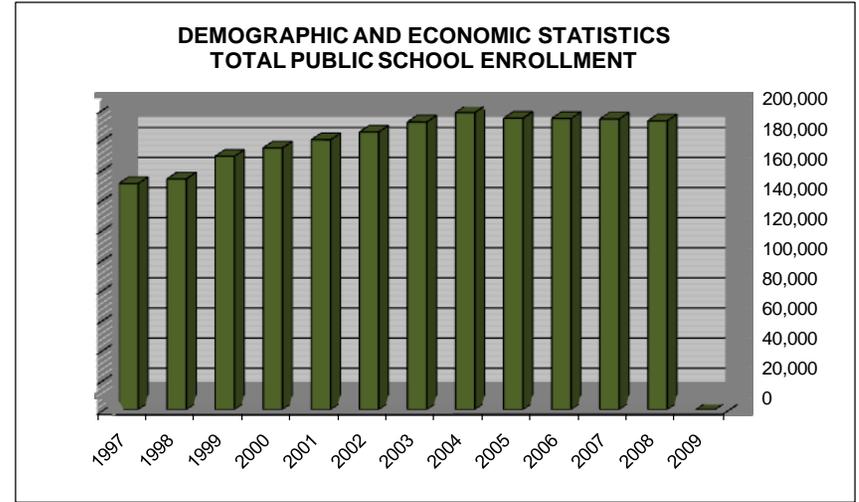
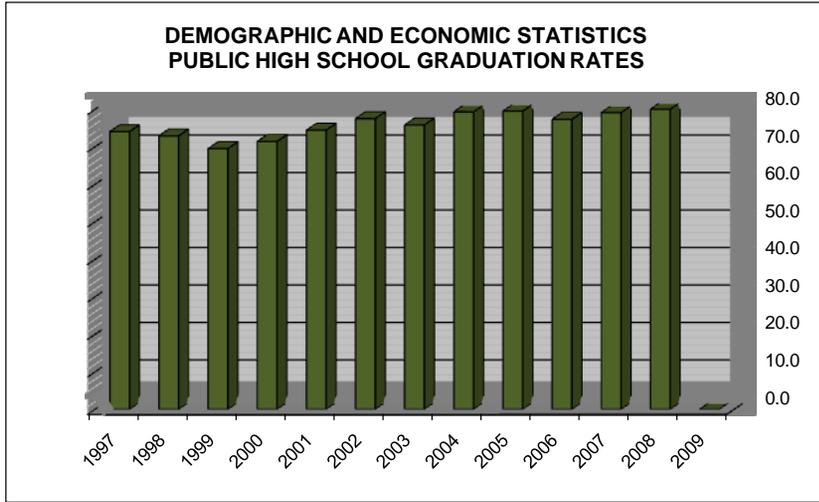
Fiscal Year	Population	Personal Income (millions)	Personal Income per Capita	Median Age	Public High School Graduation Rates	Total Public School Enrollment	Unemployment Rate
2009	1,234,010	\$0	\$0	-	-	-	
2008	1,224,520	\$0	\$0	36	80.0	191,965	6.3%
2007	1,204,750	\$42,860	\$36,616	36	79.1	193,180	4.0%
2006	1,172,970	\$40,758	\$35,079	36	77.3	193,480	3.3%
2005	1,142,850	\$37,379	\$33,034	36	79.5	193,669	3.6%
2004	1,115,960	\$34,849	\$31,671	36	79.3	197,500	4.3%
2003	1,083,520	\$31,933	\$29,748	35	75.8	191,186	5.1%
2002	1,055,807	\$31,151	\$29,602	36	77.5	184,483	5.3%
2001	1,027,436	\$29,829	\$29,055	35	74.4	179,362	4.2%
2000	998,948	\$28,646	\$28,558	35	71.4	173,953	3.3%
1999	953,500	\$26,483	\$26,889	36	69.5	168,360	2.7%
1998	939,070	\$24,754	\$25,648	36	72.9	153,351	2.8%
1997	915,900	\$22,730	\$24,081	33	74.0	150,235	3.4%

Source: Hillsborough County, FL, Comprehensive Annual Financial Report for Fiscal Year 2009

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Unaudited)**



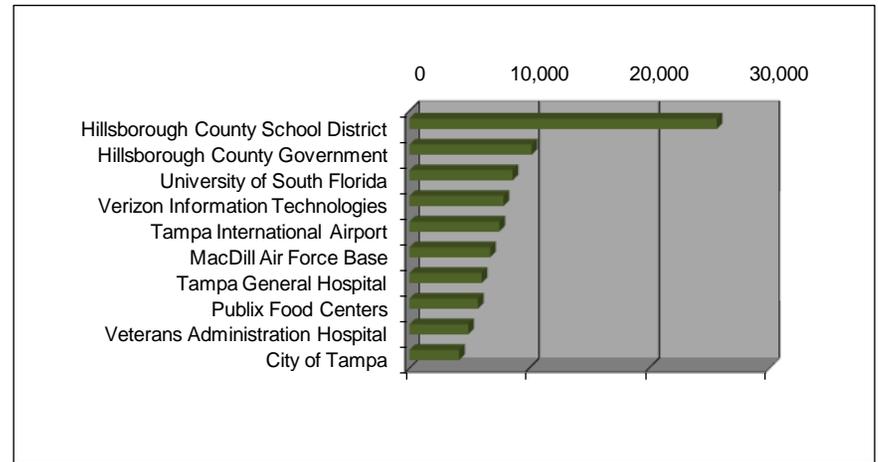
**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Unaudited)**



**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PRINCIPAL EMPLOYERS
(Unaudited)**

2009		
Employer	Employees	Ranking
Hillsborough County School District	25,596	1
Hillsborough County Government	10,194	2
University of South Florida	8,600	3
Verizon Information Technologies	7,850	4
Tampa International Airport	7,500	5
MacDill Air Force Base	6,734	6
Tampa General Hospital	6,020	7
Publix Food Centers	5,714	8
Veterans Administration Hospital	4,900	9
City of Tampa	4,154	10



SOURCE: 2009 Hillsborough County City-County Planning Commission; via 2009 Hillsborough County Comprehensive Annual Financial Report

Statistical Section

Operating Information

- Full Time Equivalent Employees by Function/Program (FY2010 – FY2003)
- Service Ridership Summary (September 2010)
- Rides per Trip (September 2010)
- Historic Ridership – Bus
- Historic Ridership – Paratransit
- Historic Ridership – Streetcar

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

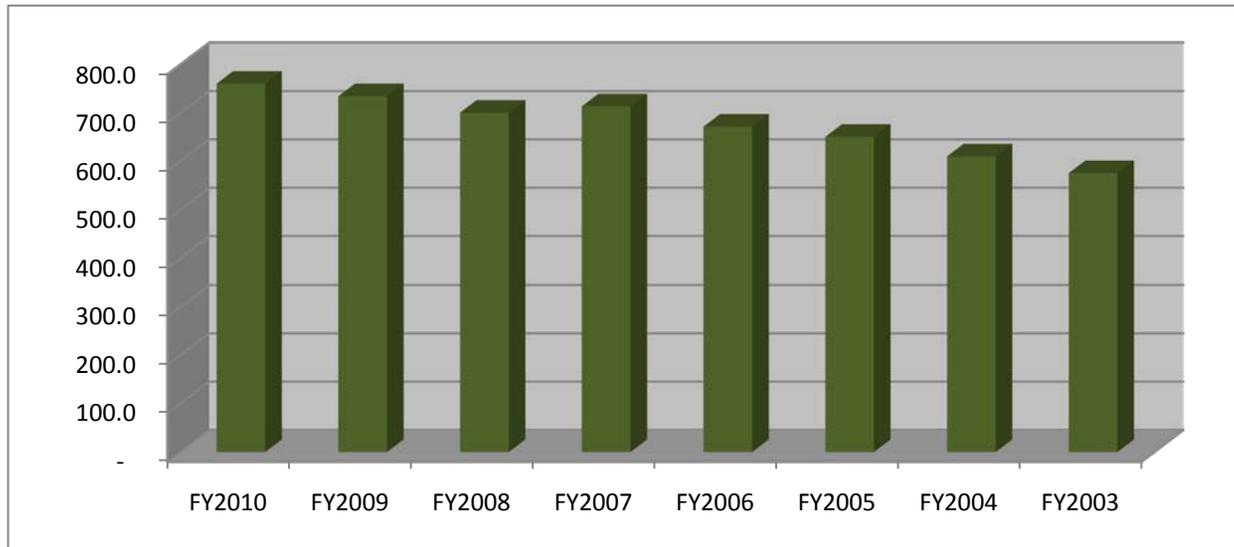
**FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
STAFFING SCHEDULE -- FY2010 TO FY2003 (Unaudited)**

Function/Program	Budgeted Full-time Equivalent Employees							
	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
General Administration								
Executive Office	5.0	5.0	5.0	4.0	4.0	4.0	6.0	6.0
Planning	19.5	17.5	16.5	19.0	17.0	37.0	36.0	36.0
Administration	38.0	38.0	34.5	36.0	36.0	29.0	8.0	8.0
Finance	21.5	21.5	20.5	20.0	19.0	31.0	42.0	37.0
Bus Operations								
Administration	35.0	36.0	36.0	37.0	39.0	34.0	36.0	38.0
Bus Operators	389.0	365.0	347.0	362.0	330.0	317.0	296.0	296.0
Customer Service	15.0	15.0	19.0	20.3	20.3	12.3	12.0	13.0
Safety, Security & Training	3.0	3.0	3.5	4.0	3.0	0.0	0.0	0.0
Marketing & Communications	6.0	6.0	8.0	8.0	8.0	0.0	0.0	0.0
Maintenance								
Administration & Engineering	24.0	24.0	19.0	20.0	18.0	15.0	13.0	13.0
Vehicle	85.5	85.5	80.5	78.5	78.5	79.0	71.5	70.5
Facilities	35.5	35.5	32.5	33.5	33.5	31.0	31.5	28.5
Paratransit Operations								
Administration	15.0	13.0	7.0	6.7	6.7	4.7	3.0	0.0
Paratransit Operators	45.0	45.0	43.0	36.0	30.0	28.0	30.0	30.0
Streetcar Operations								
Administration	5.0	5.0	6.0	6.0	6.0	6.0	3.0	0.0
Conductors	9.0	10.0	14.0	14.0	14.0	14.0	14.0	0.0
Maintenance	10.0	0.0	9.0	9.0	9.0	9.0	8.5	0.0
Total	761.0	735.0	701.0	714.0	672.0	651.0	610.5	576.0

NOTES: (1) Organizational restructure in FY2005 after adoption of the budget. (2) Paratransit operations implemented in FY2002. FTEs included in Bus Operations. (3) Streetcar operations implemented in FY2003. FTEs not included in budget document.

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

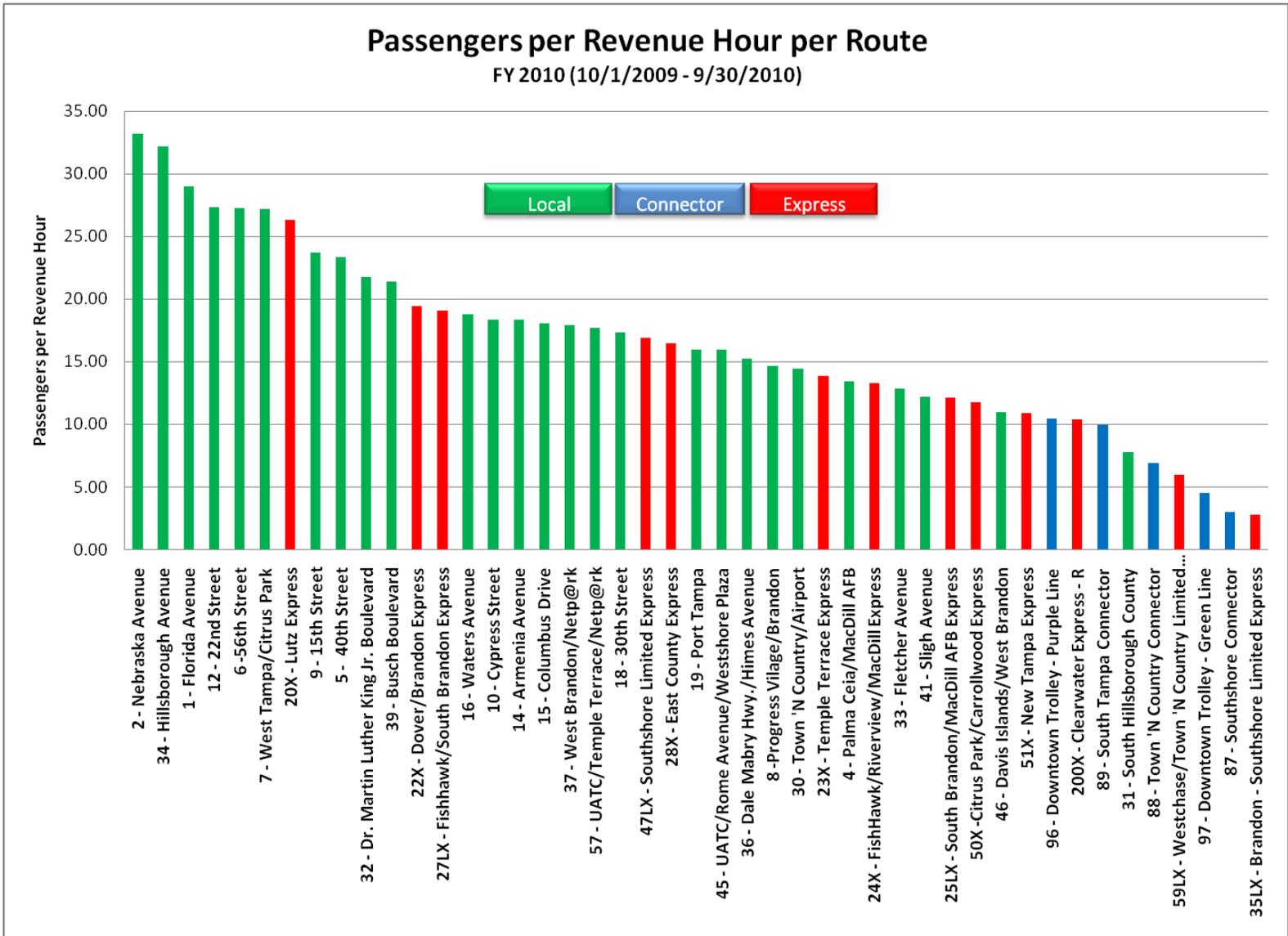
**STAFFING SCHEDULE
FY2010 TO FY2003
(Unaudited)**



HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
SERVICE RIDERSHIP SUMMARY – MONTHLY COMPARISON
(SEPTEMBER 2010) (Unaudited)

HART Service	Ridership, FY 2009 vs FY 2010 End-of-Year (September)			Monthly Ridership Comparison		
	FY 2009	FY 2010	% Change	September FY2009 Ridership	September FY2010 Ridership	% Change
Fixed Route Bus	11,638,548	12,264,357	5.4%	1,008,005	1,122,969	11.4%
TECO Streetcar	462,524	407,011	-12.0%	22,230	22,828	2.7%
ADA Paratransit	97,044	104,378	7.6%	8,464	10,067	18.9%
HART Flex	NA	2,927	NA	NA	653	NA
Wheelchairs on Fixed Route	46,137	46,367	0.5%	4,127	3,913	-5.2%
Bikes on Buses	201,130	220,265	9.5%	17,925	18,724	4.5%
U-Pass Program	334,091	407,399	21.9%	29,148	42,083	44.4%
HART Vanpool	83,133	66707 (est.)	-19.8%	6,103	4800 (est.)	-21.4%
	FY 2009 vs. FY 2010 End-of-Year (September)			Monthly Ridership Comparison		
Fixed Route Detail	FY 2009	FY 2010		September FY 2009	September FY 2010	
Number of Weekdays	251	253		21	21	
Number of Saturdays	59	57		5	5	
Number of Sundays	52	53		4	4	
No Service Days Including Emergency	3	2		0	0	
Total Service Days	365	365		30	30	
			% Change			% Change
Weekday Ridership	9,696,909	10,204,583	5.2%	848,320	946,492	11.6%
Weekday Express Ridership	277,186	259,582	-6.4%	23,440	21,503	-8.3%
Saturday Ridership	1,096,839	1,169,977	6.7%	90,482	103,417	14.3%
Sunday Ridership	567,614	630,215	11.0%	45,763	51,557	12.7%
			% Change			% Change
Weekday Average Ridership	38,633	40,334	4.4%	40,396	45,071	11.6%
Weekday Average Express Ridership	1,104	1,026	-7.1%	1,116	1,024	-8.3%
Saturday Average Ridership	18,590	20,526	10.4%	18,096	20,683	14.3%
Sunday Average Ridership	10,916	11,891	8.9%	11,441	12,889	12.7%
Vehicle Hours	613,708	642,432	4.7%	53,878	52,868	-1.9%
Revenue Hours	572,513	600,907	5.0%	50,279	49,523	-1.5%
Vehicle Miles	8,384,345	8,685,084	3.6%	738,950	712,596	-3.6%
Revenue Miles	7,352,819	7,668,118	4.3%	647,406	629,976	-2.7%

HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Unaudited)



HART Services Ridership Summary
Rides Per Trip
September 2010 (Unaudited)

		FY09 September Weekday Average	FY10 September Weekday Average	% Change	FY10 September Saturday Average*	FY10 September Sunday Average*		Y-T-D Ridership	Y-T-D Bus Vehicle Trips	Y-T-D Riders per Bus Trip
	Local Routes*									
1	Florida Avenue	3,235	3,980	23.0%	1,857	1,251		1,066,063	32,559	32.7
2	Nebraska Avenue	4,170	4,102	-1.6%	2,527	1,538		1,186,117	37,024	32.0
4	Palma Ceia/MacDill AFB	469	444	-5.2%				105,253	7,304	14.4
5	40th Street	1,761	1,902	8.0%	661	472		478,207	18,873	25.3
6	56th Street	3,281	3,698	12.7%	2,005	1,223		1,008,626	28,386	35.5
7	West Tampa/Citrus Park	1,840	2,117	15.0%	745	570		516,839	19,202	26.9
8	Progress Village/Brandon	1,320	1,427	8.1%	750	498		405,850	19,904	20.4
9	15th Street	1,749	2,267	29.6%	819	497		539,099	18,617	29.0
10	Cypress Street	347	291	-16.2%				66,333	7,054	9.4
12	22nd Street	2,555	2,748	7.6%	1,499	1,170		792,443	29,093	27.2
14	Armenia Avenue	634	664	4.8%				151,636	8,060	18.8
15	Columbus Drive	1,071	1,060	-1.0%	485	454		307,956	14,895	20.7
16	Waters Avenue	546	626	14.8%	350			164,774	9,180	17.9
18	30th Street	1,369	1,671	22.1%	641	469		393,839	18,581	21.2
19	Port Tampa	1,363	1,487	9.1%	695	478		410,375	21,471	19.1
30	Town 'N Country/Airport	2,022	2,209	9.2%	1,345	904		651,001	41,647	15.6
31	South Hillsborough County	186	198	6.5%				43,112	3,276	13.2
32	Dr. Martin Luther King Jr. Boulevard	1,481	1,768	19.4%	786	477		454,010	21,686	20.9
33	Fletcher Avenue	416	838	101.3%	487	298		213,111	21,896	9.7
34	Hillsborough Avenue	2,544	2,920	14.8%	1,381	813		757,505	23,401	32.4
36	Dale Mabry/Himes	1,567	2,121	35.4%	970	679		550,452	19,316	28.5
37	Brandon/Netpark	797	942	18.2%	398			226,164	12,674	17.8
39	Busch Boulevard	1,807	2,185	20.9%	1,413	687		625,627	20,296	30.8
41	Sligh Avenue	415	413	-0.5%				87,766	7,365	11.9
45	UATC/Rome Avenue/Westshore Plaza	1,485	1,556	4.8%	781	448		431,395	20,126	21.4
46	Davis Islands/West Brandon	311	330	6.1%				71,314	6,552	10.9
57	UATC/Temple Terrace/Netp@rk	595	658	10.5%				150,501	8,565	17.6
	Group Total	39,335	44,624	13.4%	20,594	12,923		11,855,368	497,003	23.9

HART Service Ridership Summary
Rides per Trip (Con't)
September 2010

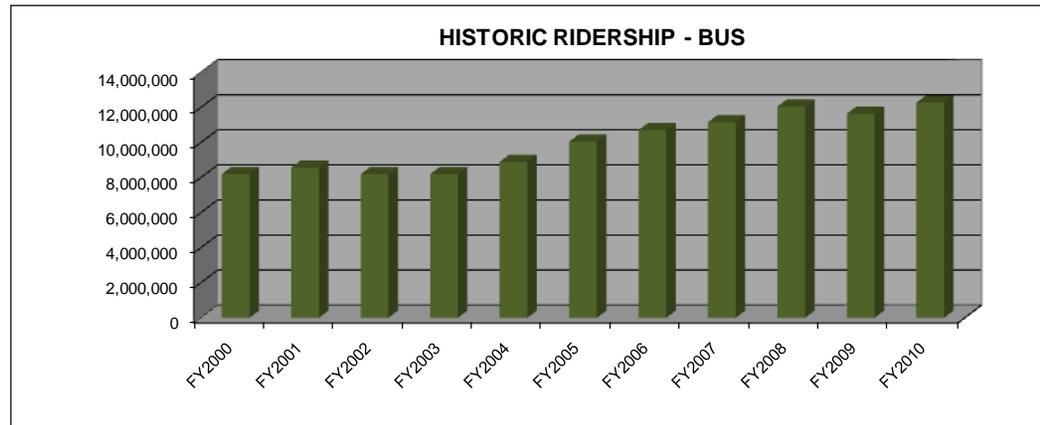
		FY09 September Weekday Average	FY10 September Weekday Average	% Change	FY10 September Saturday Average*	FY10 September Sunday Average*		Y-T-D Ridership	Y-T-D Bus Vehicle Trips	Y-T-D Riders per Bus Trip
	Connector/Circulator Routes*									
87	Southshore Connector	59	62	5.8%				14,214	3,273	4.3
88	Town 'N Country Connector	50	52	4.2%				11,296	2,513	4.5
89	South Tampa Connector	148	142	-4.0%				37,355	7,555	4.9
96	In-Town Trolley - Purple Line	190	156	-18.3%				50,018	9,996	5.0
97	In-Town Trolley - Green Line**	118	111	-5.9%	123			15,515	5,203	3.0
	Group Total	565	523	-7.5%	123			128,398	28,540	4.5
	**Rt. 97 Friday only service									
	Express and Limited Express Routes*									
20X	Lutz Express	66	67	2.5%				16,793	1,008	16.7
22X	Dover/Brandon Express	74	74	0.1%				17,998	1,008	17.9
23X	Temple Terrace Express	36	24	-34.4%				9,401	1,007	9.3
24X	Fishhawk/Riverview/MacDill AFB Express	198	193	-2.7%				45,741	2,712	16.9
25X	South Brandon/Mac Dill AFB Express	225	181	-19.3%				48,638	3,157	15.4
27X	South Brandon Express	114	113	-1.6%				24,417	1,259	19.4
28X	East County Express	60	52	-13.2%				13,742	1,008	13.6
50X	Citrus Park/Carrollwood Express	49	42	-14.6%				10,829	1,007	10.8
51X	New Tampa Express	54	51	-4.7%				13,133	1,008	13.0
200X	Clearwater Express - R	73	83	12.9%				20,062	2,520	8.0
35LX	Brandon/Southshore Limited Express	15	13	-14.5%				3,852	1,008	3.8
47LX	Southshore Limited Express	98	80	-18.3%				21,819	1,007	21.7
59LX	Westchase/Town 'n Country Limited Express - R	54	51	-5.3%				13,157	2,015	6.5
	Group Total	1,116	1,024	-8.3%				259,582	19,724	13.2
	R = Reverse Commute									
	*Current routes only									
	Streetcar									
800	TECO Streetcar	486	500	2.9%	2,037	920		407,011	31,570	12.9

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

HISTORIC RIDERSHIP - BUS
(Unaudited)

Year	Ridership *	% Change
FY2000 Actual	8,190,594	N/A
FY2001 Actual	8,557,829	4.5
FY2002 Actual	8,182,661	(4.4)
FY2003 Actual	8,191,329	0.1
FY2004 Actual	8,884,566	8.5
FY2005 Actual	10,040,492	13.0
FY2006 Actual	10,697,621	6.5
FY2007 Actual	11,147,660	4.2
FY2008 Actual	12,044,758	8.0
FY2009 Actual	11,638,548	(3.4)
FY2010 Actual	12,264,357	5.4

**From GFI Ridership Database*

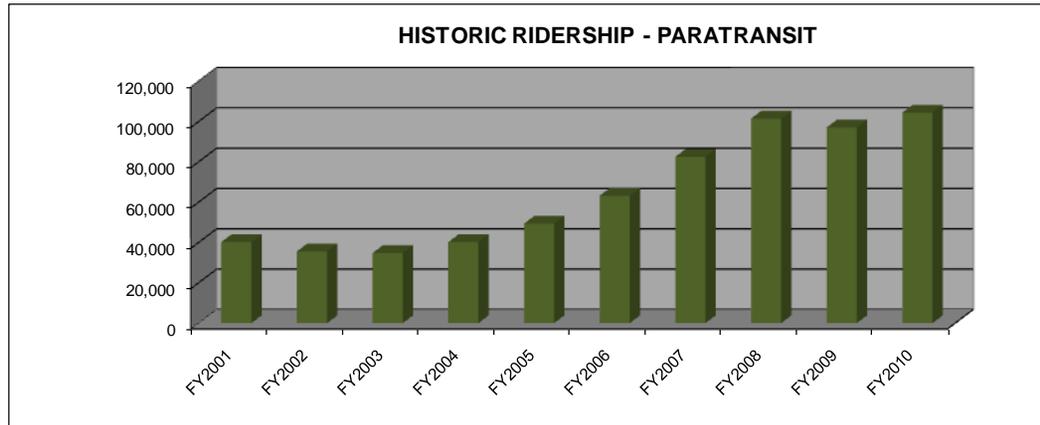


**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

HISTORIC RIDERSHIP - PARATRANSIT
(Unaudited)

Year	Ridership *	% Change
FY2001 Actual	40,189	N/A
FY2002 Actual	35,542	(11.6)
FY2003 Actual	34,745	(2.2)
FY2004 Actual	40,158	15.6
FY2005 Actual	49,277	22.7
FY2006 Actual	63,165	28.2
FY2007 Actual	82,439	30.5
FY2008 Actual	101,426	23.0
FY2009 Actual	97,044	(4.3)
FY2010 Actual	104,378	7.6

**From GFI Ridership Database*

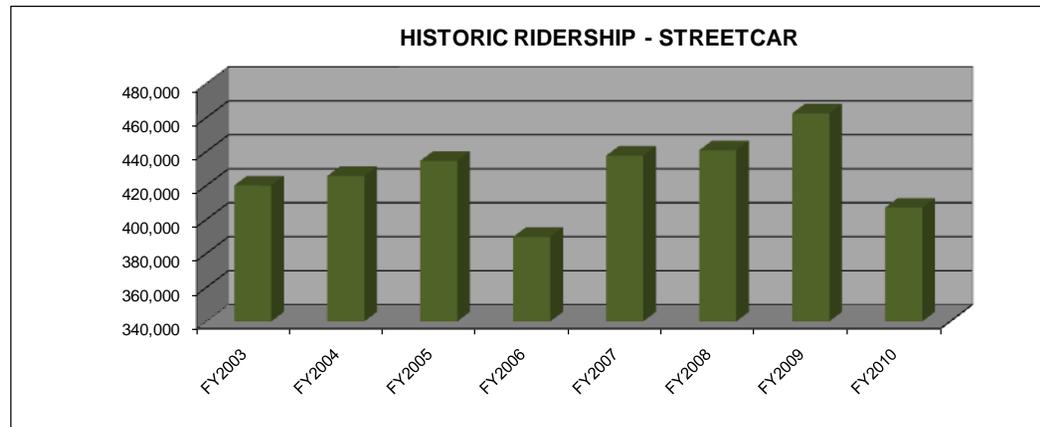


**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

HISTORIC RIDERSHIP - STREETCAR
(Unaudited)

Year	Ridership *	% Change
FY2003 Actual	420,038	N/A
FY2004 Actual	425,614	1.3
FY2005 Actual	434,498	2.1
FY2006 Actual	389,771	(10.3)
FY2007 Actual	437,612	12.3
FY2008 Actual	440,738	0.7
FY2009 Actual	462,461	4.9
FY2010 Actual	407,011	(12.0)

**From GFI Ridership Database*



Statistical Section

Miscellaneous Information

Miscellaneous Statistics - HART

Employment Indicators – Hillsborough County, FL

Population – Hillsborough County, FL

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**MISCELLANEOUS STATISTICS – HART
(Unaudited)**

Date Authority Created	October 3, 1979
Date Authority Began Operations	1980
Form of Government	Board of Directors, Chief Executive Officer
Board of Directors	12
Service Area Square Miles	1,068 square miles
Type of Tax Support	Property Tax
Property Tax (Millage/Rate) (2009 Adopted Budget)	.4682 mil (0.4682)
Services	Fixed Route = 27 local routes, 10 express routes, 5 connector routes, 3 limited express routes, 100 percent wheelchair/bicycle accessible buses and vans; Paratransit; Streetcar
Number of Bus Stops	3,786
Number of Buses in Peak Service	160 (plus 30 Paratransit vans)
Facilities	<ul style="list-style-type: none"> ◦ 21st Avenue Operations and Maintenance Facility ◦ 22 park-and-ride lots ◦ 2 transit centers (Marion Transit Center and University Area Transit Center) ◦ 9 transfer centers (Britton Plaza, Westshore Plaza, Northwest Tampa, West Tampa, Netp@rk, Yukon, Westfield Shoppingtown Brandon, University Mall, Southshore Regional Service Center) ◦ Marion Street Transit Parkway ◦ Ybor Station (streetcar operations, streetcar maintenance facility, and administrative staff) ◦ Dick Greco/Southern Transportation Plaza
Passenger Shelters	455

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**EMPLOYMENT INDICATORS – HILLSBOROUGH COUNTY, FL
(Unaudited)**

Hillsborough County has a diversified economic base, including large service, manufacturing and retail trade sectors. Hillsborough County's largest industrial sectors include the Administration/Support/Waste Management and Remediation Services, Retail Trade, and the Health Care and Social Assistance sectors. The principal employers serving the county are the Hillsborough County School Board and the Hillsborough County Government. The vast majority of the county's labor force was employed in non-agricultural jobs in 2008.

Employment by Industry	Employees
Agriculture/Forestry/Fishing/Hunting & Mining	12,030
Construction	38,171
Manufacturing	28,611
Trade, Transportation & Utilities	121,713
Information	20,587
Finance, Insurance and Real Estate	58,762
Professional and Business Services	113,341
Leisure and Hospitality	61,960
Education and Health Services	112,851
Other Services	17,462
Government	27,040
Other Services	<u>204</u>
Total	612,732

Source: 2009 Hillsborough County Planning Commission via
2009 Hillsborough County Comprehensive Annual Financial Report

**HILLSBOROUGH TRANSIT AUTHORITY
FY2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**POPULATION – HILLSBOROUGH COUNTY, FL
(Unaudited)**

Hillsborough County is the fourth most populous county in the state of Florida. As of April 2009, the County's population was estimated at 1,234,010, an increase of 0.8 percent from 2008. Between 2000 and 2009, the County's population increased by 23.5 percent. Hillsborough County's population is projected to be 1,394,600 by the year 2015.

A majority of the County's year 2009 population (815,910 or 67 percent) lives in the unincorporated part of the county. Population grew at an average annual percentage rate of 3.2 percent between year 2000 and 2009 in the unincorporated Hillsborough County. Communities in the unincorporated Hillsborough County with increasing population growth were Balm/Wimauma, Ruskin/Greater Sun City Center, Thonotosassa, and Tampa Palms/Hunter's Green. The median age for Hillsborough County in 2008 was 36 years.

HILLSBOROUGH COUNTY		
Year	Population	% Increase
1950	249,894	0.0%
1960	397,788	59.2%
1970	490,265	23.2%
1980	646,960	32.0%
1990	834,054	28.9%
2000	998,948	19.8%
2001	1,027,436	2.9%
2002	1,055,807	2.8%
2003	1,083,520	2.6%
2004	1,115,960	3.0%
2005	1,142,850	2.4%
2006	1,172,970	2.6%
2007	1,204,750	2.7%
2008	1,224,520	1.6%
2009	1,234,010	0.8%

Source: Hillsborough County Florida, Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2008
(a) US Census Bureau; (b) Hillsborough County City-County Planning Commission, estimate

SECTION IV
SUPPLEMENTAL SECTION

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

Board of Directors
Hillsborough Transit Authority
a/k/a Hillsborough Area Regional Transit Authority
Tampa, Florida

We have audited the accompanying financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit, HART (the "Authority"), as of and for the year ended September 30, 2010, and have issued our report thereon dated February 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2 to be material weaknesses.

(Continued)

A significant deficiency is a deficiency or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-3, 10-4 and 10-5 to be significant deficiencies.

The Authority's responses to the material weaknesses and significant deficiencies identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's responses and accordingly, we express no opinion on them.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the Authority in a separate letter dated February 21, 2011.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

Tampa, Florida
February 21, 2011

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR FEDERAL AWARD PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Directors
Hillsborough Transit Authority
a/k/a Hillsborough Area Regional Transit Authority
Tampa, Florida

Compliance

We have audited the compliance of the Hillsborough Transit Authority (the Authority) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs and state financial assistance projects for the year ended September 30, 2010. The Authority's major federal programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

As described in items 10-8, 10-9, and 10-10 in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding allowable costs that are applicable to the Federal Transit Cluster and the Transit Services Programs Cluster. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2010.

(Continued)

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-6, 10-7, 10-8, 10-9 and 10-10 to be material weaknesses.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we have reported to management of the Authority in a separate letter dated February 21, 2011.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone else other than these specified parties.


Crowe Horwath LLP

Tampa, Florida
February 21, 2011

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	Yes
Noncompliance material to financial statements noted	No

Federal Awards and State Financial Assistance

Internal control over major programs	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	No
Type of auditors' report issued on compliance for major programs	Qualified
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section.510(a), and Chapter 10.550, Rules of the Auditor General	Yes
Identification of Major Programs:	

CFDA/CSFA Number

Name of Program

Federal:

20.500, 20.507
20.516, 20.521

Federal Transit Cluster
Transit Services Programs Cluster

State:

55.010

State of Florida Department of Transportation: Public
Transit Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$848,519
State	\$300,000

Auditee qualified as low-risk No

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses

10-1 Payroll Policies and Procedures

Condition: A) Voluntary Payroll Deduction Authorizations

During our testing of employee payroll files, we observed 19 out of 33 files tested were missing a benefit authorization form to document the authorization of amounts withheld from payroll for various benefit deductions. Through inquiry with those responsible for payroll administration and those in the HR department, we determined that the Authority does have a policy to retain in the personnel files a copy of benefit deduction authorization forms. The benefit authorization forms for supplemental benefits such as disability and life insurance policies are completed by employees, and then returned and maintained by the insurance provider. The Authority receives notification from the insurance provider of the deductions that should be made from employee's wages. The Authority does not review the controls of the insurance provider nor does the Authority verify the validity of the employees' election and authorization to have amounts deducted from wages.

B) Approved Pay Rates

During our testing of employee master file documentation, we observed for 9 of 33 files tested, employee pay rate authorization forms that did not agree to the rate of pay being received by the employee.

Criteria: The following are the specific criteria for the conditions noted above:

- A) Management is responsible for maintaining and verifying records of authorization of all voluntary employee payroll deductions.
- B) Authorized pay rate forms should agree to the rate actually paid to employees.

Effect: A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses

10-1 Payroll Policies and Procedures (Continued)

Cause: The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, employee evaluation and pay rate authorization forms are not filed in a timely manner.

Recommendation: The Authority should:

- A) Consider developing and implementing policies and procedures to insure authorization of employee voluntary deduction is documented and maintained and added to the employee's master file.
- B) Develop procedures to insure that all current pay rates have been authorized in a timely manner and that these authorized rates agree with amounts actually being paid that documentation of this authorization is included in the employee's master.

Management's Response:

- A) Management concurs. HART retain copies of voluntary insurance authorizations for the employee's benefit file. Authorizations will include, but not be limited to, enrollments, changes, and cancellations.
- B) Management acknowledges gaps in pay rate authorization procedures such as timely system updates and timely pay rate form filing. HR is currently working on identifying efficiencies to reduce discrepancies between forms, system, and employee files such as updating system setup tables to automatically generate contract pay rate updates rather than manual updates.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses

10-2 Accrual for Self-Insurance Claims Reserves

Condition: The Authority had not implemented procedures to update its estimate for the IBNR portion of the self insurance liability. The basis for the estimate used was based upon data that was more than twelve months old and no update procedures or analysis to substantiate the reasonableness of the estimate had been performed in the current year.

Criteria: Management is responsible for accurately recording reserves associated with general liability and workers' compensation claims in its self-insurance programs, both due and unpaid, and incurred but not reported (IBNR) incidents, based primarily on appropriate estimates.

Effect: Accrued liabilities and related expenses associated with self-insured general liability and workers' compensation claims were materially misstated and required an adjustment once the estimate was updated based upon current information.

Cause: The Authority's estimate for the IBNR portion of the self insurance liability was based upon an actuarial valuation that was performed in the prior year and procedures were not in place to update the estimate for current year changes in the data or perform any other type of internal analysis related to the IBNR during the year.

Recommendation: The Authority should consider developing and implementing policies and procedures for evaluating and documenting the IBNR based upon current data to ensure the financial statements are not materially misstated.

Management's Response: Management concurs. HART has always prepared an Actuarial Report every two years to evaluate all general liability and workers compensation pending claims and liabilities. While this practice has been acceptable by the previous Auditors and HART General Counsel, Crowe Horwath has requested that the self insured liability be reviewed annually. To comply, HART had the Actuary develop an Actuarial Report for fiscal year ending September 30, 2010 and will do so annually. Based on the September 30, 2010 Actuarial Report the liability increased \$245,000.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

10-3 Inventory Count Procedures

Condition: During the year end inventory count, we observed that there were numerous errors as a result of the test count procedures. As a result, the year end inventory had to be recounted.

Criteria: Policies and procedures should be in place to ensure accurate periodic inventory counts to support the inventory valuation on the financial statements.

Effect: Ineffective inventory count procedures could adversely affect the Authority's ability to value inventory in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Cause: Inventory count procedures were ineffective.

Recommendation: We recommend the controls over inventory counts be reviewed and revised or implemented as necessary to ensure accurate counts at year end for the proper recording of inventory.

Management's Response: Management concurs. Policies and procedures are in place for inventory count and have proven effective in the past. FY2010 was the first full year with the new ERP system that required new procedures which were written and in place for the count. There was still a learning curve with the new hand held devices and becoming accustomed to the new system in general. Moving forward, the procedures for counters will be reviewed to ensure that directions are clear and understandable. Changes needed for better clarification will be made to the document.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

10-4 Valuation Adjustment of Investment Accounts

Condition: We observed an error in the Authority's calculation of the valuation allowance for the State Board of Administration Fund B account. While the Authority used the correct factor and cost basis, it compared the current year fair market value to the prior year fair market value instead of comparing the fair market value to the cost basis.

Criteria: Investments should be recorded at fair value.

Effect: The Authority's assets were understated by approximately \$200,000.

Cause: The Authority did not take into consideration the gain experienced on matured investments throughout the year.

Recommendation: The Authority should ensure that the valuation allowance account is correctly calculated and reviewed.

Management's Response:

Management concurs. The initial adjustment made to the investment account was done based on a comparison of current fair market value to prior year. After discussions with the auditors, we subsequently made the necessary correction to properly state the valuation adjustment. The valuation allowance account will be reviewed annually and the necessary adjustment will be calculated and made based on a comparison of the fair market value of the investment to cost.

10-5 Inadequate Controls over the Accrual of Grant Expenses

Condition: During our procedures related to grant expenditures we noted there were numerous invoices totaling \$327,425 that were included in the general ledger that were actually incurred in the prior year. The Authority has not developed a consistent methodology or procedure to insure that grant expenses are accrued and reported in the correct fiscal year.

Criteria: Expenditures should be recognized in the period they were incurred.

Effect: The financial statements were misstated.

Cause: The following are the specific causes for the conditions noted above:

Invoices are not returned to accounts payable department with approved account coding in a timely manner.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

10-5 Inadequate Controls over the Accrual of Grant Expenses (Continued)

Recommendation: The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors.

Management's Response: Management concurs and has reviewed the current procedures and internal controls. Historically, purchase orders and contracts notify the vendor that invoices should be mailed directly to the Accounts Payable department, so control of the invoice can be held within one area and the accounting of cost to the proper time period. Additionally, prior to the end of each fiscal year the Accounts Payable department has notified HART staff to submit invoices for coding by mid to late October following to the end of each fiscal year. Lastly, the Accounts Payable department has mailed out postcards to the vendors urging them to submit the invoices in a timely manner.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.500/20.507
Federal Transit Cluster

Department of Transportation/Federal Transit Administration
CFDA #20.516/20.521
Transit Services Programs Cluster

10-6 Inadequate Controls over the Accrual of Grant Expenses

Condition: A) Grant Expenses Reported in the Wrong Fiscal Year

During our procedures related to grant expenditures reported on the Schedule of Federal Expenditures and State Financial Assistance Projects for the current year we noted there were a numerous invoices that were included in the schedule as current year expenditures that were actually incurred in the prior year. Through further investigation, we discovered that although these invoices were related to the prior year the related expenditures had not been accrued in the prior year and were allowable costs in the current year. The Authority, however, has not developed a consistent methodology or procedure to insure that grant expenses are accrued and reported on the Schedule in the correct fiscal year.

B) Methodology for tracking Grant Expenses in the General Ledger Accounts

During our procedures related to grant expenditures reported on the Schedule of Federal Expenditures and State Financial Assistance Projects for the Current year we noted that the Authority does not have a consistent method of tracking grant expenditures in separate accounts the general ledger in totals that support the amounts that are reported on the Schedule.

Criteria: The following are the specific criteria for the conditions noted above:

B) Expenditures should be recognized in the period they were incurred.

C) Procedures should be in place to insure that expenses are separately accounted for in the general ledger and amounts that are reported on the Schedule of Federal Expenditures and State Financial Assistance Projects can be accounted for and supported by underlying documentation for specific expenditures.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.500/20.507
Federal Transit Cluster

Department of Transportation/Federal Transit Administration
CFDA #20.516/20.521
Transit Services Programs Cluster

10-6 Inadequate Controls over the Accrual of Grant Expenses (Continued)

Effect: Federal and State awards on the Schedule of Federal Expenditures and State Financial Assistance Projects could be misstated.

Cause: The following are the specific causes for the conditions noted above:

- A) Invoices are not returned to accounts payable department with approved account coding in a timely manner.
- B) Procedures were not in place to insure that expenses were separately accounted for in the general ledger.

Recommendation: The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors. The Authority should also identify a methodology to track direct expenses and separately identify the expenses in the general ledger accounts or some other type of subsidiary accounts in order to support the amounts that are reported on the Schedule of Federal Expenditures and State Financial Assistance Projects.

**Views of
Responsible
Officials:**

- A) Management concurs and has reviewed the current procedures and internal controls regarding the accrual of grants. Historically, purchase orders and contracts notify the vendor that invoices should be mailed directly to the Accounts Payable department, so control of the invoice can be held within one area and the accounting of cost to the proper time period. Additionally, prior to the end of each fiscal year the Accounts Payable department has notified HART staff to submit invoices for coding by mid to late October following to the end of each fiscal year. Lastly, the Accounts Payable department has mailed out postcards to the Vendor to urge them into submitting the invoices timely.
- B) Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.500/20.507
Federal Transit Cluster

Department of Transportation/Federal Transit Administration
CFDA #20.516/20.521
Transit Services Programs Cluster

10-7 Costs Charged to Federal Program were Based upon Budget instead of Based upon Actual Costs

Condition: During our testing of expenditures charged to the Job Access and Reverse Commute grant (JARC) and the Congestion Mitigation and Air Quality grant (CMAQ) we observed that costs charged to the grants are charged to the program based upon the amount budgeted instead of actual amounts and there are no procedures in place at the end of the year to perform a reconciliation of budget to actual costs to insure there are adequate amounts of actual costs incurred to support the charges to the Federal program. Upon performing this reconciliation, we determined that the Authority did in fact incur an adequate amount of actual expense to support the amount charged based upon the budgeted amounts charged.

Criteria: Under the provisions of OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* costs charged using budget projection costs should be evaluated against actual cost with any variances adjusted as necessary at the end of the fiscal year.

Effect: Federal and State awards reimbursements and expenditures reported on the Schedule of Federal Expenditures and State Financial Assistance Projects could be misstated.

Cause: The Authority does not have a procedure in place to compare projected budgeted costs to actual costs in relation to amounts charged to Federal programs.

Recommendation: We recommend the Authority prepare and implement a policy and procedure to review budgeted costs to actual costs in relation to grant billings at least quarterly to ensure accurate grant reporting.

Views of Responsible Officials: Management concurs. Beginning with FY 2011, HART as adopted an actual cost basis for billing of JARC and CMAQ grants.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.516/20.521
Transit Services Programs Cluster

10-8 Direct Identification of Costs Related to Grants - JARC

Condition: The Authority charged indirect costs to the Job Access and Reverse Commute (JARC) grant through a cost per revenue hour rate instead of identifying and charging direct costs. The Authority has not obtained approval for the use of an indirect cost plan.

Criteria: A proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit will be acceptable if certified by the governmental unit using the Certificate of Cost Allocation Plan.

Questioned Costs: \$660,195

Context: The questioned costs identified were the indirect expenditures charged to the program for the fiscal year.

Effect: Without the preapproval, the charges may be determined to be unallowable.

Cause: The accounting system utilized by the Authority is designed to capture project job cost.

Recommendation: The Authority should obtain the necessary approval or certification in order to be able to utilize and indirect rate.

**Views of
Responsible
Officials:**

Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.500/20.507
Federal Transit Cluster

10-9 Direct Identification of Costs Related to Grants - CMAQ

Condition: The Authority charged indirect costs to the Congestion Mitigation and Air Quality (CMAQ) grant through a cost per revenue hour rate. The Authority has not obtained approval for the use of an indirect cost rate.

Criteria: A proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit will be acceptable if certified by the governmental unit using the Certificate of Cost Allocation Plan.

Questioned Costs: \$155,323

Context: The questioned costs identified were the indirect expenditures charged to the program for the fiscal year.

Effect: Without the preapproval, the charges may be determined to be unallowable.

Cause: The accounting system utilized by the Authority is designed to capture project job cost.

Recommendation: The Authority should obtain the necessary approval or certification in order to be able to utilize and indirect rate.

**Views of
Responsible
Officials:**

Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.516/20.521
Transit Services Programs Cluster

10-10 Documentation of Requirements related to Davis Bacon

Condition: The Authority has a policy that requires project managers to certify that information is received from subcontractors, to document compliance with the Davis Bacon requirements with regard to the weekly wage rate reports, before an invoice can be approved for payment. In our testing, we noted two instances where the project manager had approved payment of the invoice before the subcontractor had provided the wage rate reports. Upon further inquiry, we noted that these wage rate reports have still not been obtained.

Criteria: In accordance with USC 40 276a to 276a-7, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates). In addition, CFR 29 part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction", requires non-Federal entities include in their contracts a clause that the contractor or subcontractor is subject to Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity, weekly, for each week in which any contract work is performed, a copy of the payroll and statement of compliance.

Questioned Costs: \$45,130

Context: The questioned costs identified were contractor invoices paid by HART for construction services where weekly wage reports were not received and reviewed.

Effect: Evidence was not in place to determine that the recipient was using its funding in accordance with the grant agreement.

Cause: The Authority's written policy related to invoice approval and payments was consistently not followed.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

Material Weaknesses

Department of Transportation/Federal Transit Administration
CFDA #20.516/20.521
Transit Services Programs Cluster

10-10 Documentation of Requirements related to Davis Bacon (Continued)

Recommendation: Management should implement additional policies and procedures regarding administration of federal awards, including instructions for obtaining records associated with the Davis Bacon Requirements related to grant compliance. All staff involved in these processes should be familiar with the policies and procedures, and management should monitor that such procedures are being consistently followed before disbursements are authorized.

**Views of
Responsible
Officials:**

Management concurs. Due to strict time constraints regarding the use of the grant funds used in this project, certain approvals had to be in place prior to the end of the fiscal year. It was agreed that approval for the invoices would be authorized with a verbal commitment from the subcontractors that hard copies of the monthly DBE form and Davis-Bacon forms would be forthcoming. HART records indicate that the DBE and Davis Bacon forms for the period of performance were received and accepted by HART on October 29, 2010 by the DBE coordinator. However, HART staff was not able to locate those documents in a timely manner for unknown reasons. While the audit has noted the exception, management maintains that the existing policies and checklists with their current approval levels are sufficient to ensure procedures are adhered to in the normal process of partial disbursements and at project closeout.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2010

**SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE
PROJECTS**

Material Weakness

State of Florida Department of Transportation
CSFA #55.010
Public Transit Block Grant

10-11 Direct Identification of Costs Related to Grants

Same as Finding 10-8

HILLSBOROUGH TRANSIT AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS
Year ended September 30, 2010

AUDIT REFERENCE

Finding 2009-04: Compliance with Allowable Costs

Status: Management concurs. As part of steps performed in 10-6b, this cost allocation model also reconciles Paratransit expenses to grantor revenue. This cost allocation model was used for FY2010 and will be used future fiscal year endings.

HILLSBOROUGH TRANSIT AUTHORITY
CORRECTIVE ACTION PLAN
Year ended September 30, 2010

AUDIT REFERENCE

Finding 10-6: Inadequate Controls over the Accrual of Grant Expenses

- A) Management concurs and has reviewed the current procedures and internal controls regarding the accrual of grants. Historically, purchase orders and contracts notify the vendor that invoices should be mailed directly to the Accounts Payable department, so control of the invoice can be held within one area and the accounting of cost to the proper time period. Additionally, prior to the end of each fiscal year the Accounts Payable department has notified HART staff to submit invoices for coding by mid to late October following to the end of each fiscal year. Lastly, the Accounts Payable department has mailed out postcards to the Vendor to urge them into submitting the invoices timely.
- B) Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.

Finding 10-7: Costs Charged to Federal Program were Based upon Budget instead of Based upon Actual Costs

Management concurs. Beginning with FY 2011, HART as adopted an actual cost basis for billing of JARC and CMAQ grants.

Finding 10-8: Direct Identification of Costs Related to Grants - JARC

Management concurs. Beginning with FY 2011, HART as adopted an actual cost basis for billing of JARC and CMAQ grants.

Finding 10-9: Direct Identification of Costs Related to Grants - CMAQ

Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY
CORRECTIVE ACTION PLAN
Year ended September 30, 2010

Finding 10-10: Documentation of Requirements related to Davis Bacon

Management concurs. Due to strict time constraints regarding the use of the grant funds used in this project, certain approvals had to be in place prior to the end of the fiscal year. It was agreed that approval for the invoices would be authorized with a verbal commitment from the subcontractors that hard copies of the monthly DBE form and Davis-Bacon forms would be forthcoming. HART records indicate that the DBE and Davis Bacon forms for the period of performance were received and accepted by HART on October 29, 2010 by the DBE coordinator. However, HART staff was not able to locate those documents in a timely manner for unknown reasons. While the audit has noted the exception, management maintains that the existing policies and checklists with their current approval levels are sufficient to ensure procedures are adhered to in the normal process of partial disbursements and at project closeout.

General Summary on Accounting and Financial Reporting for HART Annual Financial Report for Fiscal Year Ending September 30, 2010:

HART has a highly capable accounting, budgeting, and financial staff. HART's annual budget for FY2010 was \$143 Million. HART's accounting and financial administration under the guidance of the GASB (Governmental Accounting Standards Board) is very complex. Compliance with FTA grant requirements and other regulatory requirements is mandated in order for HART to receive federal and state funding.

In an ever-changing financial environment, both internal and external audits are excellent tools to ensure that HART is up-to-date on all of our financial procedures, policies and practices. HART strives to maintain compliance with accepted standards and to ensure that the proper controls are in place. Where deficiencies have been noted and accepted, HART will strive to correct those deficiencies in a timely manner. HART appreciates the guidance provided by Crowe Horwath and will use that guidance to further enhance the capabilities and proficiencies of the organization.

Board of Directors
Hillsborough Transit Authority
a/k/a Hillsborough Area Regional Transit Authority
Tampa, Florida

We have audited the basic financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority (“the Authority”), as of and for the fiscal year ended September 30, 2010 and have issued our report thereon dated February 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and Chapter 10.550, Rules of the Auditor General of the State of Florida. We have issued our Independent Auditors’ Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Basic Financial Statements Performed In Accordance With Government Auditing Standards, and Independent Auditors’ Report On Compliance With Requirements Applicable To Each Major Federal Program And State Project And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And The Florida Single Audit Act, and Schedule of Findings and Questioned Costs. Disclosures in that report, which are dated February 21, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports or schedule:

- Section 10.554(l)(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. Our comments are included in the section, Comments on the Prior Year.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have noted our findings and recommendations under the heading Comments in the Current Year.

(Continued)

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we have noted our findings and recommendations under the heading Comments in the Current Year.
- Section 10.554(1)(i)6., 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 Authority was established under Chapter 163, Part V, Section 163.567, et seq., Florida Statutes, on October 3, 1979. The Authority does not have component units.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503 (1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(l), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2009 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

Pursuant to Chapter 119, Florida Statutes, this “Management Letter” is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, Board of Directors, and applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

<u>COMMENTS ON PRIOR YEAR</u>	<u>LEVEL</u>	<u>STATUS</u>
Year End Close Process	Material Weakness	Implemented
Payroll Deductions	Material Weakness	Partial Implemented – See current year comment
IBNR Accrual	Material Weakness	Partial Implemented – See current year comment
Over-allocation of Salaries	Significant Deficiency	Implemented
Retaining Compliance Documentation Evidencing Single Audit Compliance – Davis Bacon	Significant Deficiency	Not Implemented – See current year comment
Non-compliance with Procurement Policies and Procedures	Deficiency	Implemented
Accounts Receivable Collection Efforts	Deficiency	Implemented

CURRENT YEAR COMMENTS

10-1 PAYROLL POLICIES AND PROCEDURES	Material Weakness
Observation:	<p>A) Voluntary Payroll Deduction Authorizations:</p> <p>During our testing of employee payroll files, we observed 19 out of 33 files tested were missing a benefit authorization form to document the authorization of amounts withheld from payroll for various benefit deductions. Through inquiry with those responsible for payroll administration and those in the HR department, we determined that the Authority does have a policy to retain in the personnel files a copy of benefit deduction authorization forms. The benefit authorization forms for supplemental benefits such as disability and life insurance policies are completed by employees, and then returned and maintained by the insurance provider. The Authority receives notification from the insurance provider of the deductions that should be made from employee’s wages. The Authority does not review the controls of the insurance provider nor does the Authority verify the validity of the employees’ election and authorization to have amounts deducted from wages.</p>

(Continued)

10-1 PAYROLL POLICIES AND PROCEDURES (Continued)	Material Weakness
<p>Observation:</p>	<p>B) Approved Pay Rates</p> <p>During our testing of employee master file documentation, we observed for 9 of 33 files tested, employee pay rate authorization forms that did not agree to the rate of pay being received by the employee.</p> <p>Management is responsible for maintaining and verifying records of authorization of all voluntary employee payroll deductions. Authorized pay rate forms should agree to the rate actually paid to employees.</p> <p>A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.</p> <p>The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, employee evaluation and pay rate authorization forms are not filed in a timely manner.</p>
<p>Recommendation:</p>	<p>The Authority should:</p> <ul style="list-style-type: none"> A) Consider developing and implementing policies and procedures to insure authorization of employee voluntary deduction is documented and maintained and added to the employee's master file. B) Develop procedures to insure that all current pay rates have been authorized in a timely manner and that these authorized rates agree with amounts actually being paid that documentation of this authorization is included in the employee's master.
<p>Management's Response:</p>	<ul style="list-style-type: none"> A) Management concurs. HART retain copies of voluntary insurance authorizations for the employee's benefit file. Authorizations will include, but not be limited to, enrollments, changes, and cancellations. B) Management acknowledges gaps in pay rate authorization procedures such as timely system updates and timely pay rate form filing. HR is currently working on identifying efficiencies to reduce discrepancies between forms, system, and employee files such as updating system setup tables to automatically generate contract pay rate updates rather than manual updates.

(Continued)

10-2 SELF-INSURANCE CLAIMS RESERVES	Material Weakness
<p>Observation:</p>	<p>The Authority had not implemented procedures to update its estimate for the IBNR portion of the self insurance liability. The basis for the estimate used was based upon data that was more than twelve months old and no update procedures or analysis to substantiate the reasonableness of the estimate had been performed in the current year.</p> <p>Management is responsible for accurately recording reserves associated with general liability and workers' compensation claims in its self-insurance programs, both due and unpaid, and incurred but not reported (IBNR) incidents, based primarily on appropriate estimates.</p> <p>Accrued liabilities and related expenses associated with self-insured general liability and workers' compensation claims were materially misstated and required an adjustment once the estimate was updated based upon current information.</p> <p>The Authority's estimate for the IBNR portion of the self insurance liability was based upon an actuarial valuation that was performed in the prior year and procedures were not in place to update the estimate for current year changes in the data or perform any other type of internal analysis related to the IBNR during the year.</p>
<p>Recommendation:</p>	<p>The Authority should consider developing and implementing policies and procedures for evaluating and documenting the IBNR based upon current data to ensure the financial statements are not materially misstated.</p>
<p>Management's Response:</p>	<p>Management concurs. HART has always prepared an Actuarial Report every two years to evaluate all general liability and workers compensation pending claims and liabilities. While this practice has been acceptable by the previous Auditors and HART General Counsel, Crowe Horwath has requested that the self insured liability be reviewed annually. To comply, HART had the Actuary develop an Actuarial Report for fiscal year ending September 30, 2010 and will do so annually. Based on the September 30, 2010 Actuarial Report the liability increased \$245,000.</p>

10-3 INVENTORY COUNT PROCEDURES	Significant Deficiency
<p>Observation:</p>	<p>During the year end inventory count, we observed that there were numerous errors as a result of the test count procedures. As a result, the year end inventory had to be recounted.</p> <p>Policies and procedures should be in place to ensure accurate periodic inventory counts to support the inventory valuation on the financial statements.</p> <p>Ineffective inventory count procedures could adversely affect the Authority's ability to value inventory in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.</p> <p>Inventory count procedures were ineffective.</p>
<p>Recommendation:</p>	<p>We recommend the controls over inventory counts be reviewed and revised or implemented as necessary to ensure accurate r counts at year end for the proper recording of inventory.</p>
<p>Management's Response:</p>	<p>Management concurs. Policies and procedures are in place for inventory count and have proven effective in the past. FY2010 was the first full year with the new ERP system that required new procedures which were written and in place for the count. There was still a learning curve with the new hand held devices and becoming accustomed to the new system in general. Moving forward, the procedures for counters will be reviewed to ensure that directions are clear and understandable. Changes needed for better clarification will be made to the document.</p>

10-4 VALUATION ADJUSTMENT OF INVESTMENT ACCOUNT	Significant Deficiency
<p>Observation:</p>	<p>We observed an error in the Authority's calculation of the valuation allowance for the State Board of Administration Fund B account. While the Authority used the correct factor and cost basis, it compared the current year fair market value to the prior year fair market value instead of comparing the fair market value to the cost basis.</p> <p>Investments should be recorded at fair value.</p> <p>The Authority's assets were understated by approximately \$200,000.</p> <p>The Authority did not take into consideration the gain experienced on matured investments throughout the year.</p>

(Continued)

10-4 VALUATION ADJUSTMENT OF INVESTMENT ACCOUNT (Continued)	Significant Deficiency
Recommendation:	The Authority should ensure that the valuation allowance account is correctly calculated and reviewed
Management's Response:	Management concurs. The initial adjustment made to the investment account was done based on a comparison of current fair market value to prior year. After discussions with the auditors, we subsequently made the necessary correction to properly state the valuation adjustment. The valuation allowance account will be reviewed annually and the necessary adjustment will be calculated and made based on a comparison of the fair market value of the investment to cost.

10-5 INADEQUATE CONTROLS OVER THE ACCRUAL OF GRANT	Significant Deficiency
Observation:	<p>During our procedures related to grant expenditures we noted there were numerous invoices that were included in the general ledger that were actually incurred in the prior year. The Authority has not developed a consistent methodology or procedure to insure that grant expenses are accrued and reported in the correct fiscal year.</p> <p>Expenditures should be recognized in the period they were incurred.</p> <p>The financial statements were misstated.</p> <p>Invoices are not returned to accounts payable department with approved account coding in a timely manner.</p>
Recommendation:	The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors.
Management's Response:	Management concurs and has reviewed the current procedures and internal controls. Historically, purchase orders and contracts notify the vendor that invoices should be mailed directly to the Accounts Payable department, so control of the invoice can be held within one area and the accounting of cost to the proper time period. Additionally, prior to the end of each fiscal year the Accounts Payable department has notified HART staff to submit invoices for coding by mid to late October following to the end of each fiscal year. Lastly, the Accounts Payable department has mailed out postcards to the vendors urging them to submit the invoices in a timely manner.

(Continued)

10-6 INADEQUATE CONTROLS OVER THE ACCRUAL OF GRANT EXPENSES	Material Weakness- Federal Programs
<p>Observation:</p>	<p>A) Grant Expenses Reported in the Wrong Fiscal Year</p> <p>During our procedures related to grant expenditures reported on the Schedule of Federal Expenditures and State Financial Assistance Projects for the current year we noted there were a numerous invoices that were included in the schedule as current year expenditures that were actually incurred in the prior year. Through further investigation, we discovered that although these invoices were related to the prior year the related expenditures had not been accrued in the prior year and were allowable costs in the current year. The Authority, however, has not developed a consistent methodology or procedure to insure that grant expenses are accrued and reported on the Schedule in the correct fiscal year.</p> <p>B) Methodology for tracking Grant Expenses in the General Ledger Accounts</p> <p>During our procedures related to grant expenditures reported on the Schedule of Federal Expenditures and State Financial Assistance Projects for the Current year we noted that the Authority does not have a consistent method of tracking grant expenditures in separate accounts the general ledger in totals that support the amounts that are reported on the Schedule.</p> <p>The following are the specific criteria for the conditions noted above:</p> <p>A) Expenditures should be recognized in the period they were incurred.</p> <p>B) Procedures should be in place to insure that expenses are separately accounted for in the general ledger and amounts that are reported on the Schedule of Federal Expenditures and State Financial Assistance Projects can be accounted for and supported by underlying documentation for specific expenditures.</p> <p>Federal and State awards on the Schedule of Federal Expenditures and State Financial Assistance Projects could be misstated.</p> <p>The following are the specific causes for the conditions noted above:</p> <p>A) Invoices are not returned to accounts payable department with approved account coding in a timely manner.</p> <p>Procedures were not in place to insure that expenses were separately accounted for in the general ledger.</p>

(Continued)

10-6 INADEQUATE CONTROLS OVER THE ACCRUAL OF GRANT EXPENSES (Continued)	Material Weakness- Federal Programs
Recommendation:	<p>The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors. The Authority should also identify a methodology to track direct expenses and separately identify the expenses in the general ledger accounts or some other type of subsidiary accounts in order to support the amounts that are reported on the Schedule of Federal Expenditures and State Financial Assistance Projects.</p>
Management's Response:	<p>A) Management concurs and has reviewed the current procedures and internal controls regarding the accrual of grants. Historically, purchase orders and contracts notify the vendor that invoices should be mailed directly to the Accounts Payable department, so control of the invoice can be held within one area and the accounting of cost to the proper time period. Additionally, prior to the end of each fiscal year the Accounts Payable department has notified HART staff to submit invoices for coding by mid to late October following the end of each fiscal year. Lastly, the Accounts Payable department has mailed out postcards to the Vendor to urge them into submitting the invoices timely.</p> <p>B) Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.</p>

10-7 COSTS CHARGED TO FEDERAL PROGRAM WERE BASED UPON BUDGET INSTEAD OF BASED UPON ACTUAL COSTS	Material Weakness- Federal Programs
Observation:	<p>During our testing of expenditures charged to the Job Access and Reverse Commute grant (JARC) and the Congestion Mitigation and Air Quality grant (CMAQ) we observed that costs charged to the grants are charged to the program based upon the amount budgeted instead of actual amounts and there are no procedures in place at the end of the year to perform a reconciliation of budget to actual costs to insure there are adequate amounts of actual costs incurred to support the charges to the Federal program. Upon performing this reconciliation, we determined that the Authority did in fact incur an adequate amount of actual expense to support the amount charged based upon the budgeted amounts charged.</p>

(Continued)

10-7 COSTS CHARGED TO FEDERAL PROGRAM WERE BASED UPON BUDGET INSTEAD OF BASED UPON ACTUAL COSTS (Continued)	Material Weakness- Federal Programs
Observation:	<p>Under the provisions of OMB Circular A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i> costs charged using budget projection costs should be evaluated against actual cost with any variances adjusted as necessary at the end of the fiscal year.</p> <p>Federal and State awards reimbursements and expenditures reported on the Schedule of Federal Expenditures and State Financial Assistance Projects could be misstated.</p> <p>The Authority does not have a procedure in place to compare projected budgeted costs to actual costs in relation to amounts charged to Federal programs.</p>
Recommendation:	<p>We recommend the Authority prepare and implement a policy and procedure to review budgeted costs to actual costs in relation to grant billings at least quarterly to ensure accurate grant reporting.</p>
Management's Response:	<p>Management concurs. Beginning with FY 2011, HART as adopted an actual cost basis for billing of JARC and CMAQ grants.</p>

(Continued)

10-8 DIRECT IDENTIFICATION OF COSTS RELATED TO GRANTS - JARC	Material Weakness and Noncompliance Federal Programs
Observation:	<p>The Authority charged indirect costs to the Job Access and Reverse Commute (JARC) grant through a cost per revenue hour rate. The Authority has not obtained approval for the use of an indirect cost rate.</p> <p>A proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit will be acceptable if certified by the governmental unit using the Certificate of Cost Allocation Plan.</p> <p>The questioned costs of \$660,195 identified were the indirect expenditures charged to the program for the fiscal year.</p> <p>Without the preapproval, the charges may be determined to be unallowable.</p>
Recommendation:	<p>The Authority should obtain the necessary approval or certification in order to be able to utilize and indirect rate.</p>
Management's Response:	<p>Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.</p>

10-9 DIRECT IDENTIFICATION OF COSTS RELATD TO GRANTS - CMAQ	Material Weakness and Noncompliance Federal Programs
Observation:	<p>The Authority charged indirect costs to the Congestion Mitigation and Air Quality (CMAQ) grant through a cost per revenue hour rate. The Authority has not obtained approval for the use of an indirect cost rate.</p> <p>A proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit will be acceptable if certified by the governmental unit using the Certificate of Cost Allocation Plan.</p> <p>The questioned costs of \$155,323 identified were the indirect expenditures charged to the program for the fiscal year.</p> <p>Without the preapproval, the charges may be determined to be unallowable.</p>

(Continued)

10-9 DIRECT IDENTIFICATION OF COSTS RELATED TO GRANTS – CMAQ (Continued)	Material Weakness and Noncompliance Federal Programs
Recommendation:	The Authority should obtain the necessary approval or certification in order to be able to utilize and indirect rate.
Management's Response:	Management concurs. Due to limitations within HART's accounting system it is difficult to capture certain types of direct cost, (salaries, benefits, supplies, services and other), which are reimbursed by grantors. In lieu of capturing direct cost, HART uses a cost model to allocate cost to individual grants. This has been acceptable method from previous year audits. For FY 2011, HART will be working with grantors for acceptance of a cost allocation plan.

10-10 DOCUMENTATION REQUIREMENTS RELATED TO DAVIS BACON	Material Weakness-Federal Programs
Observation:	<p>The Authority has a policy that requires project managers to certify that information is received from subcontractors, to document compliance with the Davis Bacon requirements with regard to the weekly wage rate reports, before an invoice can be approved for payment. In our testing, we noted two instances where the project manager had approved payment of the invoice before the subcontractor had provided the wage rate reports. Upon further inquiry, we noted that these wage rate reports have still not been obtained.</p> <p>In accordance with USC 40 276a to 276a-7, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates). In addition, CFR 29 part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction, requires non-Federal entities include in their contracts a clause that the contractor or subcontractor is subject to Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity, weekly, for each week in which any contract work is performed, a copy of the payroll and statement of compliance.</p> <p>The questioned costs of \$45,130 identified were contractor invoices paid by HART for construction services where weekly wage reports were not received and reviewed.</p> <p>Evidence was not in place to determine that the recipient was using its funding in accordance with the grant agreement.</p> <p>The Authority written policy related to invoice approval and payments was not followed.</p>

(Continued)

10-10 DOCUMENTATION REQUIREMENTS RELATED TO DAVIS BACON (Continued)	Material Weakness-Federal Programs
Recommendation:	Management should implement additional policies and procedures regarding administration of federal awards, including instructions for obtaining records associated with the Davis Bacon Requirements related to grant compliance. All staff involved in these processes should be familiar with the policies and procedures, and management should monitor that such procedures are being consistently followed before disbursements are authorized.
Management's Response:	Management concurs. Due to strict time constraints regarding the use of the grant funds used in this project, certain approvals had to be in place prior to the end of the fiscal year. It was agreed that approval for the invoices would be authorized with a verbal commitment from the subcontractors that hard copies of the monthly DBE form and Davis-Bacon forms would be forthcoming. HART records indicate that the DBE and Davis Bacon forms for the period of performance were received and accepted by HART on October 29, 2010 by the DBE coordinator. However, HART staff was not able to locate those documents in a timely manner for unknown reasons. While the audit has noted the exception, management maintains that the existing policies and checklists with their current approval levels are sufficient to ensure procedures are adhered to in the normal process of partial disbursements and at project closeout.

CALCULATION OF ACCRUED WAGES PAYABLE	Deficiency
Observation:	Upon recalculation of the September 30, 2010 accrued wages, it was noted that the Authority relies on the system to calculate the accrual. The system calculated the accrued wages based on the last full pay period rather than the actual pay period in which wages were applicable to the year end period. For the current year, the accrued wages were only calculated using the pay period ending September 18, 2010 rather than extending through the pay period ending October 2, 2010. The liability was understated by approximately \$66,000.
Recommendation:	A review of the system calculation should be performed to ensure the year end accrual is accurate and complete.
Management's Response:	Management concurs. The ERP system calculated accrual will be reviewed at year-end and compared to the pay period that includes all days through year-end to determine if the difference is material. If necessary, an adjustment to the initial accrual will be posted. The fiscal year end 9-30-2010 accrual was based on the last full pay period in FY2010 rather than the pay period that affects all the days through 9-30-2010.

(Continued)

CALCULATION OF RETIREMENT CONTRIBUTION		Deficiency
Observation:	We observed that an entry was made to correct an error in the Florida Retirement System (FRS) accrual for fiscal year 2009. Upon inquiry we discovered that the organization's controls detected this error and corrected it by adjusting the accounts to their actual amounts. However, the adjustment was not performed until the subsequent fiscal year.	
Recommendation:	The reconciliation of the FRS contribution should be reviewed and adjusted in a timely manner to ensure any errors are detected and adjusted in the accrual of the liability in the proper period.	
Management's Response:	Management concurs. In the process of reconciling the Florida Retirement liability account, HART acknowledges that a prior period correction was made in FY2010 which related to FY2009 activity. A process is now in place whereby this account is analyzed and reconciled with any necessary adjustments being made on a monthly basis.	

PROCEDURES FOR REVIEW OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS		Deficiency
Observation:	Per our review of the allowance for doubtful accounts, we discovered that the Authority does not have a formalized methodology for annually reviewing and documenting the reasonableness of the allowance for doubtful accounts.	
Recommendation:	We recommend that the Authority consider formalizing policies and procedures for reviewing the allowance for doubtful accounts. The Authority should review the allowance annually for accuracy and reasonableness.	
Management's Response:	An allowance account was established several years ago and is continually monitored on an annual basis and we will continue to do so. The account balance is \$25,981 and is designated for potential bad debt.	

(Continued)

REVIEW OF THIRD PARTY ADMINISTRATOR CONTROLS	Deficiency
Observation:	The Authority uses a third party administrator to process claims related to its workers compensation insurance. While the Authority had obtained the third party's SAS 70 report on internal controls, they had not performed a review of the SAS 70 and user controls until prompted by Crowe.
Recommendation:	The Authority should review and document an assessment of the user controls, and a conclusion of whether the Authority should rely on the third party administrator's controls. The review should also be completed prior to the end of the fiscal year to ensure that any issues that arise can be addressed timely. The Authority should also request a Gap Letter from the third party for the time between the SAS 70 report period and the Authority's fiscal year end.
Management's Response:	Management concurs. The Third Party Administrator implemented the SAS 70 solutions in April of 2010. At that time HART was not made aware of the Independent reporting system. HART will put a procedure in place that will allow the Risk Management Department to review our TPA SAS 70 reporting system in the month of August prior to the end of the fiscal year.

Board of Directors
Hillsborough Transit Authority
a/k/a Hillsborough Area Regional Transit Authority

The above comments and recommendations do not include all possible matters which a detailed review directed exclusively to such purposes might develop. Also, the comments and recommendations are for the purposes previously mentioned and in no way are intended to reflect upon the integrity of any employee. We have discussed the above comments and recommendations with the Authority as required by the Rules of the Auditor General. Management's written responses to the matters identified in our audit have not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on those responses. This management letter is intended solely for the information of the Authority and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

The Authority's responses to the findings and recommendations identified in our audit are described in this letter. We did not audit the Authority's response and, accordingly, we express no opinion on it.

We would like to take this opportunity to thank the Authority for the many courtesies and cooperation extended to our representatives during the course of our audit.


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February 21, 2011
Tampa, Florida



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