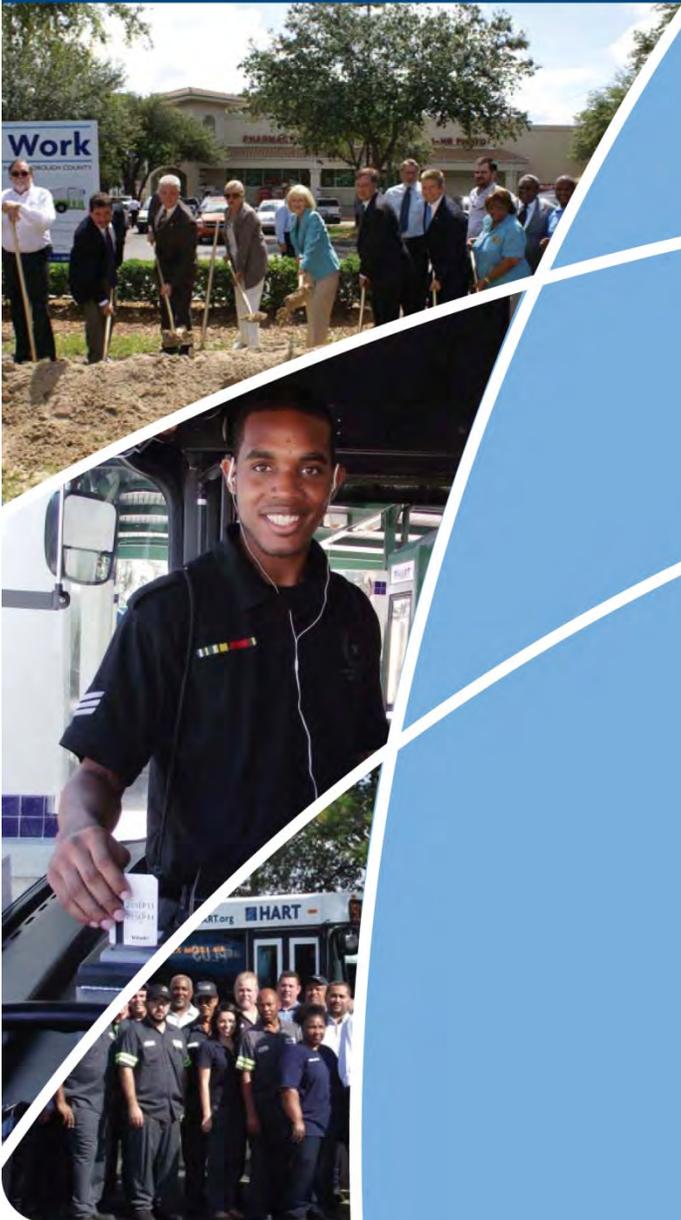


# Comprehensive Annual Financial Report

FOR FISCAL YEAR 2012  
(OCTOBER 1, 2011 THROUGH SEPTEMBER 30, 2012)

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



**HART**  
Hillsborough Area Regional Transit Authority  
[www.goHART.org](http://www.goHART.org)

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

**Comprehensive Annual Financial Report**

**For Fiscal Year 2012  
(October 1, 2011 through September 30, 2012)**

**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*

**FY2012 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](http://www.goHART.org)



April 15, 2013

Ms. Fran Davin, 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, 2012.

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 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 its benefit, 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, 2012, 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, 2012, 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 grant 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 originally chartered for the purpose of providing mass transit service to 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 13-member Board of Directors (“Board”), which 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 three mills, subject to public referendum. The Authority’s ad valorem taxes are reviewed as part of the annual assessment of Hillsborough County, which levies its taxes November 1. Collection of

taxes is scheduled 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 U.S. government, the State of Florida, the City and the County.

Located in Hillsborough County, Florida, on the west coast of the state, the Authority is a *regional* provider of mass transportation services primarily within Hillsborough County. The total area is 1,266 square miles and, according to the 2010 Census, has a population of 1,229,226.

### **Services and Ridership**

The Authority provides virtually all public transportation services in this area. These services include fixed route, flex route, Paratransit, and streetcar services. The Authority maintains 3,267 bus stops and 641 shelters (296 HART maintained; 345 vendor maintained), 9 transfer stations, 2 transit centers, and a fleet of 188 buses for fixed and flex routes, 44 vans for Paratransit, and 10 streetcars. FY2012 ridership:

- Total bus: 14,314,610, an increase of 4 percent compared to FY2011
- Paratransit: 128,780
- Streetcar: 306,247

Tables in the Statistical Section contain service delivery statistics for the prior 10 years.

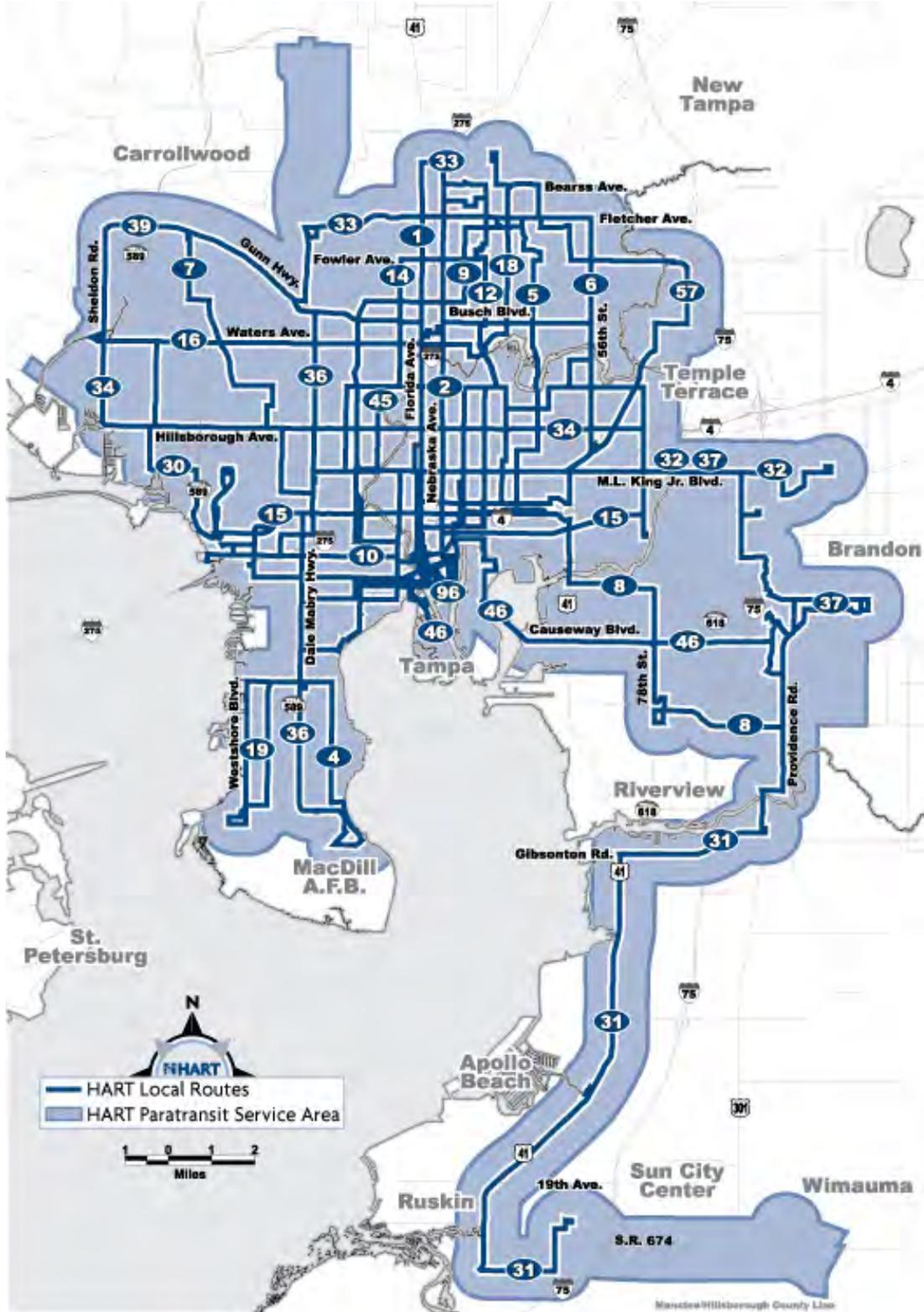
### **Governing Board**

The Authority is governed by a 13-member Board that establishes policies and sets direction for the Authority. The Board consists of a chair and 12 members; seven appointed by the Hillsborough Board of County Commissioners, three members appointed by the City of Tampa, one appointed by the City of Temple Terrace, and two members appointed by the Governor. Board members serve staggered three-year terms.

### **Management**

The Authority is managed by a Chief Executive Officer who acts in accordance with the direction, goals and policies articulated by the Board. The Chief Executive Officer is responsible for the Authority's daily operations and directly supervises the core personnel who lead the organization: Chief Financial Officer; Chief Operating Officer; Senior Director of Human Resources, Risk and Legal Services; and the Equal Employment Opportunity and Compliance Officer. Additionally, there are departments that support these functions.

## Hillsborough Transit Authority 2012 Local Routes and Paratransit Service Area



## **Budget**

The Board is required to adopt an annual operating budget before the beginning of each fiscal year. The budget serves as a policy document, an operation's 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, with the Board having to 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's adopted FY2012 operating and capital budget total \$100.8 million. This adopted budget allows the Authority to continue to provide the same level of service in FY2012 as was delivered in FY2011.

## **Factors Affecting Financial Condition**

**Local economy.** The Authority is experiencing the continued effect of the national economic downturn resulting in a continued decrease of revenue for operations and capital, while the demand for service increases. The Authority's ability to fund its operations, and this increased service demand, is heavily dependent on a millage levy generated from property taxes. Property tax revenues have declined by \$7.3 million or 20.2% since 2007. The Authority chose to increase the millage rate to .50, which is the legal maximum rate, for the 2012 tax year. The millage rate in 2011 was .4682 and in 2007 the millage rate was .50.

In lieu of having ample property taxes to fund operations, the Authority has chosen to shift Federal 5307 formula funding, intended for capital improvements, such as vehicles, facilities and equipment, to fund operational cost. In FY2007, 62.1% of the Federal 5307 formula funding was used for capital improvements versus 7.1% in FY2012.

With an increase in ridership, HART saw its fare and marketing revenue increase \$865,389 over FY2011 revenue amounts.

## **Change in Financial Policy**

Effective January 1, 2012, the Authority chose to implement a self-insured program for employee health insurance eliminating a purchased health insurance plan. The authority has seen an estimated \$655,000 cost savings compared to expenditures in FY2011.

## **Long-Range Financial Planning**

The Authority has seen a significant challenge in maintaining the current level of service to the community due to the national and regional economic down-turn. While the economic conditions have reduced available revenue to provide service delivery, those same conditions drive the need and use of those services higher. To ensure the Authority maintains, and can support increases in that service demand in the future, prudent long range financial planning is

critical. Over the past year, the Authority has worked diligently to reduce its overall operating costs. As of September 30, 2012, the Authority's unrestricted net assets total \$23.8 million, which is inclusive of the Board's requirement of maintaining 3 months of operating in reserve.

In the coming year, the Authority will look at solidifying and building its reserves, examine a multi-year operating and capital budgeting process, and continue to work on reducing overall expenditures through gains in efficiency and productivity.

## **Major Initiatives**

Major initiatives undertaken in FY2012 include the following projects:

- Final design work on the North-South *MetroRapid*, the premium service being implemented on Nebraska Avenue and Fletcher Avenue. The capital improvements, including transit signal priority, enhanced shelters with ticket vending machines and accessibility improvements, will improve service reliability, reduce travel time and provide enhanced amenities for passengers.
- Site selection and design work on the Fletcher Avenue Park and Ride. The new Park and Ride will enable passengers to access local and regional transit services, including the North-South *MetroRapid* service.
- Completion of design work and initiation of construction work on renovations to the Authority's Operations and Maintenance Facility at 21<sup>st</sup> Avenue. The project, which is being designed to Leadership in Energy and Environmental Design (LEED) standards, will upgrade the facility and bring it up to compliance with current code and federal accessibility requirements.

**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, 2012, totaled an average of 26 basis points compared to an average of 27 basis points for FY2011. 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.

## **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, 2011. This was the fifth year that the Authority 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.

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

Respectfully submitted,



Philip R. Hale  
Chief Executive Officer



Jeffrey C. Seward  
Chief Financial Officer

# 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, 2011

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.



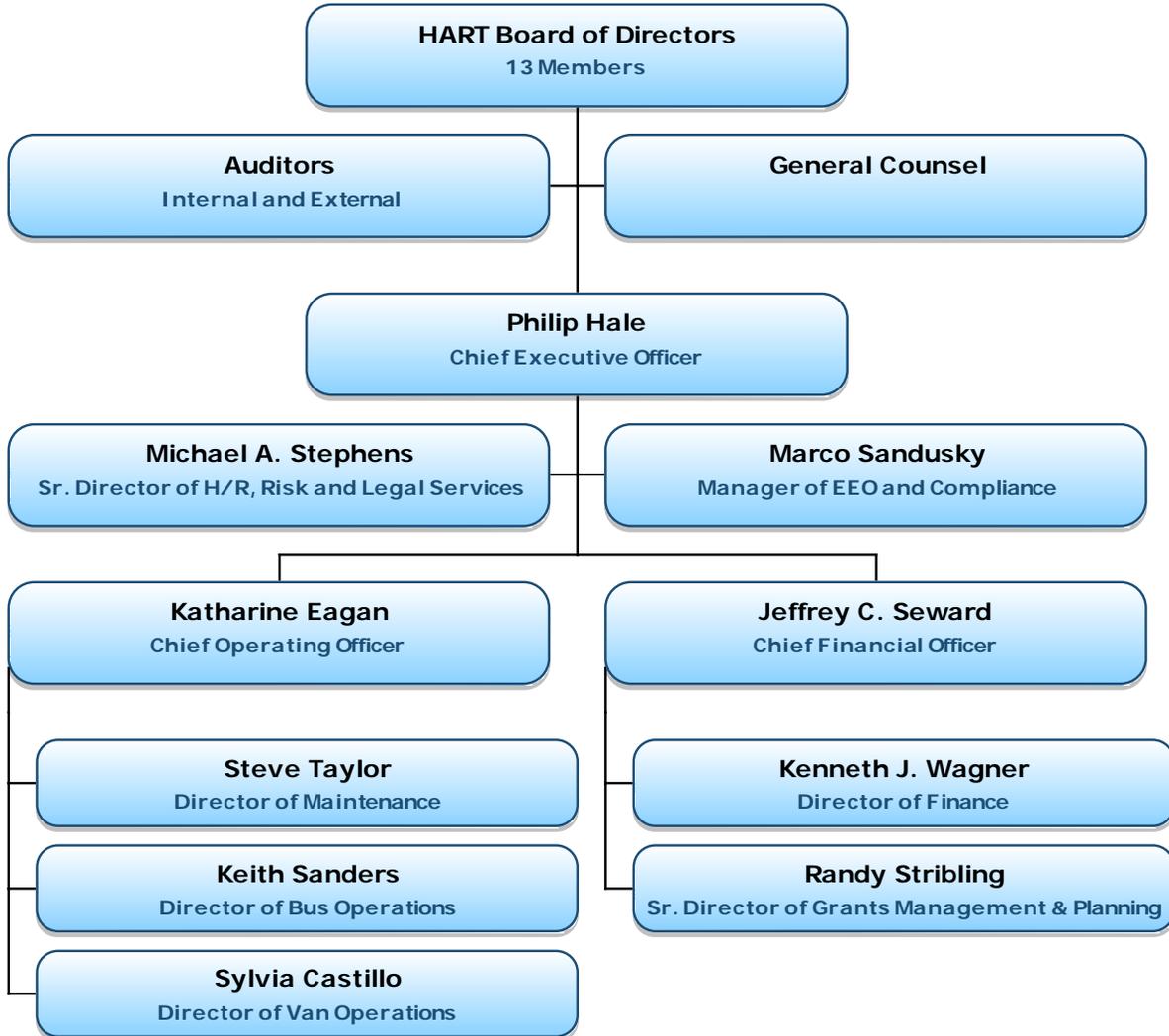
*Christopher P. Moivre*

President

*Jeffrey R. Egan*

Executive Director

**ORGANIZATIONAL CHART  
AS OF SEPTEMBER 30, 2012**



**ELECTED AND APPOINTED OFFICIALS**  
**(As of 9/30/2012)**

**Board of Directors – Officers**

Fran Davin, Chairperson  
Dr. Steven Polzin, Vice Chairperson  
Mike Suarez, Secretary

**Hillsborough County**

Commissioner Kevin Beckner  
Wallace Bowers  
Karen C. Jaroch  
Anne Madden  
Commissioner Sandra Murman  
Dr. Steven Polzin  
Commissioner Mark Sharpe

**City of Tampa**

Bryan L. Crino  
Fran Davin  
Councilmember Mike Suarez

**State of Florida**

Joshua Burgin  
Carlos “John” Melendez

**City of Temple Terrace**

Councilmember Ron Govin

**Chief Executive Officer**

Philip R. Hale

**General Counsel**

GrayRobinson

**Independent Auditors**

Crowe Horwath, LLP

**Internal Auditors**

Protiviti, Inc.

**DIRECTORY OF OFFICIALS**

**APPOINTED OFFICIALS**  
**(As of September 30, 2012)**

**Philip R. Hale**, Chief Executive Officer

**Katharine Eagan**, Chief Operating Officer

**Jeffrey C. Seward**, Chief Financial Officer

**Michael A. Stephens**, Sr. Director of H/R, Risk and Legal Services

**Kenneth Wagner**, Director of Finance

**Steve Taylor**, Director of Maintenance

**Keith Sanders**, Director of Bus Operations

**Sylvia Castillo**, Director of Van Operations

**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 business-type activities of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority, or HART (the "Authority"), as of and for the years ended September 30, 2012 and 2011, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 business-type activities of the Authority, as of September 30, 2012 and 2011, and the changes in its financial position and its cash flows thereof for the years 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 April 15, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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(Continued)

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages II-5 through II-10 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance 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 the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Crowe Horwath LLP*

Crowe Horwath LLP

Tampa, Florida  
April 15, 2013

**REQUIRED SUPPLEMENTAL INFORMATION**

## **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, 2012. 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 Discussion and Analysis (this section), the basic financial statements, notes to the financial statements, and other 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 \$157,610 or .1%, of which \$2,910,700 or 2.7% represents a decrease in the amount invested in long-term assets and \$3,068,310 or 15.1% represents an increase in unrestricted assets.
- The \$2.9 million decrease in long-term assets (net of depreciation) is largely attributable to depreciation expense of \$12,292,280 offset by capital asset purchases of \$9,454,296.
- The Authority's total operating revenues increased \$865,389 or by 6.1%. This increase was a result of a 6.1% increase in passenger fares primarily due to a 6.6% increase in ridership.
- Operating expenses decreased by \$2,288,007 or 3.6%. Salary expense decreased \$838,939 or 2.9% due to a significant number of authority vacant positions during the fiscal year. Fringe benefits decreased \$1,842,585 or 12.6% due to the recording of employee contributions toward the health insurance self insured fund and vacant positions. Fuel and Lubricants cost increased by \$1,127,308 or 18.1% due to increases in diesel fuel cost per gallon. Parts and supplies increased by \$71,597 or 2.5%. All other expenses decreased by \$805,388 due to: decrease in contract services of \$540,542, decrease in insurance and risk management cost of \$521,226, decrease in utilities expense of \$19,475, decrease in marketing by \$31,196 and an increase in miscellaneous expenses and expenditures reimbursed by grants by \$307,051.

### **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 \$127,175,286 and \$127,017,676 as of September 30, 2012 and 2011, respectively.
- The largest portion of the Authority's net assets each year, 81.6% and 84.0% at September 30, 2012 and 2011, respectively, represents its investment in long-term assets (i.e., land, buildings and improvements, buses, paratransit vans and non-revenue vehicles). The Authority uses these long-term assets to provide services to its customers. These assets are not available for spending in future years.
- The Authority's unrestricted net assets as of September 30, 2012 were \$23,397,856 or 15.1% higher than September 30, 2011. The Authority segregates these unrestricted net assets into 2 categories: reserves for future operations and capital projects, and unrestricted fund balance. As of September 30, 2012, the reserves for future operations and capital projects were \$1,917,256, or 9.1% lower than September 30, 2011. As of September 30, 2012, the unrestricted fund balance was \$21,480,600, or 17.9% higher than September 30, 2011.

**HILLSBOROUGH TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS**

- Additional information on the Authority's long-term assets can be found in note 4.

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>	<u>2010</u>
<b>Assets:</b>					
Current assets	\$ 37,873,358	\$ 32,585,352	\$ 5,288,006	16.2%	\$ 37,434,233
Long-term assets	103,777,430	106,688,130	(2,910,700)	-2.7%	112,522,829
Total assets	<u>141,650,788</u>	<u>139,273,482</u>	<u>2,377,306</u>	<u>1.7%</u>	<u>149,957,062</u>
<b>Liabilities:</b>					
Current liabilities	9,144,520	6,765,902	2,378,618	35.2%	9,058,065
Long-term liabilities	5,330,982	5,489,904	(158,922)	-2.9%	5,901,916
Total liabilities	<u>14,475,502</u>	<u>12,255,806</u>	<u>2,219,696</u>	<u>18.1%</u>	<u>14,959,981</u>
<b>Net assets:</b>					
Invested in capital assets	103,777,430	106,688,130	(2,910,700)	-2.7%	112,522,829
Unrestricted	23,397,856	20,329,546	3,068,310	15.1%	22,474,252
Total net assets	<u>\$ 127,175,286</u>	<u>\$ 127,017,676</u>	<u>\$ 157,610</u>	<u>0.1%</u>	<u>\$ 134,997,081</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, as a percentage of total operating revenue and non-operating revenue, were 23.0% for FY2012 or 1.3% higher than FY2011. 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 2012 and 2011 tax year was 0.5000 and 0.4682 mill, respectively.

**HILLSBOROUGH TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS**

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

	<u>2012</u>	<u>2011</u>	Increase (Decrease)	Percent Change	<u>2010</u>
Operating revenues	\$ 14,958,286	\$ 14,092,897	\$ 865,389	6.1%	\$ 13,134,919
Operating expenses	(61,739,630)	(64,027,637)	2,288,007	-3.6%	(65,132,421)
Operating loss before depreciation	(46,781,344)	(49,934,740)	3,153,396	-6.3%	(51,997,502)
Depreciation	(12,292,280)	(12,862,670)	570,390	-4.4%	(13,394,583)
Operating loss	(59,073,624)	(62,797,410)	3,723,786	-5.9%	(65,392,085)
Federal, state and local grants	16,963,177	16,661,745	301,432	1.8%	13,870,646
Property tax proceeds	29,415,613	27,701,558	1,714,055	6.2%	31,028,970
Other revenues	390,512	475,426	(84,914)	-17.9%	867,035
Total non-operating revenues	46,769,302	44,838,729	1,930,573	4.3%	45,766,651
Loss before capital grants	(12,304,322)	(17,958,681)	5,654,359	-31.5%	(19,625,434)
Capital grants	12,461,932	9,979,276	2,482,656	24.9%	20,395,806
Increase(decrease) in net assets	\$ 157,610	\$ (7,979,405)	\$ 8,137,015	-102.0%	\$ 770,372

As noted above, FY2012 operating revenues increased by 6.1%, while operating expenses prior to the recognition of depreciation decreased by 3.6%.

- Passenger fares increased \$813,536 or 6.1% in FY2012, from \$13,373,978 in FY2011 to \$14,187,514 in FY2012 largely due to an increase in ridership of 6.6%. Advertising revenues increased \$51,853 or 7.2% in FY2012, from \$718,919 in FY2011 to \$770,772 in FY2012.
- Salaries decreased \$838,939 or 2.9% in FY2012 from FY2011. The decrease was due to a significant number of vacant positions during the fiscal year.
- Fringe benefits decreased \$1,842,585 or 12.6% in FY2012 from FY2011. The decrease was due to the recording of employee contributions toward health insurance associated with the shift to a self-insured health program on January 1, 2012 and from vacant positions.
- Fuel and lubricants increased by \$1,127,308 or 18.1% in FY2012 over FY2011. This was due to increases in average diesel fuel cost per gallon from \$2.30 in FY2011 to \$2.97 in FY2012.
- Contract services decreased by \$540,542 or 15.5% in FY2012 over FY2011. The majority of this variance is attributed to a decrease of \$348,814 in legal fees due to more legal services performed by in-house counsel versus purchased legal counsel and a decrease of \$191,304 in extended warranties due to a reduction in repairs and replacements of IT equipment.

## **HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS**

- Operating expenditures reimbursed by grants increased by \$125,021 in FY2012 over FY2011. These operating costs consist of: financial planning, project administration, design and engineering, purchase of parts to maintain the integrity of the fleet, quality service analysis, and lease expenses. These costs were subsidized by outside agencies.
- Total operating assistance grants increased by \$301,432 or 1.8% in FY2012. More capital revenue was shifted toward supporting operations.
- Ad valorem distributions net of Property Appraiser and Tax Collector commissions increased \$1,714,055 or 6.2% in FY2012. This is primarily related to an increase in collected ad valorem of \$1.1 million due to a higher millage rate and a \$400,000 return from capital reserves to operating assistance.
- Other revenues decreased \$84,914 or 17.9% in FY2012. This is due to an increase in disposals of capital equipment with net book value.
- Capital grants increased by \$2,482,656 in FY2012. The majority of this is from an increase of \$3,043,361 in the Hillsborough County Bond Issue funding.

### **Long-Term Assets and Long-Term Debt Administration**

The Authority's investment in long-term assets for the fiscal year ending September 30, 2012 included: land, buildings and improvements, construction in progress, shelters, computer software and hardware, revenue and other vehicles and equipment. (See Note 4 for more detailed information.)

Specifically,

- The Authority's acquisition of revenue vehicles and related equipment included the purchase of six demand response vehicles and one operations vehicle.
- Transit Infrastructure improvements included the placement of 54 bus shelters of which 13 were installed by Signal Outdoor, Inc., 13 were installed by private developers, and 25 were installed by the Authority. The City of Temple Terrace built 3 custom shelters for the Authority as part of its redevelopment project. Also in FY2012, 10 bus bays were built by Hillsborough County, FDOT and the Authority and 319 landing pads were built throughout the county by the Authority.
- The Enterprise Resource Planning (ERP) System software conversion was completed during the 4<sup>th</sup> quarter of FY2012. Eight new integrations required for the interface between Paramount, Microsoft Dynamics (GP) and FASuite, that were commissioned, have been developed, tested and deployed into production facilitating the finalization of the application conversion. Additional enhancements to optimize on current features and efficiencies are currently under consideration for implementation during FY2013. The

## **HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS**

migration to the GP 2010 version is an additional mandatory requirement during FY2013.

- Preliminary engineering and traffic analysis for the North-South Metro Rapid Transit were completed in FY2011. Final design was issued in FY2011 and construction award contracts were issued in mid-FY2012. Land acquisitions started in FY2012 with completion of the system expected in FY2013.
- Major operations analysis started in FY2009 to determine facility needs at 21<sup>st</sup> Avenue. Based on the results of the site analysis, the Authority moved forward with the renovation and expansion of the existing administration facility. Design of the facility was completed in March 2011. The construction contract was awarded in July of 2011. Construction is scheduled to be substantially complete in December 2012 with staff relocations beginning in mid-January 2013. The total contract is to be complete in early February 2013.
- Upgrades to the lighting, heating and ventilation systems for the Heavy Maintenance and Preventive Maintenance buildings and replacement of the bus wash system were designed in FY2011 with notice to proceed for construction on September 3, 2012. Construction is scheduled to be complete in April 2013.
- Renovations and build-out of the third floor of the Ybor Administration building are currently in design with a schedule of permitting, bidding and award for construction in June 2013. Substantial completion is expected in November 2013.
- Design and construction of a Compressed Natural Gas (CNG) fueling system for HART's 21<sup>st</sup> Avenue maintenance and fueling facility will begin in April 2013 with an anticipated opening date of April 2014. This will be the first phase of changing HART's bus fleet to cleaner burning CNG fuel.
- 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 Jeffrey C. Seward, Chief Financial Officer, Hillsborough Transit Authority, Finance Division, 1201 East 7th Avenue, Tampa, Florida 33605.

## **BASIC FINANCIAL STATEMENTS**

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash, cash equivalents and investments (Note 3)	\$ 21,332,852	\$ 17,029,969
Investments (Note 3)	424,845	411,717
Accounts receivable		
Trade and other, net of allowance for uncollectible accounts of \$5,000 in 2012 and \$23,370 in 2011	1,019,429	857,651
Federal grants	5,961,187	10,970,747
State grants	4,436,569	144,701
Local grants	2,596,166	1,005,681
Inventory of replacement parts and supplies	1,541,486	1,565,934
Prepaid expenses	<u>560,824</u>	<u>598,952</u>
Total current assets	37,873,358	32,585,352
Long-term assets		
Land (Note 4)	15,416,271	13,509,257
Construction in progress (Note 4)	9,319,239	3,638,382
Capital assets, net of accumulated depreciation (Note 4)	<u>79,041,920</u>	<u>89,540,491</u>
Total long-term assets	103,777,430	106,688,130
Total assets	<u>141,650,788</u>	<u>139,273,482</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	3,973,641	2,445,335
Accrued expenses	1,652,953	1,426,195
Deferred revenue	726,836	946,917
Self insurance and loss contingencies due within one year (Notes 7, 8 and 11)	2,541,207	1,767,455
Environmental Remediation due within one year (Note 8)	122,883	-
Compensated absences due within one year (Note 8)	<u>127,000</u>	<u>180,000</u>
Total current liabilities	9,144,520	6,765,902
Long-term liabilities		
Self insurance and loss contingencies (Notes 7, 8 and 11)	2,731,011	3,153,448
Environmental Remediation (Notes 8 and 11)	209,691	-
Compensated absences (Note 8)	<u>2,390,280</u>	<u>2,336,456</u>
Total long-term liabilities	<u>5,330,982</u>	<u>5,489,904</u>
Total liabilities	<u>14,475,502</u>	<u>12,255,806</u>
<b>NET ASSETS</b>		
Invested in capital assets	103,777,430	106,688,130
Unrestricted (Note 9)	<u>23,397,856</u>	<u>20,329,546</u>
Total net assets	<u>\$ 127,175,286</u>	<u>\$ 127,017,676</u>

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating revenues</b>		
Passenger fares	\$ 14,187,514	\$ 13,373,978
Advertising	770,772	718,919
Total operating revenues	<u>14,958,286</u>	<u>14,092,897</u>
<b>Operating expenses</b>		
Salaries and wages	27,633,742	28,472,681
Payroll taxes, fringe benefits and workers' compensation	12,774,304	14,616,889
Fuel and lubricants	7,367,311	6,240,003
Parts and supplies	2,941,767	2,870,170
Contracted services	2,952,228	3,492,770
Insurance	1,745,966	2,267,192
Utilities	681,797	701,272
Marketing and promotion	493,667	524,863
Other	1,416,602	1,234,572
Operating expenditures reimbursed by grants	3,732,246	3,607,225
Total operating expenses before depreciation	<u>61,739,630</u>	<u>64,027,637</u>
Operating (loss) before depreciation	<u>(46,781,344)</u>	<u>(49,934,740)</u>
Depreciation	<u>12,292,280</u>	<u>12,862,670</u>
<b>Operating loss</b>	(59,073,624)	(62,797,410)
<b>Nonoperating revenues (expenses)</b>		
Operating assistance grants		
Federal	11,456,242	11,314,093
State	4,689,055	4,065,891
Local	817,880	1,281,761
Property tax proceeds, net	29,415,613	27,701,558
Interest income	79,764	68,466
Market Value Adjustment	109,432	68,374
Other income	201,316	338,586
Total nonoperating revenues	<u>46,769,302</u>	<u>44,838,729</u>
<b>Net loss before capital contributions</b>	(12,304,322)	(17,958,681)

(Continued)

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Net loss before capital contributions</b>	(12,304,322)	(17,958,681)
Capital grants		
Federal	6,816,240	7,145,036
State	280,489	313,277
Local	5,365,203	2,520,963
Total capital grants	<u>12,461,932</u>	<u>9,979,276</u>
 Increase (decrease) in net assets	 157,610	 (7,979,405)
 Net assets at beginning of year	 <u>127,017,676</u>	 <u>134,997,081</u>
 <b>Net assets at end of year</b>	 <u>\$ 127,175,286</u>	 <u>\$ 127,017,676</u>

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF CASH FLOW**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 14,796,508	\$ 14,081,177
Cash paid to employees	(40,180,464)	(43,363,012)
Cash paid to suppliers	(19,056,814)	(23,319,785)
Other receipts	227,397	286,335
Net cash used in operating activities	<u>(44,213,373)</u>	<u>(52,315,285)</u>
 <b>Cash flows from noncapital financing activities</b>		
Operating grants received	20,877,832	13,791,220
Property tax revenues received	<u>29,415,613</u>	<u>27,701,558</u>
Net cash provided by noncapital financing activities	<u>50,293,445</u>	<u>41,492,778</u>
 <b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(9,454,296)	(7,092,211)
Capital assistance grants	7,454,404	10,635,789
Proceeds from the sale of revenue vehicles	<u>46,634</u>	<u>116,491</u>
Net cash provided by capital and related financing activities	<u>(1,953,258)</u>	<u>3,660,069</u>
 <b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	96,305	140,963
Interest income	<u>79,764</u>	<u>68,466</u>
Net cash provided by investing activities	<u>176,069</u>	<u>209,429</u>
 <b>Net increase (decrease) in cash, cash equivalents and investments</b>	4,302,883	(6,953,009)
 <b>Cash and cash equivalents at beginning of year</b>	<u>17,029,969</u>	<u>23,982,978</u>
 <b>Cash and cash equivalents at end of year</b>	<u>\$ 21,332,852</u>	<u>\$ 17,029,969</u>

(Continued)  
See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY  
STATEMENTS OF CASH FLOW  
YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of operating expenses in excess of operating revenues to net cash used in operating activities</b>		
Operating loss	\$ (59,073,624)	\$ (62,797,410)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash used in operating activities		
Add back depreciation	12,292,280	12,862,670
Add income from other receipts	227,397	286,335
(Increase) decrease in accounts receivable	(161,778)	(11,719)
(Increase) decrease in inventories	24,447	(77,771)
(Increase) decrease in prepaid expenses	38,128	158,244
Increase (decrease) in accounts payable	1,528,305	(2,376,096)
Increase (decrease) in accrued expenses	226,759	(228,165)
Increase (decrease) in self insurance	683,889	(86,097)
Increase (decrease) in accumulated unused compensated absences	<u>824</u>	<u>(45,276)</u>
Total adjustments	<u>14,860,251</u>	<u>10,482,125</u>
Net cash used in operating activities	<u><u>\$ (44,213,373)</u></u>	<u><u>\$ (52,315,285)</u></u>
<b>Noncash investing, capital or financing transactions</b>		
Developer contributed assets, a noncash capital activity	<u><u>\$ 124,991</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - 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. These are limited to assets with 90 days or less original maturity.

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 an 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 "A" 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.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

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.

Long-Term Assets: Long-term 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 (includes Streetcars)	4 to 30
Operating transit and related equipment	3 to 15
Other equipment, fixtures and other vehicles	3 to 7

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

Donated long-term 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: This 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 been earned.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 an expense and as a liability. Employees are allowed to transfer accumulated hours in excess of 240 to the sick leave pool. The Authority allows employees to accumulate unused sick leave which is payable to the employee at retirement or resignation. Eligibility is as follows: ATU, Teamsters and Non-Bargaining receive 50% of their balance if they have over 10 years of service and 100% if they have over 20 years of service. Employees in ATU have a maximum pay out of 600 hours with the exception of 9 employees, who were grandfathered-in and are eligible to receive the amount of hours they were capped at on December 7, 1998.

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.

The Authority is liable to pay the employee all accrued liabilities upon termination. Accordingly, the Authority has 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 due to the Authority's employees being covered under the Florida Retirement System (FRS).

Net Assets: The statement of net assets presents the difference between assets and liabilities. 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 Long-Term Assets: Long-term 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, represents the Authority's investment in long-term assets.

Passenger Fares: Passenger cash fares are recorded as revenue at the farebox. Multi-issue passes are recorded as revenue when sold.

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

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Non-Operating Revenue: Income that the authority receives that is not part of normal business operations such as operating assistance grants, property tax revenue, and interest income are considered non-operating revenue.

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 (.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. 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 throughout the fiscal year. An estimate is then accrued at the end of the year for current fiscal year taxes not yet received.

Property taxes are levied annually based on the value of real property and tangible personal property as assessed on January 1 and are collected from November through the following March. Accordingly, these revenues are recognized in the same fiscal period in which payment is collected.

The property tax calendar for 2012 is as follows:

Lien Date	January 1, 2012
Levy Date	January 1, 2012
Due Dates	November 1, 2012 through March 31, 2013
Delinquent Date	April 1, 2013
Tax Certificate Sale	On or before June 1, 2013

Operating Expenses: Operating expenses include the cost of providing transit service and administrative support which includes wages, benefits, supplies, purchased services, utilities and other expenses.

Disclosure of Non-Cash Activities: Because the Authority had shelters paid for by private developers due to “Transit Impact Compliance”, the Authority had \$124,991 of contributed services for FY2012.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 to 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.

Accounting Pronouncements Implemented during the Year:

During 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers. This Statement became effective for HART during 2012 and had no financial impact on HART during 2012.

The GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53* became effective for HART during 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. It also provides guidance as to when the effective hedging relationship continues and hedge accounting should continue to be applied.

New Accounting Pronouncements:

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard addresses SCAs in which there is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about the SCAs. This Statement is effective for HART in fiscal year 2013.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*-an amendment of GASB Statements No. 14 and No. 34, to improve financial reporting for a governmental reporting entity. The standard modifies certain requirements for inclusion of component units, amends criteria for blending, and clarifies the reporting of equity interests in legally separate entities. This Statement is effective for HART in fiscal year 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. This standard becomes effective for HART in fiscal year 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB defines deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. This standard becomes effective for HART in fiscal year 2013.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This standard becomes effective for HART in fiscal year 2014.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

In March 2012, GASB issued Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard becomes effective for HART in fiscal year 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This standard becomes effective for HART and the HART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) in fiscal year 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This standard becomes effective for HART in fiscal year 2015.

Management has not yet determined the impact of these statements on the basic financial statements.

**NOTE 2 – 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.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
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**NOTE 2 – ORGANIZATION AND REPORTING ENTITY** (continued)

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 administration. 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 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

The carrying value of the Authority’s cash, cash equivalents and investments as of September 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Cash, cash equivalents and investments		
Cash on hand	\$ 105,812	\$ 69,918
Demand deposits	2,055,282	461,283
Florida State Board of Administration - Pool A	<u>19,171,758</u>	<u>16,498,768</u>
Total Cash, cash equivalents and investments	21,332,852	17,029,969
Investments		
Florida State Board of Administration - Pool B	<u>424,845</u>	<u>411,717</u>
	<u>\$ 21,757,697</u>	<u>\$ 17,441,686</u>

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
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**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

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.

Custodial Risk: This 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. As of September 30, 2012, the Florida Prime was rated by Standard & Poor with an 'AAAm' rating. The Florida Prime credit quality is 60.5% for A-1+ and 39.5% for A-1.

Interest Rate Risk: A decrease in interest rates that adversely affect the fair value of an investment is an interest rate risk.

State Board of Administration (SBA): The SBA manages Florida PRIME, a 2a-7-like pool, carried at an amortized cost. A 2a-7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it 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.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
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**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

At September 30, 2012, 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, 2012, the weighted average days to maturity of the LGIP pool was 39 days; the weighted average life (based on expected future cash flows) of Fund B was 4.08 years. Because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

**NOTE 4 – LONG-TERM ASSETS**

Capital asset activity and balance for the years ending September 30, 2012 and 2011 is summarized below.

Description	Balance Oct. 1, 2011	Additions and Reclasses	Deletions	Balance Sep. 30, 2012
Non-depreciable capital assets				
Land	\$ 13,509,257	\$ 1,907,014	\$ -	\$ 15,416,271
Construction work in progress *	<u>3,638,382</u>	<u>5,844,095</u>	<u>163,238</u>	<u>9,319,239</u>
Total non-depreciable capital assets	17,147,639	7,751,109	163,238	24,735,510
Depreciable assets **				
Buildings and improvements	52,714,056	71,510	17,695	52,767,871
Operating and transit related equipment	22,385,312	704,721	278,348	22,811,685
Other equipment, fixtures, and other vehicles	33,132,665	796,449	762,221	33,166,893
Revenue vehicles	<u>66,620,785</u>	<u>255,498</u>	<u>1,206,772</u>	<u>65,669,511</u>
Total depreciable capital assets	174,852,818	1,828,178	2,265,036	174,415,960
Less accumulated depreciation				
Buildings and improvements	24,764,631	2,062,790	9,651	26,817,770
Operating and transit related equipment	16,030,881	2,262,846	256,039	18,037,688
Other equipment, fixtures, and other vehicles	11,973,377	2,041,569	758,105	13,256,841
Revenue vehicles	<u>32,543,438</u>	<u>5,925,075</u>	<u>1,206,772</u>	<u>37,261,741</u>
Total accumulated depreciation	<u>85,312,327</u>	<u>12,292,280</u>	<u>2,230,567</u>	<u>95,374,040</u>
Total depreciable assets, net	<u>89,540,491</u>	<u>(10,464,102)</u>	<u>34,469</u>	<u>79,041,920</u>
Total long-term assets, net	<u>\$ 106,688,130</u>	<u>\$ (2,712,993)</u>	<u>\$ 197,707</u>	<u>\$ 103,777,430</u>

\* The construction work in progress at September 30, 2012 is primarily related to the North-South BRT and the 21<sup>st</sup> Avenue rehab. It also includes \$395,224 of retainage on construction contracts.

\*\* Depreciation expense during the year ended September 30, 2012 was \$12,292,280.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 4 – LONG-TERM ASSETS (continued)**

Description	Balance Oct. 1, 2010	Additions and Reclasses	Deletions	Balance Sep. 30, 2011
Non-depreciable capital assets				
Land	\$ 13,509,257	\$ -	\$ -	\$ 13,509,257
Construction work in progress *	4,246,422	(608,040)	-	3,638,382
Total non-depreciable capital assets	17,755,679	(608,040)	-	17,147,639
Depreciable assets **				
Buildings and improvements	52,421,090	292,966	-	52,714,056
Operating and transit related equipment	22,686,008	463,495	764,191	22,385,312
Other equipment, fixtures, and other vehicles	27,014,683	6,235,077	117,095	33,132,665
Revenue vehicles	73,693,479	708,713	7,781,407	66,620,785
Total depreciable capital assets	175,815,260	7,700,251	8,662,693	174,852,818
Less accumulated depreciation				
Buildings and improvements	22,459,798	2,304,833	-	24,764,631
Operating and transit related equipment	14,472,189	2,322,883	764,191	16,030,881
Other equipment, fixtures, and other vehicles	9,706,957	2,380,686	114,266	11,973,377
Revenue vehicles	34,409,166	5,854,268	7,719,996	32,543,438
Total accumulated depreciation	81,048,110	12,862,670	8,598,453	85,312,327
Total depreciable assets, net	94,767,150	(5,162,419)	64,240	89,540,491
Total long-term assets, net	\$ 112,522,829	\$ (5,770,459)	\$ 64,240	\$ 106,688,130

\* The construction work in progress at September 30, 2011 is primarily related to the North-South BRT and the 21<sup>st</sup> Avenue rehab.

\*\* Depreciation expense during the year ended September 30, 2011 was \$12,862,670.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
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**NOTE 5 – PENSION PLANS**

Defined Benefit Pension Plan: Substantially, all full-time and part-time employees of the Authority are participants in the Florida Retirement System (FRS), a multiple-employer, cost-sharing public retirement system. FRS is controlled by the State Legislature and covers approximately 904 employers with 670,000 members of various governmental units within the State of Florida. This retirement plan promises a lifetime benefit at retirement but retirees must meet an age and/or service requirement. The benefit amount is based on the member's earnings, length of service, and service accrual value. Promised benefits are prefunded by contributions made by the employer, employee, or both, plus investment earnings. All promised benefits to current and future retirees and other eligible beneficiaries are guaranteed under the plan.

FRS 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. Employees hired after July 1, 2011, are vested after eight 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 years of earnings.

The Authority has no responsibility to FRS other than to make the periodic payments required by State Statutes. FRS issues a publicly available financial report that includes financial statements and required supplementary information for FRS. 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. Effective July 1, 2011, the Florida Legislature established the rates for regular employees at 4.91%; senior management at 6.27%; Deferred Retirement Option Program (DROP) at 4.42%; and the employee contribution of 3% for all plans and classes except for those employees in the DROP program. The Authority's contribution for FY2012 was \$1,365,405, for FY2011 was \$2,507,595, and for FY2010 was \$2,888,198. This contribution is included in the payroll taxes, fringe benefits and workers' compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets. On behalf of the employees, the Authority collected and remitted to FRS \$874,112 during FY2012 and \$205,052 during FY2011.

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 an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
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**NOTE 5 – PENSION PLANS** (continued)

Defined Contribution Plan: Beginning December 1, 2002, FRS offers a second retirement plan option, the FRS Investment Plan. This retirement plan is an employer-sponsored plan in which contributions are made by both the employer and employee. Funds are generated for future distribution to the member. The benefit amount is the sum that accumulates in the member's account, based on contributions made, plus investment earnings, less fees and expenses. The Authority's contribution for FY2012 was \$211,787, for FY2011 was \$367,480, and for FY2010 was \$346,673. Members may be required to meet certain age and/or service requirements to receive account accumulations. It is the responsibility of the member (employee) to ensure, through investment, that sufficient monies are raised to provide adequate income in retirement. The employee makes investment elections within the investment funds chosen by the Florida State Board of Administration (FSBA). The retirement benefit is based on the account balance, and the benefit is vested after one year of service. The employee in this plan is not eligible for DROP. This contribution is included in the payroll taxes, fringe benefits and workers' compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

All employees in FRS's Defined Benefit Pension Plan and in the Defined Contribution Plan have a onetime option to switch plans.

Deferred Compensation Plan: Full time employees are eligible to participate in the Authority's Deferred Compensation Plan. Employees will choose from two available plans. The deferred compensation plan is governed by the Internal Revenue Code (IRC) 457 savings plan authorized by Congress. Under the plan, an employee contributes a set sum each pay period to an investment account in the employee's name. Deferred compensation is a voluntary, payroll-deducted retirement program which offers the opportunity of setting aside a portion of income on a pre-tax basis and investing those monies into one or more funds selected by the employee. Contributions to the investment account are made out of pretax income and the earnings of the account are not taxed until they are withdrawn, usually at retirement. In an effort to encourage employees to save for their retirement, the company will match the employee's contribution dollar for dollar up to the equivalent of three and one-half (3 ½) percent of the employee's salary on an annual basis. The Authority's contribution for FY2012 was \$230,836 and for FY2011 was \$240,550. This contribution is included in the payroll taxes, fringe benefits and workers' compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

City of Tampa Pension Plan: The Authority is required by the City of Tampa to pay retirement benefits to employees that transitioned from the City to the Authority on March 1, 1980, but chose to remain in the City of Tampa Pension Fund. The Authority's contribution for FY2012 was \$110,696 and for FY2011 was \$112,658. This contribution is included in the payroll taxes, fringe benefits and workers' compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

**HILLSBOROUGH TRANSIT AUTHORITY**  
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**NOTE 6 – POST EMPLOYMENT BENEFITS (OTHER THAN PENSIONS)**

The Authority has no OPEB liability as there is no employer contribution or payment to an employee's healthcare once they have retired. As required by Florida Statute 112.0801, the Authority allows retirees to purchase healthcare coverage at the same group insurance rates that current employees are charged, but it is incumbent upon the retiree to pay for this coverage. The number of retirees and previously employed staff members purchasing health insurance coverage from the Authority were: 3 as of September 30, 2012, a decrease of 2 from September 30, 2011.

**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. During 1990 the Authority established a self-insurance program for its workers' compensation claims. The Authority also established a medical self-insured program effective January 1, 2012. Workers' compensation and medical insurance claims are administered internally by the Authority and a third party administrator.

The liabilities currently provided are based upon an actuarial study which is performed annually by an outside professional.

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 \$200,000 per person and \$300,000 per occurrence.

Workers' Compensation Claims: The Authority is fully self-insured for workers' compensation claims.

Property Damage Insurance Coverage: The Authority has an insurance policy for property damage with a \$25,000 deductible per occurrence for all perils; with a five percent Total Insured Value (TIV) for named tropical storms.

Unemployment Compensation: The Authority is fully self-insured and payments are made quarterly, based on actual claims, to the Florida Department of Revenue, Florida Unemployment Compensation Fund.

Group Medical: Effective January 1, 2012 the Authority transitioned to self insured coverage for health care insurance benefits in order to better insulate the agency against increasing health care costs. To mitigate against substantial claims exposure, HART has contracted for stop-loss coverage for claims in excess of \$150,000.

**HILLSBOROUGH TRANSIT AUTHORITY**  
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**NOTE 7 – SELF INSURANCE AND LOSS CONTINGENCIES** (continued)

Settled claims have not exceeded commercial coverage in any of the past two years. The liability as of September 30, 2012 was \$5,272,218; as of September 30, 2011 was \$4,920,903; and as of September 30, 2010 was \$5,007,000. These are 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 to be reported if information prior to the issuance of the financial statements indicates 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.

Changes in the claims liability amount:

<u>Description</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$4,920,903	\$5,007,000	\$4,762,000
Current year claims and changes in estimates	4,645,160	1,681,358	1,691,816
Claims payments	(4,293,845)	(1,767,455)	(1,446,816)
Ending balance	<u>\$5,272,218</u>	<u>\$4,920,903</u>	<u>\$5,007,000</u>
 Amount due within one year	 <u>\$2,541,207</u>	 <u>\$1,767,455</u>	 <u>\$1,446,816</u>

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
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**NOTE 8 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ending September 30, 2012 and September 30, 2011:

	<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>
<b><u>Balance at September 30, 2012</u></b>						
Self insurance and loss contingencies	\$ 4,920,903	\$ 4,645,160	\$ 4,293,845	\$ 5,272,218	\$ 2,541,207	\$ 2,731,011
Environmental Remediation	-	332,574	-	332,574	122,883	209,691
Compensated absences	<u>2,516,456</u>	<u>2,473,615</u>	<u>2,472,791</u>	<u>2,517,280</u>	<u>127,000</u>	<u>2,390,280</u>
Total long-term liabilities	<u>\$ 7,437,359</u>	<u>\$ 7,451,349</u>	<u>\$ 6,766,636</u>	<u>\$ 8,122,072</u>	<u>\$ 2,791,090</u>	<u>\$ 5,330,982</u>
<b><u>Balance at September 30, 2011</u></b>						
Self insurance and loss contingencies	\$ 5,007,000	\$ 1,681,358	\$ 1,767,455	\$ 4,920,903	\$ 1,767,455	\$ 3,153,448
Compensated absences	<u>2,561,732</u>	<u>2,340,971</u>	<u>2,386,247</u>	<u>2,516,456</u>	<u>180,000</u>	<u>2,336,456</u>
Total long-term liabilities	<u>\$ 7,568,732</u>	<u>\$ 4,022,329</u>	<u>\$ 4,153,702</u>	<u>\$ 7,437,359</u>	<u>\$ 1,947,455</u>	<u>\$ 5,489,904</u>

**NOTE 9 – UNRESTRICTED NET ASSETS**

Designated Reserves: The Authority's unrestricted net assets as of September 30, 2012 were \$23,397,856 and as of September 30, 2011 were \$20,329,546. The Authority segregates these unrestricted net assets into 2 categories: reserves for future operations and capital projects, and unrestricted fund balance. As of September 30, 2012, the reserves for future operations and capital projects were \$1,917,256 and as of September 30, 2011 were \$2,108,155. As of September 30, 2012 the unrestricted fund balance was \$21,480,600, and as of September 30, 2011 was \$18,221,391.

**NOTE 10 – OPERATING LEASES**

Lease Commitments: Operating lease expense for FY2012 was \$75,436 and for FY2011 was \$74,772.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

Environmental Clean-Up Costs: During the year ended September 30, 1988, the Authority discovered and began clean-up of major underground diesel and unleaded gasoline fuel spills at the 21<sup>st</sup> Avenue location. The clean-up and associated costs for FY2012 were \$7,892. On September 25, 2012, the Authority met with the Hillsborough County Environmental Protection Commission (EPC) to review the progress of clean-up since 1988. As a result of this meeting, the EPC gave the Authority direction to perform further testing, develop an assessment plan, and then perform additional soil remediation if necessary. The Authority has entered into a contract with KMR consultants to perform site testing and to develop an assessment plan. The contract is for three years with a total cost of \$348,886 plus a 10% contingency. The Authority spent \$16,312 in FY2012 related to this KMR contract. Upon completion of the assessment plan, the Authority will be able estimate the cost of remediation.

Amount of Contract	
Year 1	\$ 122,883
Year 2	143,280
Year 3	82,724
Total	\$ 348,886
Total amount of contract	\$ 348,886
Less: Prior year expenditures	0
Less: Current year expenditures	16,312
Amount paid to date	16,312
Total remaining to be paid	\$ 332,574

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. In a new Agreement dated September 23, 2009, the Authority agreed to construct the remaining balance of \$730,638 of the original Agreement. The Authority agreed to pay these PAI projects from available federal and local funds including city impact fees. 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 ENDING SEPTEMBER 30, 2012 AND 2011**

**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, 2004	250,000
After October 1, 2005	250,000
After October 1, 2006	250,000
After October 1, 2007	250,000
After October 1, 2008	250,000
Total	<u>\$ 1,700,000</u>

Total amount approved through September 30, 2009	<u>\$ 1,700,000</u>
Less: Prior year expenditures	1,039,934
Less: Current year expenditures	<u>105,721</u>
Amount paid to date	<u>1,145,655</u>
Remaining for future projects yet to be determined	<u>554,345</u>
 Total remaining to be paid	 <u>\$ 554,345</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 with the City of Tampa is approximately \$554,345 and is summarized below:

- Broadway Sidewalk \$ 70,131 remaining on PO (construction complete)
- 15<sup>th</sup> Street Sidewalk \$147,943 allocated (pending board award)
- Nuccio Parkway Sidewalk \$100,000 allocated (task order to be issued for design)
- Columbus Sidewalk \$ 93,426 allocated (pending permit approval)
- Himes Sidewalk \$ 99,622 allocated (pending permit approval)
- Total \$511,122

The remaining \$43,223 has yet to be allocated.

21<sup>st</sup> Avenue Administration Renovation Project: HART is in the process of renovating the 21<sup>st</sup> Avenue Administration building. As of September 30, 2012, HART had the following commitment related to this project.

		<u>Contingency</u>
• Total Contract Value	\$3,368,572	\$341,478
• Amount Paid to Contractor	<u>\$1,695,747</u>	<u>\$25,347</u>
• Balance Remaining	\$1,672,825	\$316,131

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)**

MetroRapid Project: HART is in the process of constructing a MetroRapid bus line the purpose of which is to increase the speed of transit and make it easier for passenger use. The project consists of four parts: North/South Corridor, East/West Corridor, Transit Signal Priority and the Hidden River (Fletcher) Park and Ride. As of September 30, 2012, HART had the following commitment related to this project.

- Total Contract Value \$19,429,376
- Amount Paid to Contractors \$9,062,365
- Balance Remaining \$10,367,011
  
- Future Expenditures not yet Committed \$9,171,829

Heavy Maintenance/Preventive Maintenance Project: HART is in the process of upgrading the lighting, heating and ventilation as well as replacing the bus wash system at the maintenance facilities. As of September 30, 2012 HART had the following commitment related to this project.

- Total Contract Value \$839,150
- Amount Paid to Contractor's \$149,561
- Balance Remaining \$689,589

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)**

Bus Buy Procurement: As of September 30, 2012 HART had the following commitment related to bus procurements.

- |                           | <u>Quantity</u> | <u>Amount</u> |
|---------------------------|-----------------|---------------|
| • MetroRapid Buses        | 12              | \$4,704,780   |
| • Fleet Replacement Buses | 14              | \$5,468,858   |

**NOTE 12 – SUBSEQUENT EVENTS**

The following board authorizations occurred as subsequent to September 30, 2012 (October 1, 2012 – January 7, 2013)

- Contract for construction services for the 15<sup>th</sup> Street Sidewalk Project to The Ash Group, Inc. in the amount of \$114,850, plus a contingency of \$33,093, for a Total Not-To-Exceed Amount of \$147,943.
- Contract for the Count Room Renovation to Pillar Construction Group, LLC in the amount of \$136,882, plus a contingency of \$13,118, for a Total Not-To-Exceed Amount of \$150,000.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2012 AND 2011**

**NOTE 12 – SUBSEQUENT EVENTS** (continued)

- Authorization for the Purchase of Thirteen (13) VPG MV-1 Special Needs Transit Vehicles with Mobility Ramps from Creative Bus Sales, Inc. for a Total Not-to-Exceed Amount of \$631,631.
- Fare increases for both Fixed and Paratransit routes went into effect on November 11, 2012.

**SUPPLEMENTAL INFORMATION**

**HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDING SEPTEMBER 30, 2012**

<u>GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>FY 2012 Program Expenditures</u>
<i>Direct federal grantor awards</i>			
<i>U.S. Department of Transportation - Federal Transit Administration</i>			
<i>Highway Planning Grants</i>			
Ybor Station	20.205	FL-15-X004	\$ 2,166
			<u>2,166</u>
<b>Federal Transit Cluster</b>			
<i>Capital Investment Grants</i>			
Fixed Guideway Funds	20.500	FL-03-0237	24,504
Fixed Guideway Funds	20.500	FL-03-0274	4,264
Fixed Guideway Funds	20.500	FL-03-0298	3,210
21st Avenue Facility Upgrade	20.500	FL-04-0020	831,079
Passenger Amenities	20.500	FL-04-0075	91,655
Fixed Guideway Funds	20.500	FL-05-0087	14,536
Fixed Guideway Funds	20.500	FL-05-0097	26,800
Total Capital Investment Grants			<u>996,048</u>
<i>Urbanized Area Formula Grants</i>			
Purchase Streetcars	20.507	FL-90-X295	60,773
FY99 Urbanized Area Formula Grant	20.507	FL-90-X360	2,381
FY02 Urbanized Area Formula Grant	20.507	FL-90-X453	6,149
FY03 Urbanized Area Formula Grant	20.507	FL-90-X481	212,416
FY04 Urbanized Area Formula Grant	20.507	FL-90-X519	125,525
Bus and Related Equipment Purchase	20.507	FL-90-X521	20,469
FY05 Urbanized Area Formula Grant	20.507	FL-90-X538	62,512
FY06 Urbanized Area Formula Grant	20.507	FL-90-X584	53,282
STP Funds Facilities and Improvements	20.507	FL-90-X588	20,048
21st Avenue Facility Upgrade	20.507	FL-90-X606	951,411
FY07 Urbanized Area Formula Grant	20.507	FL-90-X620	270,888
21st Avenue Facility Upgrade	20.507	FL-90-X661	19,561
FY08 Urbanized Area Formula Grant	20.507	FL-90-X662	266,980
FY09 Urbanized Area Formula Grant	20.507	FL-90-X681	242,626
FY10 Urbanized Area Formula Grant	20.507	FL-90-X714	718,104
FY11 Urbanized Area Formula Grant	20.507	FL-90-X752	874,503
FY12 Urbanized Area Formula Grant	20.507	FL-90-X782	11,074,814
STP Funds Bus Purchases and Shelters	20.507	FL-95-X010	14,418
Streetcar Extension Phase IIa	20.507	FL-95-X014	19,500
Bus Purchases	20.507	FL-95-X031	190,172
ARRA Replacement and Expansion Vehicles	20.507	FL-96-X013	1,497,170
Total Urbanized Area Formula Grants			<u>16,703,702</u>
<b>Total Federal Transit Cluster</b>			<u>\$ 17,699,750</u>

(Continued)  
See accompanying notes to schedule.

**HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDING SEPTEMBER 30, 2012**

<u>GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>FY 2012 Program Expenditures</u>
<i>Alternative Analysis</i>			
FY07 Discretionary Alternative Analysis Project Funds	20.522	FL-39-0004	\$ (27,520)
Total direct federal grantor awards			<u>17,674,396</u>
<i>Florida Department of Emergency Management (pass through)</i>			
FY2007 IPP - Transit Security Grant Program 12-DS-61-13-00-20-469, HART #A100448	97.075		57,468
<b>Transit Services Cluster</b>			
<i>Pinellas County Metropolitan Planning Organization - JARC (pass through)</i>			
Job Access and Reverse Commute; HART #A08024	20.516	FL-37-X026	231,995
<i>Pinellas County Metropolitan Planning Organization - New Freedom (pass through)</i>			
New Freedom; HART #A110399	20.521	FL-57-X009-03	111,592
New Freedom; HART #A110418	20.521	FL-57-X009-04	176,609
Total New Freedom Grant			<u>288,201</u>
<b>Total Transit Services Cluster</b>			\$ 520,196
<b>Total Pass Through Federal Assistance</b>			<u>577,664</u>
<b>Total federal grantor awards</b>			<u>\$ 18,252,060</u>

<u>GRANTOR / PROGRAM TITLE</u>	<u>State CSFA Number</u>	<u>State Project Number</u>	<u>FY 2012 Program Expenditures</u>
<i>Direct state financial assistance</i>			
<i>State of Florida Department of Transportation</i>			
State Block Grant FY12	55.010	402251-18412	\$ 3,961,609
			<u>3,961,609</u>
Park & Ride Lots	55.011	420740-19401	35,765
Park & Ride Lots	55.011	422720-19401	147,195
Park & Ride Lots	55.011	422720-19402	120,734
			<u>303,694</u>
Town n Country Flex (573 & 61LX)	55.012	430326-18401	146,875
Northdale Flex (572)	55.012	430327-18401	138,945
			<u>285,820</u>
Urban Corridor Program (200X)	55.013	410693-18407	122,571
Urban Corridor Program (200X)	55.013	410693-18408	45,078
New Tampa/S.Pasco Cnty Exp (51X)	55.013	420741-18404	161,228
Pasco/Lutz Express (20X)	55.013	430322-18401	89,545
			<u>418,422</u>
<b>Total state grantor awards</b>			<u>\$ 4,969,545</u>

See accompanying notes to schedule.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**YEAR ENDING SEPTEMBER 30, 2012**

**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**

**Note: The statistical section contains “Unaudited” data.**

## **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.*

**Note: The statistical section contains "Unaudited" data.**

## Statistical Section

### Financial Trends

- Net Assets by Component (FY2003 – FY2012)
- Changes in Net Assets (FY2003 – FY2012)
- Revenues by Function/Program (FY2003 – FY2012)
- Expenses by Function/Program (FY2003 – FY2012)
- Property Tax Revenue by Year (FY2003 – FY2012)

**Note: The statistical section contains “Unaudited” data.**

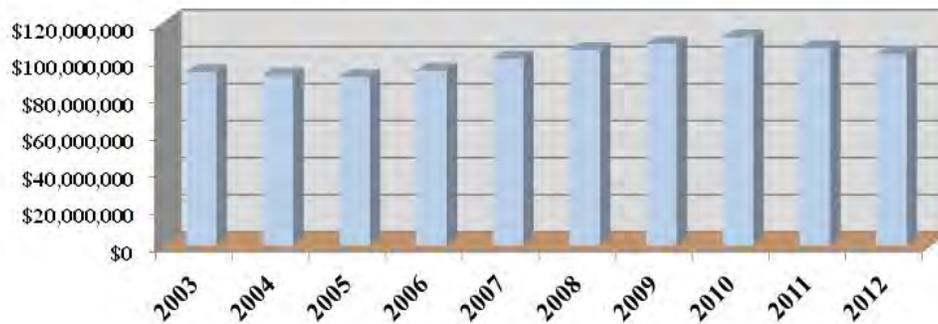
<b>NET ASSETS BY COMPONENT FY2003 – FY2007</b>					
	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>
<b>Business Type Activities</b>					
Invested in Long-Term Assets	\$93,735,491	\$91,953,546	\$91,029,537	\$94,438,179	\$100,884,345
Unrestricted	\$8,449,758	\$10,939,693	\$12,655,313	\$15,552,628	\$20,158,679
<b>Total Net Assets</b>	<b>\$102,185,249</b>	<b>\$102,893,239</b>	<b>\$103,684,850</b>	<b>\$109,990,807</b>	<b>\$121,043,024</b>

<b>NET ASSETS BY COMPONENT FY2008 – FY2012</b>					
	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
<b>Business Type Activities</b>					
Invested in Long-Term Assets	\$105,544,503	\$108,873,525	\$112,522,829	\$106,688,130	\$103,777,430
Unrestricted	\$23,308,715	\$25,353,184	\$22,474,252	\$20,329,546	\$23,397,856
<b>Total Net Assets</b>	<b>\$128,853,218</b>	<b>\$134,226,709</b>	<b>\$134,997,081</b>	<b>\$127,017,676</b>	<b>\$127,175,286</b>

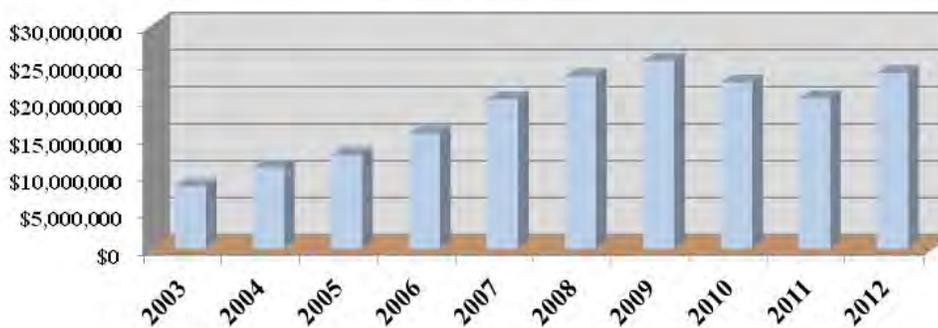
**NOTES:**

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

**Net Assets Invested in Capital**



**Net Assets Unrestricted**

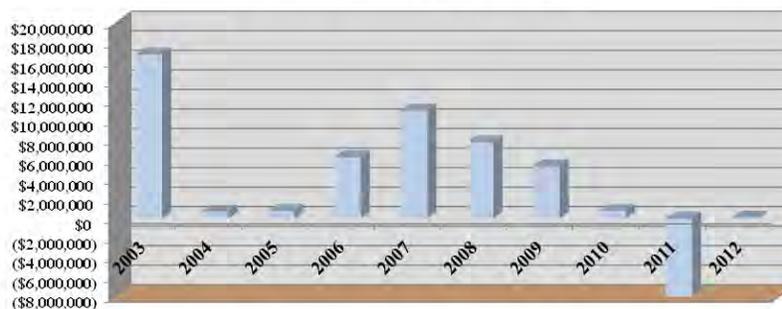


**Note: The statistical section contains “Unaudited” data.**

**CHANGES IN NET ASSETS  
FY2003 – FY2007**

	<b>FY2003 Actual</b>	<b>FY2004 Actual</b>	<b>FY2005 Actual</b>	<b>FY2006 Actual</b>	<b>FY2007 Actual</b>
<b>Operating revenues:</b>					
Passenger fares	\$7,167,522	\$8,080,287	\$9,054,930	\$10,348,320	\$10,759,422
Advertising	\$242,167	\$343,821	\$463,110	\$482,917	\$532,250
Total Operating Revenues	\$7,409,689	\$8,424,108	\$9,518,040	\$10,831,237	\$11,291,672
<b>Operating expenses:</b>					
Salaries	\$16,563,410	\$18,140,615	\$22,092,721	\$23,631,683	\$26,048,272
Payroll Taxes, Fringes & Work Comp	\$4,815,278	\$6,899,164	\$9,442,857	\$10,941,290	\$11,149,153
Fuel and Lubricants	\$1,627,750	\$2,022,337	\$3,515,541	\$4,200,877	\$4,875,594
Parts and Supplies	\$1,645,891	\$1,819,765	\$2,805,589	\$3,031,564	\$3,594,222
Contracted services	\$4,354,562	\$4,483,635	\$2,279,214	\$2,673,728	\$2,953,046
Insurance	\$1,374,196	\$2,663,215	\$1,949,227	\$1,225,591	\$2,319,310
Utilities	\$546,780	\$570,692	\$601,353	\$674,603	\$732,533
Marketing and Promotions	\$868,880	\$642,438	\$843,638	\$735,051	\$841,890
Other Expenses	\$1,131,925	\$1,537,634	\$1,628,148	\$1,747,392	\$1,982,014
Operating Expenditures Reimbursed by Grants	\$3,344,976	\$3,211,740	\$1,414,518	\$2,473,473	\$1,505,948
Total Operating Expenses	\$36,273,648	\$41,991,235	\$46,572,806	\$51,335,252	\$56,001,982
Operating (Loss) Before Depreciation	(\$28,863,959)	(\$33,567,127)	(\$37,054,766)	(\$40,504,015)	(\$44,710,310)
Depreciation	\$7,741,655	\$7,641,164	\$7,400,882	\$7,791,245	\$8,144,251
Operating (Loss)	(\$36,605,614)	(\$41,208,291)	(\$44,455,648)	(\$48,295,260)	(\$52,854,561)
<b>Non-Operating Revenues:</b>					
Federal	\$3,569,651	\$2,694,133	\$5,385,927	\$4,564,443	\$4,226,858
State	\$3,523,230	\$3,600,063	\$3,574,740	\$3,455,026	\$3,569,393
Local	\$1,059,157	\$1,832,989	\$2,924,821	\$1,509,868	\$1,784,338
Property Tax Proceeds, Net	\$21,124,567	\$23,180,746	\$25,740,799	\$29,813,313	\$36,423,195
Interest Income	\$153,425	\$171,635	\$498,345	\$1,161,011	\$1,588,849
Other Income	\$398,378	\$324,389	\$286,833	\$431,255	\$596,645
Sale of Land	\$0	\$0	\$0	\$0	\$0
Fund Balance	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$29,828,408	\$31,803,955	\$38,411,465	\$40,934,916	\$48,189,278
(Loss) Before Capital Grants	(\$6,777,206)	(\$9,404,336)	(\$6,044,183)	(\$7,360,344)	(\$4,665,283)
<b>Capital Grant Revenues:</b>					
Federal	\$19,957,940	\$9,618,018	\$5,116,600	\$12,515,084	\$14,479,395
State	\$3,103,855	\$193,503	\$968,857	\$226,236	\$276,133
Local	\$511,265	\$300,805	\$750,337	\$924,981	\$961,972
Total Capital Grants	\$23,573,060	\$10,112,326	\$6,835,794	\$13,666,301	\$15,717,500
Increase (Decrease) in Net Assets	\$16,795,854	\$707,990	\$791,611	\$6,305,957	\$11,052,217
Net Assets, Beginning of the Year	\$85,389,395	\$102,185,249	\$102,893,239	\$103,684,850	\$109,990,807
Net Assets, End of the Year	\$102,185,249	\$102,893,239	\$103,684,850	\$109,990,807	\$121,043,024

Increase (Decrease) in Net Assets



**Note: The statistical section contains "Unaudited" data.**

**CHANGES IN NET ASSETS  
FY2008 – FY2012**

	<b>FY2008 Actual</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>
<b>Operating revenues:</b>					
Passenger fares	\$12,127,912	\$12,197,462	\$12,409,955	\$13,373,978	\$14,187,514
Advertising	\$554,270	\$591,970	\$724,964	\$718,919	\$770,772
Total Operating Revenues	\$12,682,182	\$12,789,432	\$13,134,919	\$14,092,897	\$14,958,286
<b>Operating expenses:</b>					
Salaries	\$25,831,068	\$27,331,650	\$28,976,002	\$28,472,681	\$27,633,742
Payroll Taxes, Fringes & Work Comp	\$11,961,942	\$14,150,767	\$14,875,779	\$14,616,889	\$12,774,304
Fuel and Lubricants	\$5,294,121	\$6,422,888	\$5,332,088	\$6,240,003	\$7,367,311
Parts and Supplies	\$3,532,298	\$3,638,090	\$3,543,504	\$2,870,170	\$2,941,767
Contracted services	\$2,851,526	\$3,174,271	\$3,296,307	\$3,492,770	\$2,952,228
Insurance	\$3,136,144	\$1,958,376	\$2,310,511	\$2,267,192	\$1,745,966
Utilities	\$887,666	\$1,027,030	\$756,763	\$701,272	\$681,797
Marketing and Promotions	\$666,462	\$1,027,373	\$713,228	\$524,863	\$493,667
Other Expenses	\$1,727,176	\$2,291,431	\$1,463,051	\$1,234,572	\$1,416,602
Operating Expenditures Reimbursed by Grants	\$1,079,616	\$3,737,612	\$3,865,188	\$3,607,225	\$3,732,246
Total Operating Expenses	\$56,968,019	\$64,759,488	\$65,132,421	\$64,027,637	\$61,739,630
Operating (Loss) Before Depreciation	(\$44,285,837)	(\$51,970,056)	(\$51,997,502)	(\$49,934,740)	(\$46,781,344)
Depreciation	\$9,335,084	\$11,482,036	\$13,394,583	\$12,862,670	\$12,292,280
Operating (Loss)	(\$53,620,921)	(\$63,452,092)	(\$65,392,085)	(\$62,797,410)	(\$59,073,624)
<b>Non-Operating Revenues:</b>					
Federal	\$4,445,445	\$8,922,111	\$8,566,909	\$11,314,093	\$11,456,242
State	\$3,694,543	\$3,669,407	\$3,937,879	\$4,065,891	\$4,689,055
Local	\$1,475,375	\$1,257,145	\$1,365,858	\$1,281,761	\$817,880
Property Tax Proceeds, Net	\$36,586,961	\$34,723,204	\$31,028,970	\$27,701,558	\$29,415,613
Interest Income	\$736,964	\$86,189	\$290,111	\$136,840	\$189,196
Other Income	\$583,170	\$253,357	\$576,924	\$338,586	\$201,316
Sale of Land	\$0	\$0	\$0	\$0	\$0
Fund Balance	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$47,522,458	\$48,911,413	\$45,766,651	\$44,838,729	\$46,769,302
(Loss) Before Capital Grants	(\$6,098,463)	(\$14,540,679)	(\$19,625,434)	(\$17,958,681)	(\$12,304,322)
<b>Capital Grant Revenues:</b>					
Federal	\$13,486,392	\$16,746,036	\$19,717,043	\$7,145,036	\$6,816,240
State	\$424,348	\$170	\$38,139	\$313,277	\$280,489
Local	(\$2,083)	\$3,167,964	\$640,624	\$2,520,963	\$5,365,203
Total Capital Grants	\$13,908,657	\$19,914,170	\$20,395,806	\$9,979,276	\$12,461,932
Increase (Decrease) in Net Assets	\$7,810,194	\$5,373,491	\$770,372	(\$7,979,405)	\$157,610
Net Assets, Beginning of the Year	\$121,043,024	\$128,853,218	\$134,226,709	\$134,997,081	\$127,017,676
Net Assets, End of the Year	\$128,853,218	\$134,226,709	\$134,997,081	\$127,017,676	\$127,175,286

**Note: The statistical section contains “Unaudited” data.**

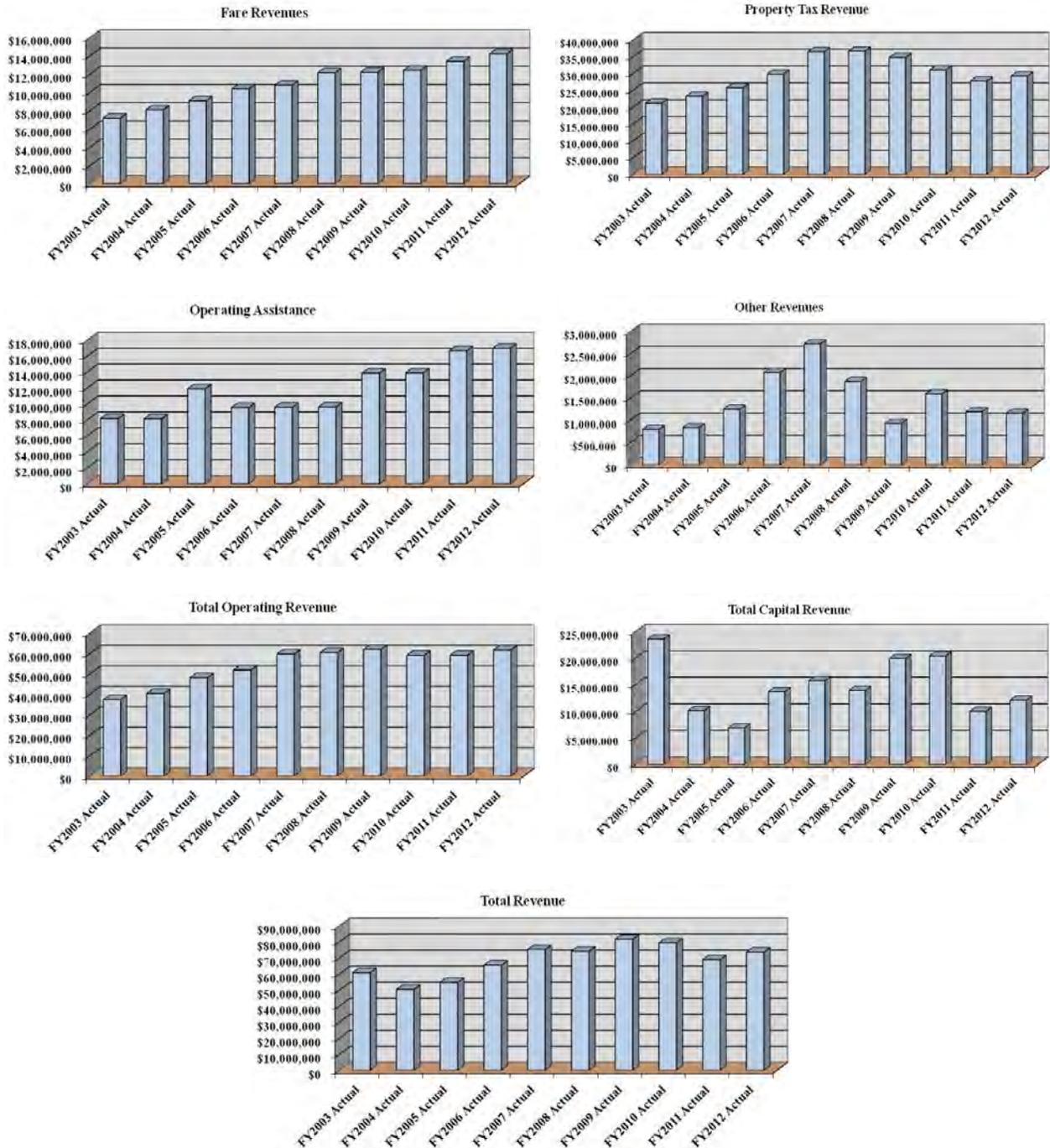
<b>REVENUES BY FUNCTION/PROGRAM</b>					
<b>FY2003 – FY2007</b>					
	<b>FY2003 Actual</b>	<b>FY2004 Actual</b>	<b>FY2005 Actual</b>	<b>FY2006 Actual</b>	<b>FY2007 Actual</b>
<b>FARES</b>	\$7,167,522	\$8,080,287	\$9,054,930	\$10,348,320	\$10,759,421
<b>PROPERTY TAX</b>	\$21,124,567	\$23,180,746	\$25,740,799	\$29,813,313	\$36,423,195
<b>FEDERAL ASSISTANCE</b>	\$3,569,651	\$2,694,133	\$5,385,927	\$4,564,443	\$4,226,858
<b>STATE ASSISTANCE</b>	\$3,523,230	\$3,600,063	\$3,574,740	\$3,455,026	\$3,569,393
<b>LOCAL ASSISTANCE</b>	\$1,059,157	\$1,832,989	\$2,924,821	\$1,509,868	\$1,784,338
<b>SUBTOTAL OPERATING ASSISTANCE</b>	\$8,152,038	\$8,127,185	\$11,885,488	\$9,529,337	\$9,580,589
<b>ADVERTISING</b>	\$242,167	\$343,821	\$463,110	\$482,917	\$532,250
<b>INTEREST INCOME</b>	\$75,878	\$112,909	\$498,345	\$1,161,011	\$1,588,849
<b>OTHER INCOME</b>	\$475,925	\$383,115	\$286,833	\$431,255	\$596,645
<b>SUBTOTAL OTHER REVENUES</b>	\$793,970	\$839,845	\$1,248,288	\$2,075,183	\$2,717,744
<b>SUBTOTAL OPERATING</b>	\$37,238,097	\$40,228,063	\$47,929,505	\$51,766,153	\$59,480,949
<b>FEDERAL CAPITAL</b>	\$19,957,940	\$9,618,018	\$5,116,600	\$12,515,084	\$14,479,394
<b>STATE CAPITAL</b>	\$3,103,855	\$193,503	\$968,857	\$226,236	\$276,133
<b>LOCAL CAPITAL</b>	\$511,265	\$300,805	\$750,337	\$924,981	\$961,973
<b>OTHER CAPITAL</b>	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL CAPITAL</b>	\$23,573,060	\$10,112,326	\$6,835,794	\$13,666,301	\$15,717,500
<b>GRAND TOTAL</b>	\$60,811,157	\$50,340,389	\$54,765,299	\$65,432,454	\$75,198,449

<b>REVENUES BY FUNCTION/PROGRAM</b>					
<b>FY2008 – FY2012</b>					
	<b>FY2008 Actual</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>
<b>FARES</b>	\$12,127,912	\$12,197,462	\$12,409,955	\$13,373,976	\$14,187,514
<b>PROPERTY TAX</b>	\$36,586,961	\$34,723,204	\$31,028,970	\$27,701,559	\$29,415,613
<b>FEDERAL ASSISTANCE</b>	\$4,445,445	\$8,922,111	\$8,566,909	\$11,314,094	\$11,456,242
<b>STATE ASSISTANCE</b>	\$3,694,543	\$3,669,407	\$3,937,879	\$4,065,891	\$4,689,055
<b>LOCAL ASSISTANCE</b>	\$1,475,375	\$1,257,145	\$1,365,858	\$1,281,761	\$817,880
<b>SUBTOTAL OPERATING ASSISTANCE</b>	\$9,615,363	\$13,848,663	\$13,870,646	\$16,661,746	\$16,963,177
<b>ADVERTISING</b>	\$554,270	\$591,970	\$724,964	\$718,919	\$770,772
<b>INTEREST INCOME</b>	\$736,964	\$86,189	\$290,111	\$136,840	\$189,196
<b>OTHER INCOME</b>	\$583,170	\$253,357	\$576,924	\$338,586	\$201,316
<b>SUBTOTAL OTHER REVENUES</b>	\$1,874,404	\$931,516	\$1,591,999	\$1,194,345	\$1,161,284
<b>SUBTOTAL OPERATING</b>	\$60,204,640	\$61,700,845	\$58,901,570	\$58,931,626	\$61,727,588
<b>FEDERAL CAPITAL</b>	\$13,486,392	\$16,746,036	\$19,717,043	\$7,145,036	\$6,816,240
<b>STATE CAPITAL</b>	\$424,348	\$170	\$38,139	\$313,277	\$280,489
<b>LOCAL CAPITAL</b>	(\$2,083)	\$3,167,964	\$640,624	\$2,520,963	\$5,365,203
<b>OTHER CAPITAL</b>	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL CAPITAL</b>	\$13,908,657	\$19,914,170	\$20,395,806	\$9,979,276	\$12,461,932
<b>GRAND TOTAL</b>	\$74,113,297	\$81,615,015	\$79,297,376	\$68,910,902	\$74,189,520

\*\*\*See Notes on following page.

**Note: The statistical section contains “Unaudited” data.**

**\*\*\*NOTES: (1) FY2002 through FY1998 – 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.**



**Note: The statistical section contains “Unaudited” data.**

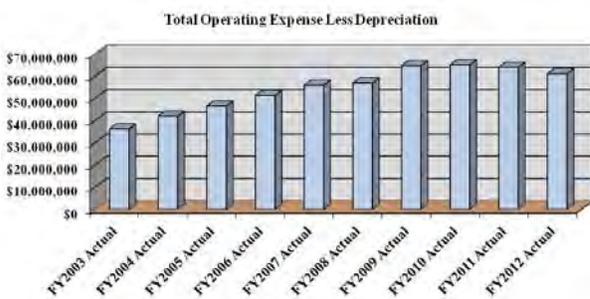
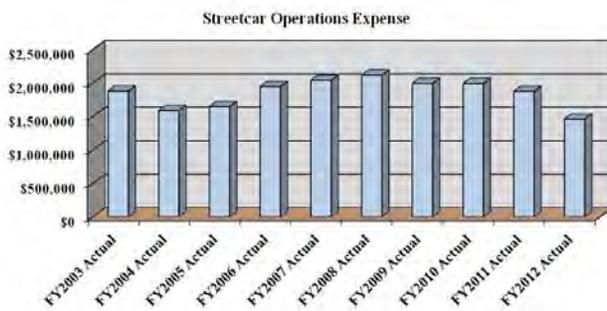
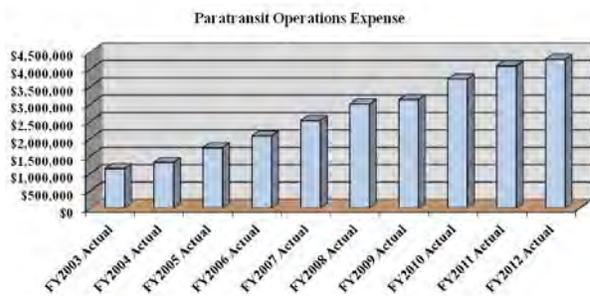
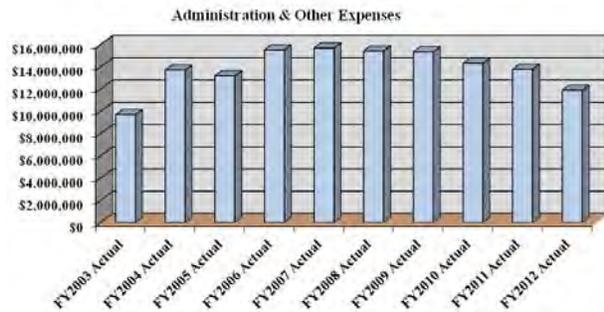
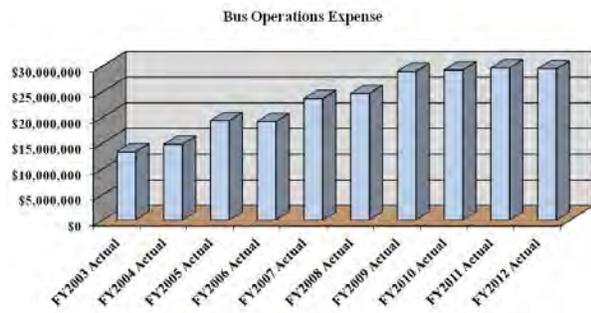
<b>EXPENSES BY FUNCTION/PROGRAM FY2003 – FY2007</b>					
	<b>FY2003 Actual</b>	<b>FY2004 Actual</b>	<b>FY2005 Actual</b>	<b>FY2006 Actual</b>	<b>FY2007 Actual</b>
<b>BUS OPERATIONS</b>	\$13,263,183	\$14,683,663	\$19,300,230	\$19,126,750	\$23,618,322
<b>VEHICLE &amp; FACILITIES MAINTENANCE</b>	\$6,958,330	\$7,499,606	\$9,294,416	\$10,192,485	\$10,633,951
<b>ADMINISTRATION &amp; OTHER</b>	\$9,690,729	\$13,691,923	\$13,173,813	\$15,517,268	\$15,681,100
<b>PARATRANSIT OPERATIONS</b>	\$1,137,757	\$1,314,344	\$1,741,080	\$2,077,806	\$2,520,759
<b>STREETCAR OPERATIONS</b>	\$1,878,673	\$1,589,960	\$1,648,749	\$1,947,470	\$2,041,902
<b>OPER EXP REIMBURSED BY GRANTS</b>	\$3,344,976	\$3,211,740	\$1,414,518	\$2,473,473	\$1,505,948
<b>OPERATING EXPENSE BEFORE DEPRECIATION</b>	\$36,273,648	\$41,991,235	\$46,572,806	\$51,335,252	\$56,001,982
<b>DEPRECIATION</b>	\$7,741,655	\$7,641,164	\$7,400,882	\$7,791,245	\$8,144,250
<b>TOTAL OPERATING EXPENSE</b>	\$44,015,303	\$49,632,399	\$53,973,688	\$59,126,497	\$64,146,232

<b>EXPENSES BY FUNCTION/PROGRAM FY2008 – FY2012</b>					
	<b>FY2008 Actual</b>	<b>FY2009 Actual</b>	<b>FY2010 Actual</b>	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>
<b>BUS OPERATIONS</b>	\$24,594,741	\$28,894,299	\$29,165,141	\$29,595,224	\$29,384,095
<b>VEHICLE &amp; FACILITIES MAINTENANCE</b>	\$10,756,591	\$11,675,248	\$12,090,470	\$11,089,856	\$10,402,358
<b>ADMINISTRATION &amp; OTHER</b>	\$15,422,058	\$15,333,861	\$14,305,866	\$13,763,729	\$12,472,179
<b>PARATRANSIT OPERATIONS</b>	\$2,996,917	\$3,121,805	\$3,712,329	\$4,096,459	\$4,286,094
<b>STREETCAR OPERATIONS</b>	\$2,118,096	\$1,996,663	\$1,993,427	\$1,875,144	\$1,462,658
<b>OPER EXP REIMBURSED BY GRANTS</b>	\$1,079,616	\$3,737,612	\$3,865,188	\$3,607,225	\$3,732,246
<b>OPERATING EXPENSE BEFORE DEPRECIATION</b>	\$56,968,019	\$64,759,488	\$65,132,421	\$64,027,637	\$61,739,630
<b>DEPRECIATION</b>	\$9,335,084	\$11,482,036	\$13,394,583	\$12,862,670	\$12,292,280
<b>TOTAL OPERATING EXPENSE</b>	\$66,303,103	\$76,241,524	\$78,527,004	\$76,890,307	\$74,031,910

**NOTES:**

- (1) FY2002 through FY1997 – 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.

**Note: The statistical section contains “Unaudited” data.**

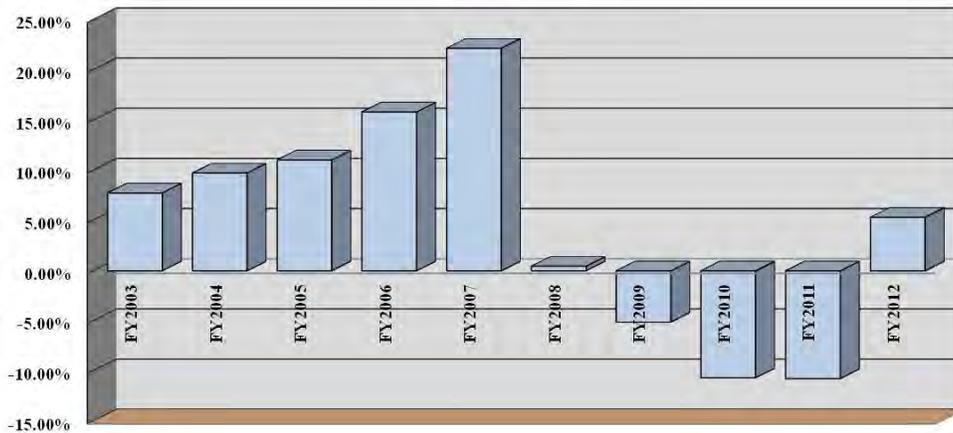


**Note: The statistical section contains “Unaudited” data.**

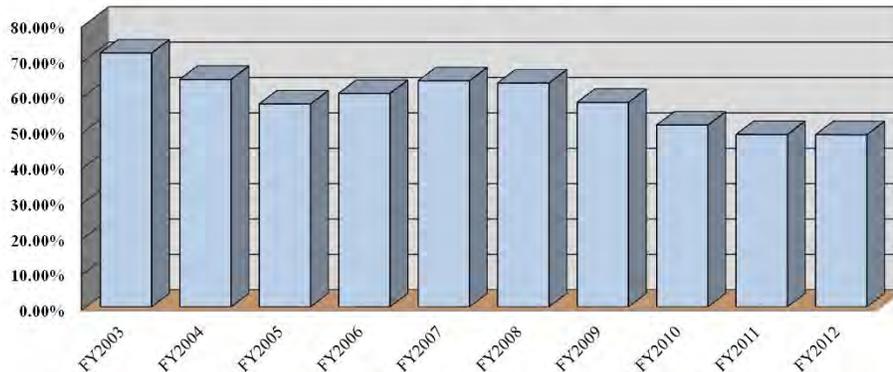
**PROPERTY TAX REVENUE BY YEAR  
BUS AND PARATRANSIT ONLY  
FY2003 – FY2012**

Year	Property Tax Dollars	Percent Change	Bus and Paratransit Revenue	Percent of Total	Millage
<b>FY2003</b>	\$21,124,567	7.76%	\$29,456,061	71.72%	0.5000
<b>FY2004</b>	\$23,180,746	9.73%	\$36,060,733	64.28%	0.5000
<b>FY2005</b>	\$25,740,799	11.04%	\$44,895,524	57.33%	0.5000
<b>FY2006</b>	\$29,813,313	15.82%	\$49,433,021	60.31%	0.5000
<b>FY2007</b>	\$36,423,195	22.17%	\$57,028,316	63.87%	0.5000
<b>FY2008</b>	\$36,586,961	0.45%	\$57,861,450	63.23%	0.4495
<b>FY2009</b>	\$34,723,204	-5.09%	\$60,096,655	57.78%	0.4682
<b>FY2010</b>	\$31,028,970	-10.64%	\$60,415,640	51.36%	0.4682
<b>FY2011</b>	\$27,701,559	-10.72%	\$56,875,108	48.71%	0.5000
<b>FY2012</b>	\$29,415,613	6.19%	\$60,215,550	48.85%	0.5000

Percent Change in Property Tax Revenue by Year  
FY 2003 to FY2012



Property Tax Revenue as a Percent of Bus and Paratransit Revenue  
FY2003 to FY 2012



**Note: The statistical section contains “Unaudited” data.**

## **Statistical Section**

### **Revenue Capacity**

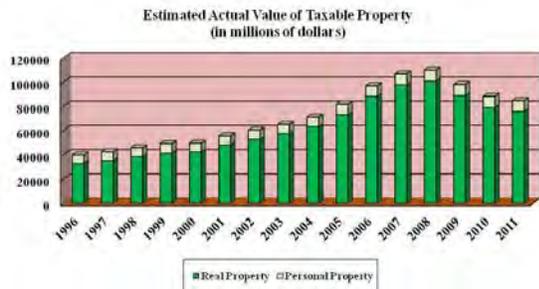
- Taxable Assessed Value and Actual Value of Property (FY1996 – FY2011)
- Property Tax Levies and Collections (FY1997 – FY2011)

**Note: The statistical section contains “Unaudited” data.**

**HILLSBOROUGH COUNTY, FLORIDA  
TAXABLE ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
1996 – 2011 (in millions of dollars)**

Year	Estimated Actual Value		Exemptions		Assessed Value		HART Rate
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	
1996	\$32,970	\$6,890	\$10,780	\$1,980	\$22,190	\$4,910	0.5000
1997	\$35,280	\$7,160	\$11,260	\$1,910	\$24,020	\$5,260	0.5000
1998	\$38,340	\$7,480	\$12,080	\$1,920	\$26,260	\$5,570	0.5000
1999	\$41,380	\$7,810	\$12,660	\$1,930	\$28,720	\$5,880	0.5000
2000	\$42,400	\$7,280	\$10,700	\$1,180	\$31,700	\$6,090	0.5000
2001	\$48,160	\$7,530	\$11,790	\$1,190	\$36,370	\$6,330	0.5000
2002	\$52,952	\$7,438	\$13,094	\$1,171	\$39,858	\$6,267	0.5000
2003	\$57,521	\$7,479	\$13,761	\$1,146	\$43,760	\$6,333	0.5000
2004	\$63,183	\$8,011	\$14,398	\$1,281	\$48,785	\$6,730	0.5000
2005	\$73,192	\$8,643	\$15,972	\$1,549	\$57,220	\$7,094	0.5000
2006	\$88,280	\$8,774	\$17,445	\$1,455	\$70,835	\$7,319	0.5000
2007	\$97,915	\$8,988	\$17,866	\$1,432	\$80,049	\$7,556	0.5000
2008	\$100,896	\$9,120	\$24,489	\$1,905	\$76,407	\$7,215	0.4495
2009	\$88,961	\$9,195	\$23,168	\$1,899	\$65,793	\$7,296	0.4682
2010	\$79,075	\$9,227	\$21,393	\$2,106	\$57,682	\$7,121	0.4682
2011	\$75,837	\$8,925	\$20,676	\$2,077	\$55,161	\$6,848	0.5000

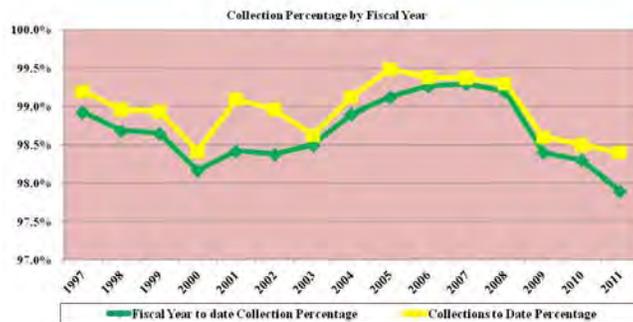
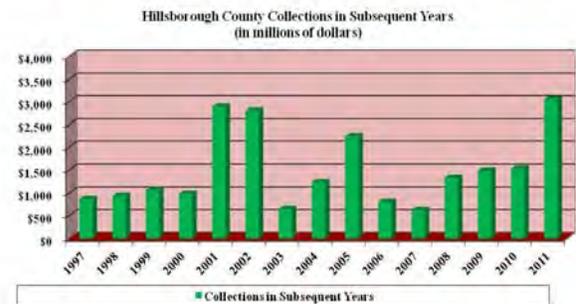
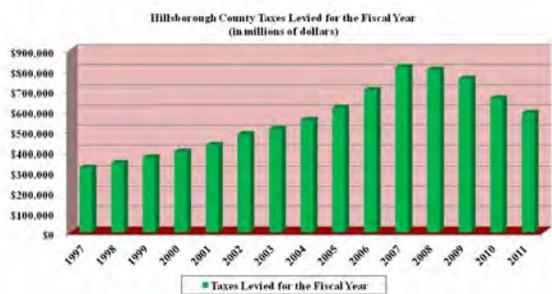
Source: Hillsborough County Property Appraiser



**Note: The statistical section contains “Unaudited” data.**

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

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
1997	1996	\$319,628	\$316,201	98.9%	\$864
1998	1997	\$342,837	\$338,329	98.7%	\$935
1999	1998	\$370,500	\$365,501	98.7%	\$1,060
2000	1999	\$396,193	\$388,930	98.2%	\$980
2001	2000	\$429,559	\$422,776	98.4%	\$2,887
2002	2001	\$482,663	\$474,844	98.4%	\$2,797
2003	2002	\$508,616	\$500,980	98.5%	\$644
2004	2003	\$553,131	\$547,054	98.9%	\$1,227
2005	2004	\$614,133	\$608,746	99.1%	\$2,232
2006	2005	\$701,730	\$696,591	99.3%	\$802
2007	2006	\$814,609	\$808,864	99.3%	\$618
2008	2007	\$801,724	\$795,084	99.2%	\$1,321
2009	2008	\$757,541	\$745,239	98.4%	\$1,483
2010	2009	\$660,228	\$648,894	98.3%	\$1,529
2011	2010	\$588,376	\$576,072	97.9%	\$3,048



**Note: The statistical section contains "Unaudited" data.**

## Statistical Section

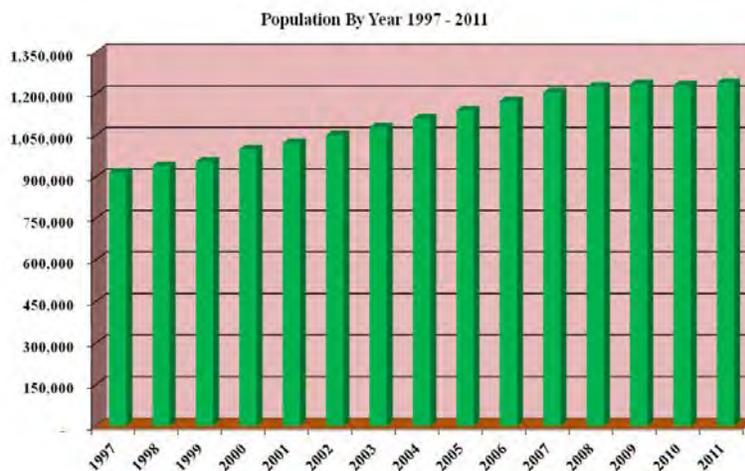
### Demographic and Economic Information

- Demographic and Economic Statistics (1997 – 2011)
- Principal Employers (2008 – 2011)
- Principal Taxpayers (2008 – 2011)
- Employment by Industry (2007 – 2010)
- Population by Year (1950 – 2011)

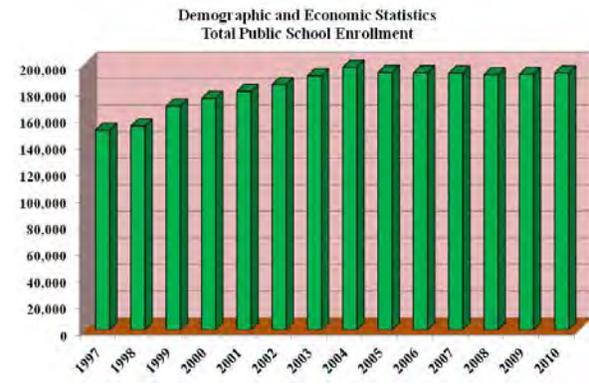
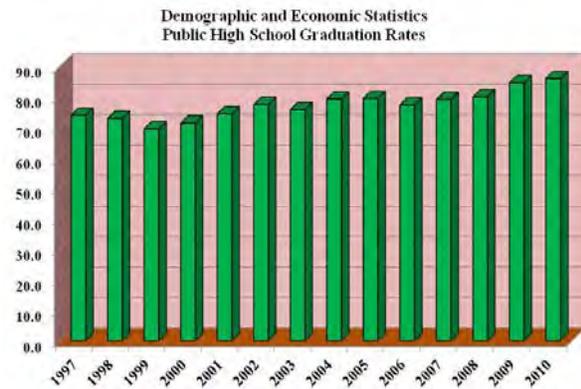
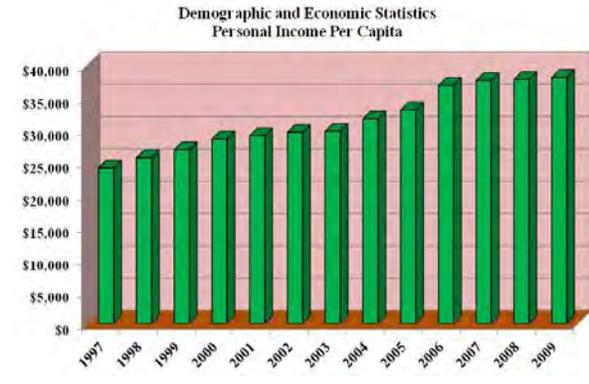
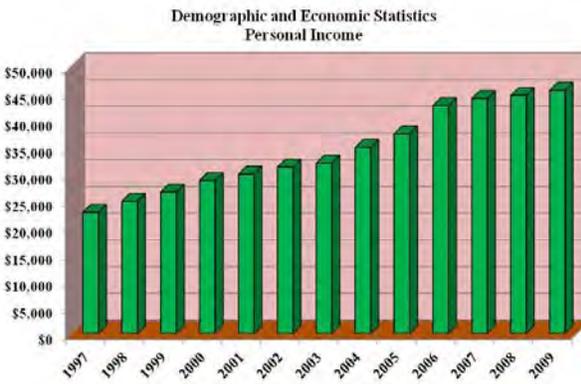
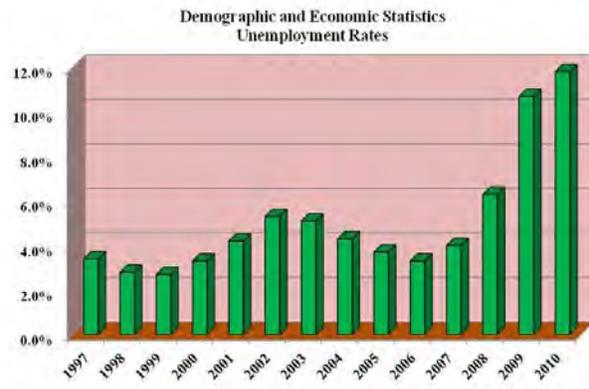
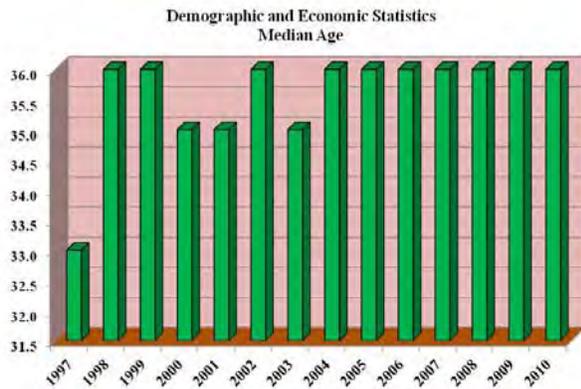
**Note: The statistical section contains “Unaudited” data.**

<b>HILLSBOROUGH COUNTY, FLORIDA                      DEMOGRAPHIC AND ECONOMIC STATISTICS                      1997 – 2011</b>							
Year	Population	Median Age	Unemployment Rate	Personal Income (millions)	Personal Income (per capita)	Public High School Graduation Rate	Total Public School Enrollment
1997	915,900	33	3.4%	\$22,730	\$24,081	74.0	150,235
1998	939,070	36	2.8%	\$24,754	\$25,648	72.9	153,351
1999	953,500	36	2.7%	\$26,483	\$26,889	69.5	168,360
2000	998,948	35	3.3%	\$28,646	\$28,558	71.4	173,953
2001	1,021,720	35	4.2%	\$29,829	\$29,055	74.4	179,362
2002	1,049,740	36	5.3%	\$31,151	\$29,602	77.5	184,483
2003	1,078,600	35	5.1%	\$31,933	\$29,748	75.8	191,186
2004	1,109,680	36	4.3%	\$34,849	\$31,671	79.3	197,500
2005	1,139,510	36	3.7%	\$37,379	\$33,034	79.5	193,669
2006	1,172,970	36	3.3%	\$42,675	\$36,845	77.3	193,480
2007	1,204,750	36	4.0%	\$44,020	\$37,627	79.1	193,180
2008	1,224,520	36	6.3%	\$44,583	\$37,778	80.0	191,965
2009	1,234,010	36	10.7%	\$45,511	\$38,075	84.6	192,260
2010	1,229,226	36	11.8%	\$0	\$0	86.0	193,244
2011	1,238,951	-	0.0%	\$0	\$0	-	-

Source: Hillsborough County Comprehensive Annual Financial Report FY2011



Note: The statistical section contains “Unaudited” data.



**Note: The statistical section contains “Unaudited” data.**

<b>HILLSBOROUGH COUNTY, FLORIDA PRINCIPAL EMPLOYERS</b>					
<b>Employer</b>	<b>2008 Employees</b>	<b>2009 Employees</b>	<b>2010 Employees</b>	<b>2011 Employees</b>	<b>Rank</b>
Hillsborough County School District	24,692	25,596	24,700	29,603	1
MacDill Air Force Base	6,656	6,734	13,300	15,485	2
Hillsborough County Government	10,442	10,194	9,930	9,328	3
Verizon Communications Corp	7,000	7,850	7,458	9,065	4
University of South Florida	6,000	8,600	6,151	8,353	5
Tampa International Airport	7,500	7,500	7,500	8,060	6
Tampa General Hospital	5,842	6,020	6,020	6,900	7
Publix Food Centers	4,984	5,714	5,823	5,823	8
St. Joseph Hospital	4,273	3,770	4,437	4,400	9
City of Tampa	4,502	4,154	4,240	4,274	10
<b>Total of Top Ten Employers</b>	<b>81,891</b>	<b>86,132</b>	<b>89,559</b>	<b>101,291</b>	

Source: Hillsborough County Comprehensive Annual Financial Report  
Tampa Chamber of Commerce

Note: Ten years of data unavailable



Note: The statistical section contains “Unaudited” data.

<b>HILLSBOROUGH COUNTY, FLORIDA PRINCIPAL TAXPAYERS (in millions of dollars)</b>					
<b>Taxpayers</b>	<b>FY2008 Taxes Levied</b>	<b>FY2009 Taxes Levied</b>	<b>FY2010 Taxes Levied</b>	<b>FY2011 Taxes Levied</b>	<b>Rank</b>
Tampa Electric Company	\$31,181	\$32,380	\$34,683	\$34,700	1
Verizon Communications Inc.	\$25,857	\$26,455	\$17,657	\$17,700	2
Hillsborough County Aviation Authority	\$12,008	\$11,040	\$9,855	\$9,900	3
Mosaic Company	\$8,101	\$4,206	\$6,459	\$6,500	4
Camden Operating LP	\$5,759	\$6,475	\$5,539	\$5,500	5
Liberty Property	\$5,286	\$4,913	\$4,607	\$4,600	6
Post Apartment Homes LP	\$5,245	\$4,585	\$4,288	\$4,300	7
Wal-Mart	\$4,309	\$4,048	\$4,275	\$4,300	8
Highwoods/Florida Holdings LP	\$6,455	\$4,391	\$4,156	\$4,200	9
Brighthouse Network	\$0	\$3,432	\$3,771	\$3,800	10
<b>Total of Top Ten Taxpayers</b>	<b><u>\$104,200</u></b>	<b><u>\$101,925</u></b>	<b><u>\$95,290</u></b>	<b><u>\$95,500</u></b>	

Source: Hillsborough County Tax Collector

Note: Ten years of data unavailable



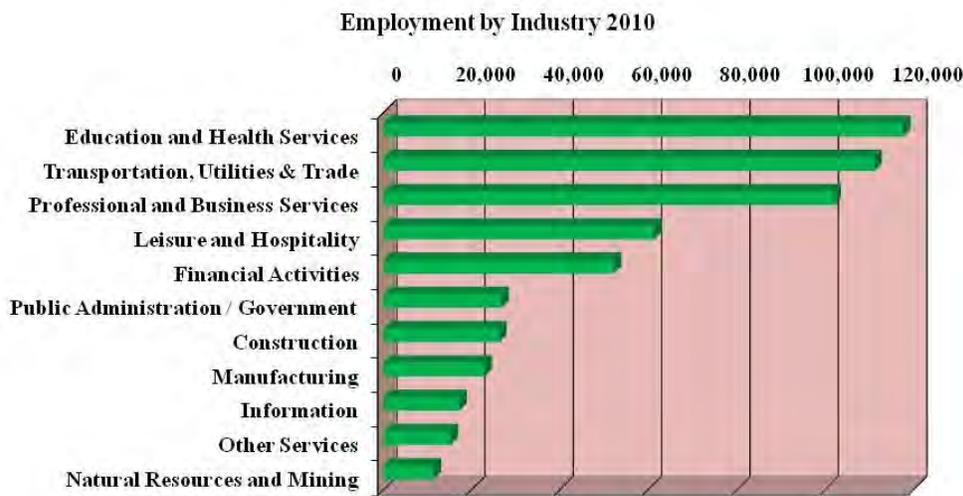
Note: The statistical section contains “Unaudited” data.

<b>HILLSBOROUGH COUNTY, FLORIDA EMPLOYMENT BY INDUSTRY</b>					
	<b>*2007 Employees</b>	<b>2008 Employees</b>	<b>2009 Employees</b>	<b>2010 Employees</b>	<b>Rank</b>
<b>Education and Health Services</b>	68,869	112,851	114,910	117,591	1
<b>Transportation, Utilities &amp; Trade</b>	126,179	121,713	112,653	111,119	2
<b>Professional and Business Services</b>	172,660	113,341	100,094	101,815	3
<b>Leisure and Hospitality</b>	59,322	61,960	61,313	61,307	4
<b>Financial Activities</b>	61,341	58,762	55,693	52,078	5
<b>Public Administration / Government</b>	79,148	27,040	26,868	26,714	6
<b>Construction</b>	42,251	38,171	30,025	26,184	7
<b>Manufacturing</b>	32,069	28,611	24,679	22,833	8
<b>Information</b>	22,554	20,587	18,353	17,188	9
<b>Other Services</b>	21,913	17,666	15,281	15,200	10
<b>Natural Resources and Mining</b>	13,064	12,030	12,513	11,357	11
<b>Total</b>	<b>699,370</b>	<b>612,732</b>	<b>572,382</b>	<b>563,386</b>	

Source: The Hillsborough County City-County Planning Commission

\* 2007 does not include Self Employed and Unpaid Family Workers

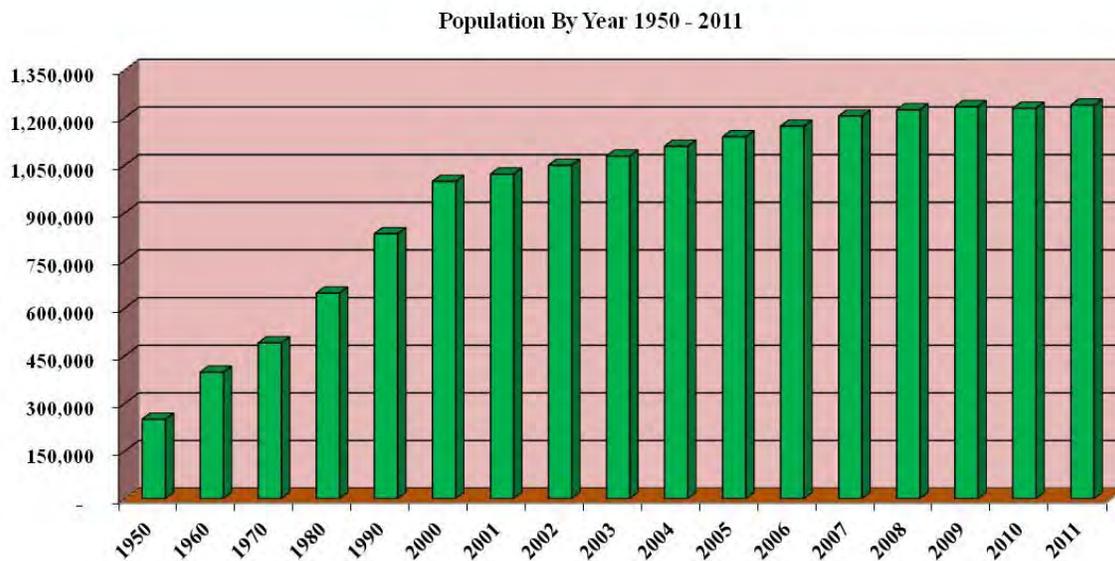
Note: Ten years of data unavailable



**Note: The statistical section contains “Unaudited” data.**

<b>HILLSBOROUGH COUNTY POPULATION BY YEAR 1950 – 2011</b>		
<b>Year</b>	<b>Population</b>	<b>% Increase</b>
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	1,021,720	2.3%
2002	1,049,740	2.7%
2003	1,078,600	2.7%
2004	1,109,680	2.9%
2005	1,139,510	2.7%
2006	1,172,970	2.9%
2007	1,204,750	2.7%
2008	1,224,520	1.6%
2009	1,234,010	0.8%
2010	1,229,226	-0.4%
2011	1,238,951	3.1%

Source: Hillsborough County Comprehensive Annual Financial Report FY2011



Note: The statistical section contains “Unaudited” data.

## Statistical Section

### Operating Information

- Miscellaneous HART Statistics
- Staffing – Position Count by Division (FY2006 – FY2012)
- Staffing – Position Count by Unit (FY2006 – FY2012)
- Trend of Statistics and Financial Activity – Bus Service (FY2004 – FY2012)
- Trend of Statistics and Financial Activity – Paratransit Service (FY2004 – FY2012)
- Trend of Statistics and Financial Activity – Streetcar Service (FY2004 – FY2012)
- 13(C) Back Pension Payment (FY2003 – FY2012)

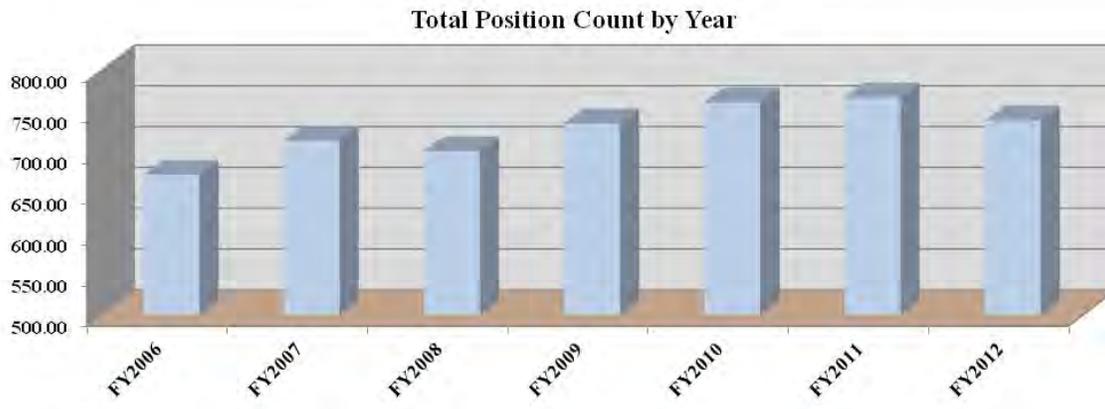
**Note: The statistical section contains “Unaudited” data.**

<b>MISCELLANEOUS HART STATISTICS</b>	
Date Authority Created	October 3, 1979
Date Authority Began Operations	1980
Form of Government	Board of Directors, Chief Executive Officer
Board of Directors	13
Total Square Miles	1,266 square miles
Type of Tax Support	Property Tax
Property Tax (Millage/Rate) (2012 Adopted Budget)	.5 mil (0.50)
Services	<p>Fixed Route = 29 local routes, 7 express routes, 5 limited express routes. 100% wheelchair/bicycle accessible buses and vans</p> <p>Flex Service = 5 Flex routes</p> <p>Paratransit = Door-to-door van services for disabled persons</p> <p>Streetcar = Streetcar service operated and maintained under contract to Tampa Historic Streetcar, Inc. (THS)</p>
Bus Stops / Shelters	3,267 bus stops; 296 shelters maintained by the Authority; 345 shelters maintained by a vendor
Transit Fleet	<p>Fixed Route and Flex Service: 188 buses and vans</p> <p>Paratransit: 44 vans</p> <p>Streetcar: 10</p>
Facilities	<ul style="list-style-type: none"> <li>◦ 21st Avenue Operations and Maintenance Facility</li> <li>◦ 22 park-and-ride lots</li> <li>◦ 2 transit centers (Marion Transit Center and University Area Transit Center)</li> <li>◦ 9 transfer centers (Britton Plaza, Westshore Plaza, Northwest Hillsborough, West Tampa, Netp@rk, Yukon, Westfield Shoppingtown Brandon, University Mall, Southshore Regional Service Center)</li> <li>◦ Marion Street Transit Parkway</li> <li>◦ HART on Franklin</li> <li>◦ Ybor Station (streetcar operations, streetcar maintenance facility, and administrative staff)</li> <li>◦ Dick Greco/Southern Transportation Plaza</li> </ul>

**Note: The statistical section contains “Unaudited” data.**

<b>STAFFING POSITION COUNT BY DIVISION</b>							
	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
Executive Office	23.00	24.00	22.00	23.00	23.00	26.00	25.00
Operations	587.00	626.00	615.50	645.00	670.00	669.00	648.25
Finance	<u>62.00</u>	<u>64.00</u>	<u>63.50</u>	<u>67.00</u>	<u>68.00</u>	<u>72.00</u>	<u>65.50</u>
Total Positions	<u>672.00</u>	<u>714.00</u>	<u>701.00</u>	<u>735.00</u>	<u>761.00</u>	<u>767.00</u>	<u>738.75</u>

<b>STAFFING POSITION COUNT BY UNIT</b>							
	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
Non-Bargaining	122.70	125.70	117.00	127.00	131.00	138.00	130.75
Teamsters	42.00	43.00	44.00	47.00	47.00	46.00	42.00
ATU	<u>507.30</u>	<u>545.30</u>	<u>540.00</u>	<u>561.00</u>	<u>583.00</u>	<u>583.00</u>	<u>566.00</u>
Total Positions	<u>672.00</u>	<u>714.00</u>	<u>701.00</u>	<u>735.00</u>	<u>761.00</u>	<u>767.00</u>	<u>738.75</u>



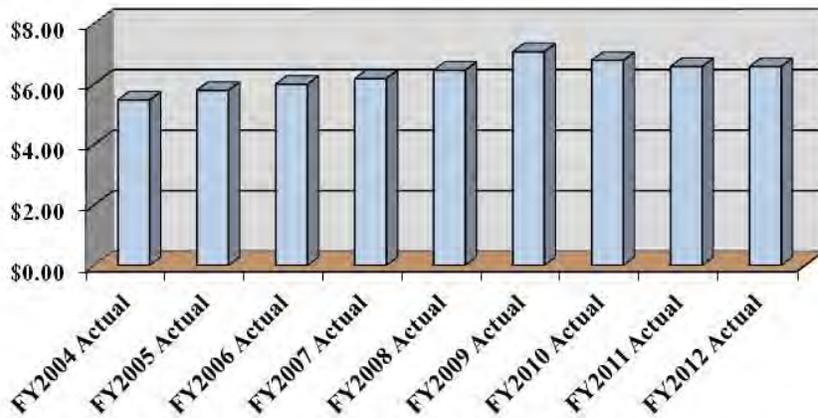
**Note: The statistical section contains “Unaudited” data.**

## TREND OF STATISTICS AND FINANCIAL ACTIVITY BUS SERVICE

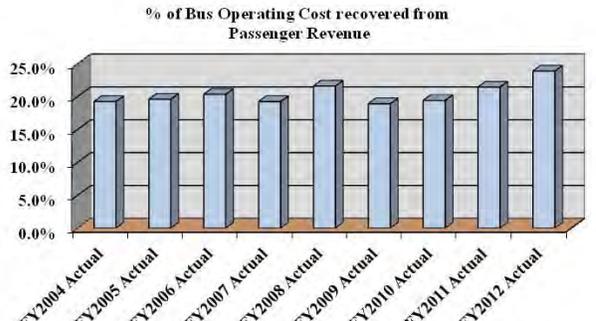
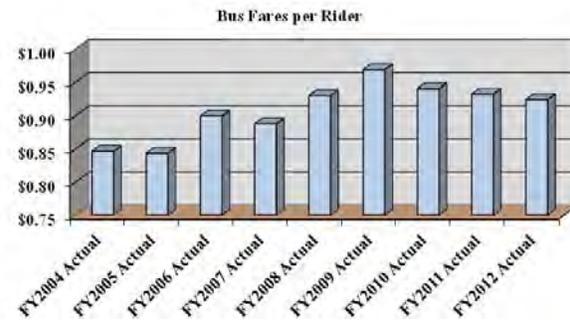
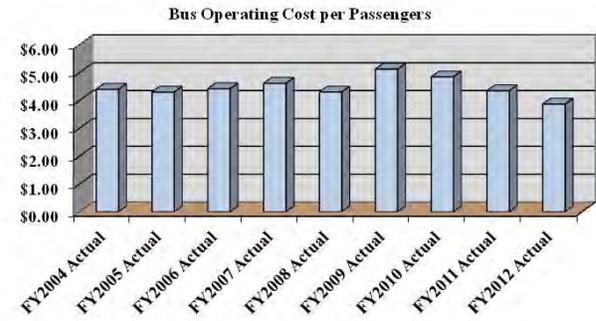
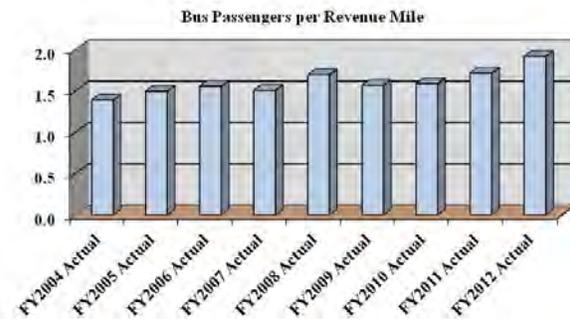
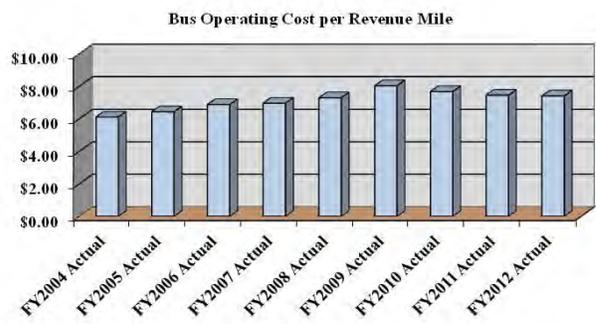
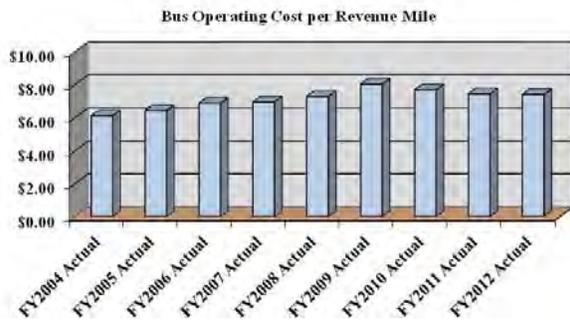
	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual
<b>STATISTICS</b>									
Total Miles	7,151,387	7,463,093	7,897,748	8,333,516	8,037,598	8,449,218	8,773,546	8,830,998	8,432,411
Revenue Miles	6,396,699	6,716,394	6,875,484	7,393,632	7,108,885	7,421,599	7,737,640	7,789,008	7,477,638
Total Hours	550,509	574,587	608,430	628,452	606,240	622,366	651,550	655,135	630,109
Revenue Hours	514,872	542,002	556,007	588,622	568,232	581,600	608,091	611,417	586,224
Vehicle Trips	478,245	522,296	545,140	566,398	514,979	532,415	552,195	563,687	n/a
Ridership	8,884,566	10,040,492	10,697,621	11,147,660	12,044,758	11,638,548	12,270,211	13,351,052	14,314,610
Positions	593.0	589.8	606.3	642.3	624.0	654.0	679.0	684.0	655.8
<b>REVENUES</b>									
Fares	\$7,520,735	\$8,467,030	\$9,623,293	\$9,896,046	\$11,203,410	\$11,277,703	\$11,540,267	\$12,450,521	\$13,224,477
Ad Valorem	\$22,774,746	\$24,935,399	\$28,785,900	\$34,980,211	\$34,783,461	\$33,948,291	\$29,983,864	\$25,078,102	\$26,715,031
Grants	\$6,092,360	\$9,782,041	\$7,317,789	\$7,121,161	\$7,203,373	\$10,235,930	\$10,562,407	\$14,062,336	\$14,829,001
Other	\$837,032	\$1,231,916	\$2,069,952	\$2,690,621	\$1,874,404	\$919,153	\$1,587,197	\$1,187,695	\$1,160,946
Total Revenue	\$37,224,873	\$44,416,387	\$47,796,934	\$54,688,039	\$55,064,648	\$56,381,077	\$53,673,735	\$52,778,654	\$55,929,455
<b>EXPENSES</b>									
Total Expenses	\$39,086,932	\$43,182,977	\$47,309,976	\$51,439,321	\$51,853,006	\$59,641,020	\$59,426,665	\$58,056,039	\$55,990,878
<b>KEY OPERATING INDICATORS</b>									
Operating Cost per Total Mile	\$5.47	\$5.79	\$5.99	\$6.17	\$6.45	\$7.06	\$6.77	\$6.57	\$6.64
Operating Cost per Revenue Mile	\$6.11	\$6.43	\$6.88	\$6.96	\$7.29	\$8.04	\$7.68	\$7.45	\$7.49
Passengers per Revenue Mile	1.39	1.49	1.56	1.51	1.69	1.57	1.59	1.71	1.91
Operating Cost per Passenger	\$4.40	\$4.30	\$4.42	\$4.61	\$4.31	\$5.12	\$4.84	\$4.35	\$3.91
Fares Per Rider	\$0.85	\$0.84	\$0.90	\$0.89	\$0.93	\$0.97	\$0.94	\$0.93	\$0.92
Percentage of Operating Cost Recovered from Passenger Revenues	19.2%	19.6%	20.3%	19.2%	21.6%	18.9%	19.4%	21.4%	23.6%

Source: Federal Transit Administration, National Transit Database

**Bus Operating Cost per Total Mile**



**Note: The statistical section contains “Unaudited” data.**

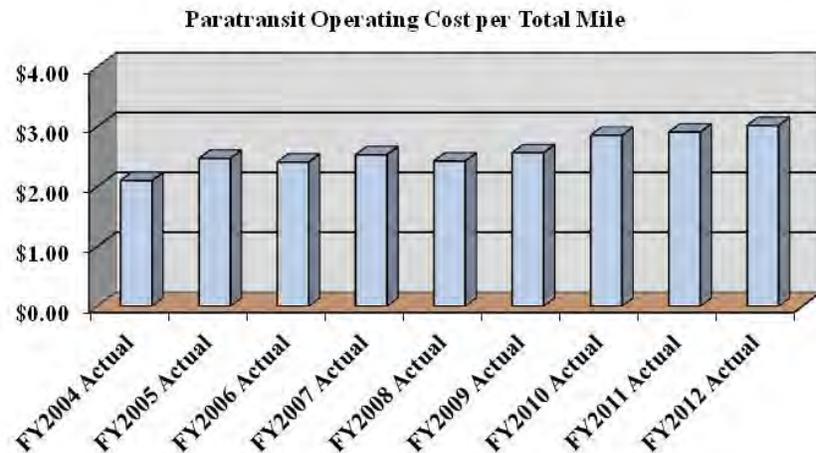


**Note: The statistical section contains “Unaudited” data.**

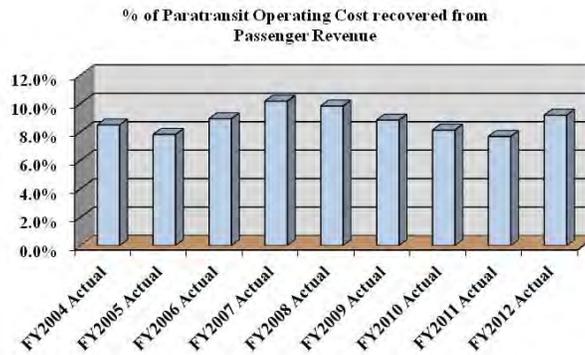
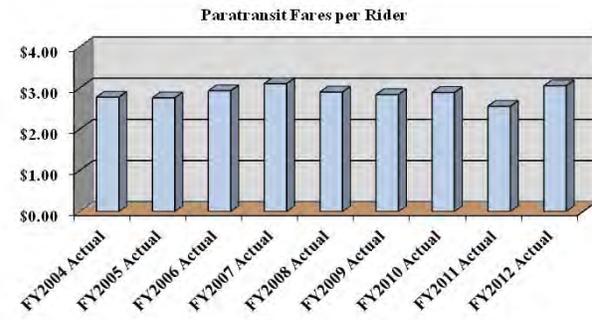
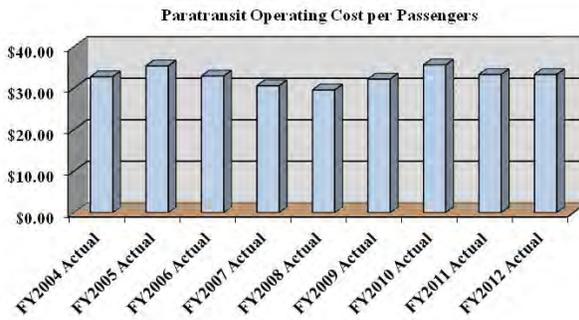
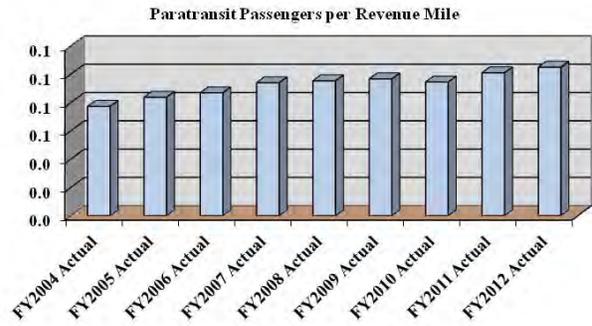
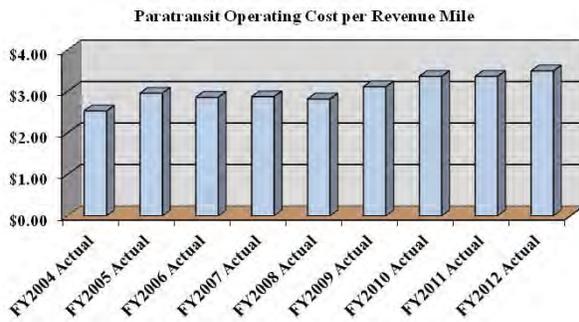
## TREND OF STATISTICS AND FINANCIAL ACTIVITY PARATRANSIT SERVICE

	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual
<b>STATISTICS</b>									
Total Miles	625,856	704,632	862,699	996,038	1,235,785	1,217,037	1,299,813	1,407,700	1,418,818
Revenue Miles	519,612	588,732	726,952	876,853	1,063,657	1,003,087	1,104,180	1,218,100	1,226,759
Total Hours	40,246	48,060	53,060	62,475	77,484	80,837	88,070	95,666	95,102
Revenue Hours	33,052	41,190	46,346	55,957	64,182	66,180	69,837	77,565	78,600
Vehicle Trips	36,634	42,075	58,101	75,063	92,363	88,788	92,907	106,800	n/a
Ridership	40,158	49,277	63,165	82,439	101,426	97,044	104,378	123,077	128,780
Positions	30.0	32.7	36.7	42.7	48.0	56.0	58.0	59.0	66.0
<b>REVENUES</b>									
Fares	\$111,464	\$135,997	\$185,182	\$255,952	\$294,202	\$275,331	\$301,398	\$314,275	\$392,903
Ad Valorem	\$406,000	\$805,400	\$1,027,413	\$1,442,984	\$1,803,500	\$774,913	\$1,045,106	\$2,623,457	\$2,700,582
Grants	\$800,000	\$800,000	\$800,000	\$821,823	\$834,372	\$2,251,980	\$1,871,381	\$1,158,469	\$1,192,296
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$1,501	\$253	\$314
Total Revenue	\$1,317,464	\$1,741,397	\$2,012,595	\$2,520,759	\$2,932,074	\$3,302,224	\$3,219,386	\$4,096,454	\$4,286,095
<b>EXPENSES</b>									
Total Expenses	\$1,314,344	\$1,741,080	\$2,077,806	\$2,520,759	\$2,996,917	\$3,121,805	\$3,712,329	\$4,096,454	\$4,286,094
<b>KEY OPERATING INDICATORS</b>									
Operating Cost per Total Mile	\$2.10	\$2.47	\$2.41	\$2.53	\$2.43	\$2.57	\$2.86	\$2.91	\$3.02
Operating Cost per Revenue Mile	\$2.53	\$2.96	\$2.86	\$2.87	\$2.82	\$3.11	\$3.36	\$3.36	\$3.49
Passengers per Revenue Mile	0.08	0.08	0.09	0.09	0.10	0.10	0.09	0.10	0.10
Operating Cost per Passenger	\$32.73	\$35.33	\$32.89	\$30.58	\$29.55	\$32.17	\$35.57	\$33.28	\$33.28
Fares Per Rider	\$2.78	\$2.76	\$2.93	\$3.10	\$2.90	\$2.84	\$2.89	\$2.55	\$3.05
Percentage of Operating Cost Recovered from Passenger Revenues	8.5%	7.8%	8.9%	10.2%	9.8%	8.8%	8.1%	7.7%	9.2%

Source: Federal Transit Administration, National Transit Database



**Note: The statistical section contains “Unaudited” data.**



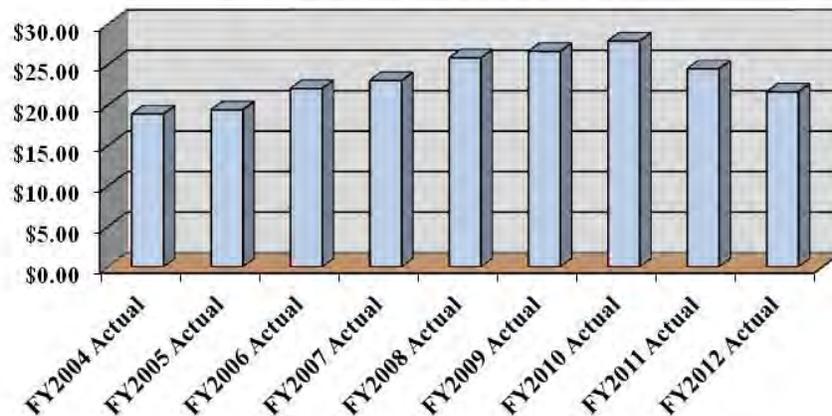
**Note: The statistical section contains “Unaudited” data.**

### TREND OF STATISTICS AND FINANCIAL ACTIVITY STREETCAR SERVICE

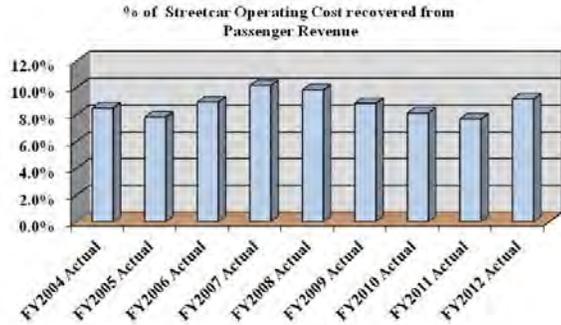
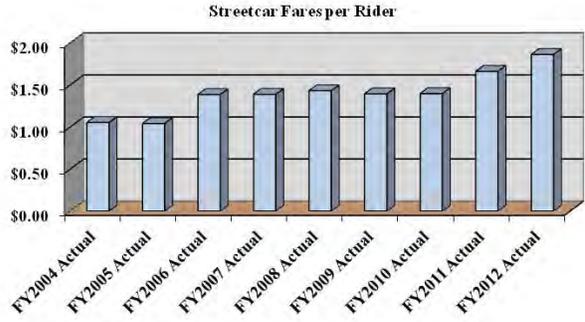
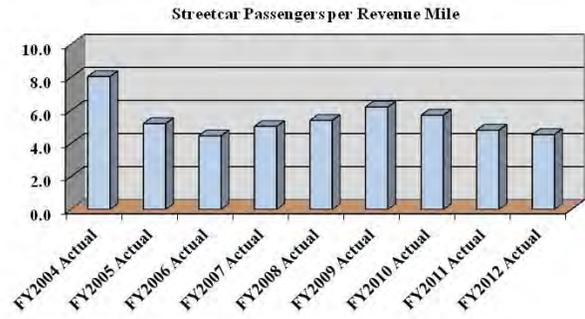
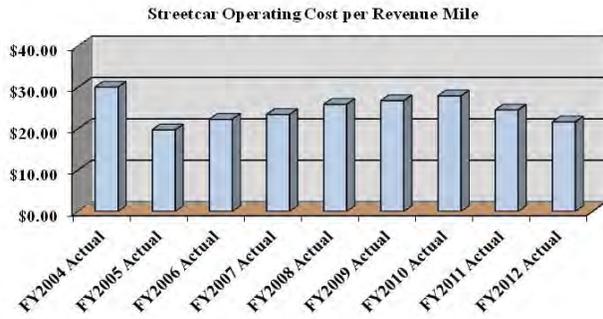
	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Actual
<b>STATISTICS</b>									
Total Miles	84,146	84,944	88,334	88,663	82,032	74,913	71,411	76,598	67,621
Revenue Miles	52,931	83,709	87,496	87,147	81,856	74,604	71,395	76,471	67,599
Total Hours	17,731	17,833	18,290	18,252	16,209	14,650	13,919	14,463	12,634
Revenue Hours	17,481	17,580	18,016	17,985	16,090	14,572	13,845	14,385	12,561
Vehicle Trips	36,586	36,928	37,430	37,296	36,445	33,053	31,570	30,921	26,733
Ridership	425,614	434,498	389,771	437,612	440,738	462,461	407,011	366,808	306,247
Positions	26.5	29.0	29.0	29.0	29.0	25.0	24.0	24.0	17.0
<b>REVENUES</b>									
Fares	\$448,089	\$451,903	\$539,845	\$607,423	\$630,300	\$644,428	\$568,291	\$609,180	\$570,134
Ad Valorem	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants	\$1,234,825	\$1,303,447	\$1,411,549	\$1,637,605	\$1,577,618	\$1,360,753	\$1,436,858	\$1,440,941	\$941,880
Other	\$2,813	\$16,371	\$5,230	\$27,123	\$0	\$12,363	\$3,300	\$6,397	\$24
Total Revenue	\$1,685,726	\$1,771,721	\$1,956,624	\$2,272,151	\$2,207,918	\$2,017,544	\$2,008,449	\$2,056,518	\$1,512,038
<b>EXPENSES</b>									
Total Expenses	\$1,589,960	\$1,648,749	\$1,947,470	\$2,041,902	\$2,118,096	\$1,996,663	\$1,993,427	\$1,875,144	\$1,462,656
<b>KEY OPERATING INDICATORS</b>									
Operating Cost per Total Mile	\$18.90	\$19.41	\$22.05	\$23.03	\$25.82	\$26.65	\$27.91	\$24.48	\$21.63
Operating Cost per Revenue Mile	\$30.04	\$19.70	\$22.26	\$23.43	\$25.88	\$26.76	\$27.92	\$24.52	\$21.64
Passengers per Revenue Mile	8.04	5.19	4.45	5.02	5.38	6.20	5.70	4.80	4.53
Operating Cost per Passenger	\$3.74	\$3.79	\$5.00	\$4.67	\$4.81	\$4.32	\$4.90	\$5.11	\$4.78
Fares Per Rider	\$1.05	\$1.04	\$1.39	\$1.39	\$1.43	\$1.39	\$1.40	\$1.66	\$1.86
Percentage of Operating Cost Recovered from Passenger Revenues	28.2%	27.4%	27.7%	29.7%	29.8%	32.3%	28.5%	32.5%	39.0%

Source: Federal Transit Administration, National Transit Database

**Streetcar Operating Cost per Total Mile**



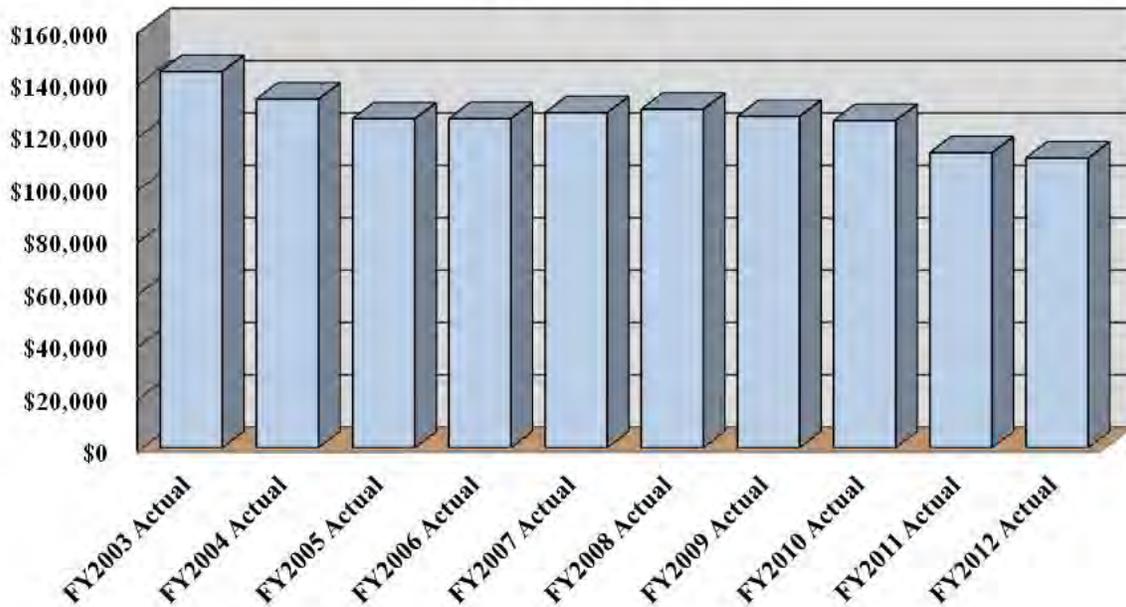
**Note: The statistical section contains “Unaudited” data.**



**Note: The statistical section contains “Unaudited” data.**

13(C) Back Pension Payment		
Year	Amount	% of Change
FY2003 Actual	\$143,737	0.00%
FY2004 Actual	\$133,210	-7.32%
FY2005 Actual	\$125,665	-5.66%
FY2006 Actual	\$125,713	0.04%
FY2007 Actual	\$127,987	1.81%
FY2008 Actual	\$129,320	1.04%
FY2009 Actual	\$126,584	-2.12%
FY2010 Actual	\$125,000	-1.25%
FY2011 Actual	\$112,658	-9.87%
FY2012 Actual	\$110,696	-1.74%

13(C) Back Pension Payment  
FY2003 - FY2012



Note: The statistical section contains “Unaudited” data.

**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, 2012, and have issued our report thereon dated April 15, 2013. 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

Management of the Authority is responsible for establishing and maintaining effective 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 audit procedures for the purpose of expressing our opinion on the 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 10-1, 10-3 and 12-1 and 12-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

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(Continued)

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 April 15, 2013.

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.

This report is intended solely for the information and use of the management, the Board of Directors, 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  
April 15, 2013

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 Hillsborough Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' 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, 2012. 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.

In our opinion, 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, 2012.

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(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.

*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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-5 and 11-7. A significant deficiency in internal controls over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the responses.

We noted certain other matters that we have reported to management of the Authority in a separate letter dated April 15, 2013.

The purpose of this report is solely to describe the scope of our testing over compliance and internal controls over compliance with the requirements that could have a direct and material effect on each major program or state financial assistance project and the results of that testing, and not to provide a legal determination of compliance with those requirements or an opinion on the effectiveness of internal control over compliance. Accordingly, this report is not suitable for any other purpose.

  
Crowe Horwath LLP

Tampa, Florida  
April 15, 2013

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2012

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weakness identified	No
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	No
Significant deficiency identified not considered to be material weakness	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
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:

<u>CFDA/CSFA Number</u>	<u>Name of Program</u>
<u>Federal:</u>	
20.500, 20.507	Federal Transit Cluster - ARRA
<u>State:</u>	
55.010	State of Florida Department of Transportation: Public Transit Block Grant
55.011	State of Florida Department of Transportation: Park and Ride Lot Program
55.013	State of Florida Department of Transportation: Transit Corridor Program

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$547,562
State	\$300,000

Auditee qualified as low-risk	No
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(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2012

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**10-1 Payroll Policies and Procedures**

**Condition:** A) Pay Rates

We observed 2 out of 60 files tested did not contain an approved rate change ticket for union step increase wage adjustment.

B) Time Card Approval Documentation

We observed 1 of 60 transactions tested where the supporting time card was not documented as approved.

**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 employee wage changes.

B) Management is responsible for maintaining documentation that all time cards are reviewed and marked approved before being paid.

**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.

**Cause:** The wrong time approval report was run for the pay period and the payroll system does not allow for retroactive reports to be generated

**Recommendation:** The Authority should:

A) Consider developing and implementing policies and procedures to ensure authorization of employee wage changes is documented and maintained and added to the employee's master file.

B) Develop procedures to insure the correct payroll approval reports are run during payroll processing.

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(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2012

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**10-1 Payroll Policies and Procedures (Continued)**

**Management's  
Response:**

- A) Management concurs with this finding.
- B) Management concurs that this incident took place.

**10-3 Inventory Count Procedures**

**Condition:** We observed 5 errors out of 54 test counts sampled during the yearend inventory physical count procedures.

**Criteria:** Policies and procedures should be in place to ensure accurate 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 with this finding.

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(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2012

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**12-1                      Approval of Journal Entries**

**Condition:**                      We observed 3 out of 32 journal entries tested that were not documented indicating review and approval for posting.

**Criteria:**                         All journal entries should be documented as reviewed and approved before posting.

**Effect:**                         Ineffective journal entry procedures could adversely affect the Authority's ability to report on financial data 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:**                         The Authority has a control process in place that did not operate as designed.

**Recommendation:**         The Authority should review and revise the current procedures and internal controls regarding journal entries to ensure procedures are documented accordingly.

**Management's  
Response:**                      Management concurs that this was a finding at interim audit.

**12-2                      Retainage Payable on Construction Contracts**

**Condition:**                      We observed that accounts payable and construction work in process were understated by \$395,224 because retainage payable related to significant construction contracts was not properly accrued.

**Criteria:**                         All payables related to significant construction contracts should be accrued as incurred.

**Effect:**                         Current liabilities and construction work in process were understated.

**Cause:**                         Procedures has not been fully developed to track and record retainage payable as part of the year end closing entries because construction activity in prior years was not significant and did not normally span the fiscal year end.

**Recommendation:**         The Authority should review all construction activity at year end and develop a procedure to calculate and accrue all related retainage payable.

**Management's  
Response:**                      Management concurs with this finding and has made the necessary adjustments to record this amount to the financial statements.

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(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2012

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

**Significant Deficiency**

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

**11-5                      Payroll Policies and Procedures**

Same as finding 10-1

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(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2012

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

**Significant Deficiency**

Florida Department of Transportation  
CSFA #55.010  
Public Transit Block Grant

Florida Department of Transportation  
CSFA #55.013  
Transit Corridor Grants

**11-7                      Payroll Policies and Procedures**

Same as finding 10-1.

HILLSBOROUGH TRANSIT AUTHORITY  
SUMMARY OF PRIOR AUDIT FINDINGS  
Year ended September 30, 2012

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**AUDIT REFERENCE**

**Finding 10-1: Payroll Policies and Procedures**

**Status:** A) This finding implemented as of September 30, 2012.  
B) This finding implemented as of September 30, 2012.

**Finding 10-3: Inventory County Procedures**

**Status:** This finding is still outstanding as of September 30, 2012, see current year finding 11-3.

**Finding 10-5: Inadequate Controls Over the Accrual of Grant Expenditures**

**Status:** This finding was implemented as of September 30, 2012.

**Finding 10-6: Inadequate Controls Over the Accrual of Grant Expenditures**

**Status:** This finding was implemented as of September 30, 2012.

**Finding 11-3: Deferred Revenue**

**Status:** This finding was implemented as of September 30, 2012.

**Finding 11-5: Payroll Policies and Procedures**

**Status:** A) This finding implemented as of September 30, 2012.  
B) This finding is still outstanding as of September 30, 2012, see current year finding 11-5.

**Finding 11-7: Payroll Policies and Procedures**

**Status:** A) This finding implemented as of September 30, 2012.  
B) This finding is still outstanding as of September 30, 2012, see current year finding 11-7.

HILLSBOROUGH TRANSIT AUTHORITY  
CORRECTIVE ACTION PLAN  
Year ended September 30, 2012

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**AUDIT REFERENCE**

**Finding 10-1: Payroll Policies and Procedures**

- A) Payroll does have adequate procedures in place for running the approval report. This particular situation was simply due to human error of clicking the wrong report on the menu and integrating the file into Great Plains software before the error was realized. The system does not allow for reprints.

Moving forward, the payroll staff will print the approved report and keep it with the bi-weekly timesheets. They will also save the report to a digital file.

- B) Management will review current operator schedules so to reduce the opportunity of non-compliance and to closely monitor when operators are reaching the twelve hour driving threshold.

**Finding 10-3: Inventory Count Procedures**

During FY12, HART staff totally revamped the annual inventory standard operating procedure manual, which included the forms utilized during the inventory. Due to a computer system conversion, HART performed a mid-year inventory and chose to utilize the services of an outside vendor that specialized in inventory counts. HART also used the same outside vendor for the year-end inventory. The majority of the mid-year vendor employees were reused. Training was conducted with HART staff the week before the inventory. Training was also provided to in-house and contracted employees the morning of the inventory count.

Since HART experienced the same type of count errors utilizing an outside company, it is HART's opinion that environmental problems may be an issue in insuring an accurate count. It is HART's intention to address some of these issues before the FY13 physical inventory count. Other problems, which will require more cost and time to remedy, may be resolved in future fiscal years.

**Finding 12-1: Approval of Journal Entries**

After the interim audit, control processes were immediately put in place and were in place at the year-end audit. An edit list, as well as a posting report is filed with each journal entry in order to track who initiated the entry and who posted the entry. Also, all journal entries are signed off as approved and kept in a binder at the desk of the Manager of Accounting & Financial Reporting. As a result there were no additional findings at the fiscal year-end audit.

Moving forward, the Director of Finance will make an additional review of the completed monthly journal entry binder to ensure that all entries have been approved. A signature page will be added for sign off indicating this review was done.

**Finding 11-5: Payroll Policies and Procedures**

Same as response to finding 10-1

**Finding 11-7: Payroll Policies and Procedures**

Same as response to finding 10-1

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

In planning and performing our audit of the financial statements of the Hillsborough Transit Authority (the Authority) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control. Matters communicated in this letter are classified based on Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, as follows.

- Best Practice – A matter which you may find of interest.
- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

We have included in this letter all of the single audit findings as well as additional items defined as "best practices" and "deficiencies".

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Report of Independent Auditors on Internal Control over Financial Reporting and Compliance and Other Matters, Report of Independent Auditors on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 15, 2013, should be considered in conjunction with this management letter.

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(Continued)

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)l., 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.
- 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, 2012 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, 2012. In connection with our audit, we determined that these two reports were in agreement.

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(Continued)

- 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>INITIAL YEAR REPORTED</u>	<u>LEVEL</u>	<u>STATUS</u>
10-1 Payroll Policies and Procedures	2010	Material Weakness	Partial Implemented – See current year comment 10-1 in the Schedule of Findings and Questioned Costs
10-3 Inventory Count Procedures	2010	Significant Deficiency	See current year comment 10-3 in the Schedule of Findings and Questioned Costs
11-3 Deferred Revenue	2011	Significant Deficiency	Implemented
10-5 Inadequate Controls Over the Accrual of Grant Expenses	2010	Significant Deficiency	Implemented
11-5 Payroll Policies and Procedures	2011	Material Weakness – Federal Programs	Partial Implemented – See current year comment 11-5 in the Schedule of Findings and Questioned Costs
10-6 Inadequate Controls Over the Accrual of Grant Expenses	2010	Material Weakness – Federal Programs	Implemented
11-7 Payroll Policies and Procedures	2010	Material Weakness – State Programs	Partial Implemented – See current year comment 11-7 in the Schedule of Findings and Questioned Costs
11-8 Documentation of Review of Revenue Reconciliation	2011	Deficiency	Partial Implemented – See current year comment 11-8
11-9 Timeliness of Capital Asset Inventory	2011	Deficiency	Implemented
10-14 Procedures for Review of the Allowance for Doubtful Accounts	2011	Deficiency	Implemented

(Continued)

**CURRENT YEAR COMMENTS**

<b>11-8 DOCUMENTATION OF REVIEW OF REVENUE RECONCILIATION</b>	<b>Deficiency</b>
<b>Condition:</b>	We observed of 38 days selected testing, one day's information was not correctly entered into the monthly reconciliation. The previous day was repeated in error. This input error created a variance in the reconciliation that was over the Authority's tolerable threshold. The reconciliation was documented as being reviewed and approved by management without the variance being discovered or investigated. The Authority's daily revenue reconciliation review did not operating effectively as designed.
<b>Criteria:</b>	Daily reconciliations are performed between the GFI probing expected cash balance and the actual fare box cash count to verify cash counts are within the established tolerable variance. All exceptions should be investigated and documented.
<b>Cause:</b>	Not all variances over the established threshold were investigated.
<b>Effect:</b>	A variance outside of expectation was not investigated in a timely fashion.
<b>Recommendation:</b>	We recommend that the Authority's policy to investigate and document any variances over established threshold should be followed in all cases and documented accordingly.
<b>Management's Response:</b>	HART will institute a daily process of verification of the fare revenue reconciliation schedule by the department manager and a monthly sign-off by the respective director.

(Continued)

<b>12-3 PROPERTY TAX REVENUE</b>		<b>Deficiency</b>
<b>Condition:</b>	In accordance with accounting standards, property tax revenue should be recognized in the period in which the taxes are levied. The Authority did not accrue the amount of property taxes receivable from delinquent taxes as of year-end causing revenue and accounts receivable to be understated.	
<b>Criteria:</b>	The Authority is required to follow all applicable accounting principles in the preparation of their financial statements.	
<b>Cause:</b>	With the continued declining financial condition of the economy, the unpaid property tax from prior years continues to increase, causing the receivable to become more significant.	
<b>Effect:</b>	The net receivable for current and delinquent property taxes was understated by \$238,443.	
<b>Recommendation:</b>	We recommend that management performs an analysis of delinquent property taxes receivable at the end of each year as well as prior year and record an appropriate allowance in order to be in compliance with GASB 33.	
<b>Management's Response:</b>	Management is implementing processes to properly account for the outstanding property tax receivable and the outstanding revenue at the end of each future fiscal year and management has made the necessary adjustments to record this amount to the financial statements.	

<b>12-4 NON-COMPLIANCE WITH THE PROMPT PAYMENT ACT</b>		<b>Deficiency</b>
<b>Condition:</b>	We observed 1 out of 32 payments tested that was not made within the 45 day threshold required by the Prompt Payment act and that no interest was accrued and paid on the invoice.	
<b>Criteria:</b>	Florida's prompt payment act (Sections 218.70-218.80, Florida Statutes) requires that non-construction purchases should be paid within 45 days of receipt of the invoice or interest should be accrued and paid along with the invoice amount.	
<b>Cause:</b>	The Authority initially was going to return the purchased items and withhold payment until a credit memo could be process but subsequently determined the parts could be utilized in another capacity and paid the invoice instead of returning the parts.	
<b>Effect:</b>	An invoice was not paid in the required time frame and interest was not accrued and paid to the vendor for related to the late payment.	
<b>Recommendation:</b>	We recommend that the Authority make payments in accordance with the requirements of the Florida Prompt Payment Act.	
<b>Management's Response:</b>	<p>The Accounts Payable Lead currently sends out a weekly "troubleshoot" report to all appropriate staff. The report contains all outstanding invoices with their related status and indicates any issues with the invoice which require action by a staff member. This report is updated and sent out on a weekly basis. This troubleshoot report includes the vendor, invoice date and due date of the invoice.</p> <p>In the future, when the Procurement staff when the reviewing invoices encounter errors, they will automatically reject the invoice and notify the vendor in writing/email they will also notify the Accounts Payable department and Project or Department Manager. Once the Accounts Payable department is notified, they will update the "troubleshoot" Report. The Accounts Payable and Procurement departments will formally put procedures in place to address this issue within their respective departments.</p>	

(Continued)

12-5 REPORTING OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	Deficiency
<b>Condition:</b>	The Schedule of Expenditures of Federal Awards was initially prepared using incorrect data in the following areas: <ul style="list-style-type: none"> <li>• 2 grant contract numbers</li> <li>• 2 catalog of federal domestic assistance (CFDA) numbers</li> </ul> We noted that the incorrect CFDA numbers were reported within the correct federal cluster but were incorrect for the specific grants being reported.
<b>Criteria:</b>	The SEFA should report the CFDA and project numbers as provide on the grant agreements.
<b>Cause:</b>	Information was incorrectly reported on the SEFA and the Authority's review process did not detect the errors.
<b>Effect:</b>	The information on the SEFA was inaccurate.
<b>Recommendation:</b>	The Authority should review and revise the current procedures and internal controls regarding SEFA preparation to ensure that all data included on the report is accurate.
<b>Management's Response:</b>	Current procedures and internal controls have been revised to ensure that all data included in the SEFA report is accurate.

12-6 ICRP RECONCILIATION	Deficiency
<b>Condition:</b>	We observed with regard to the Authority's Indirect Cost Rate Plan (ICRP) and related grant invoicing we noted that the billing rate used for route grants (both State and Federal) was not "true-up" from the previous year's calculated rate approved for billing to the rate calculated at the end of the fiscal year based on actual current year expenditures which was lower than the previous year's calculated rate.
<b>Criteria:</b>	Grant expenditures reported and grant revenues earned should be based on actual cost, not estimated costs. With an approved ICRP, the previous year's calculated rates are allowable to be used throughout the fiscal year until the current year's rate can be determined, but a true-up should be performed on the billing related to the end of the fiscal year.
<b>Cause:</b>	The Authority did not perform the true-up calculation on grants billed via the ICRP before preparation of the financial statements and the SEFA.
<b>Effect:</b>	The Authority's revenue and related grant expenditures were overstated on the financial reports by \$358.
<b>Recommendation:</b>	The Authority should perform a "true-up" on all billings using the ICRP based on the ICRP calculated at the end of the fiscal year based on actual year expenses.
<b>Management's Response:</b>	Management will modify the end of year procedures to include a true-up test based on the completed Indirect Cost Rate Plan based on end of year final cost versus the preliminary cost rates. Currently, there is an approval required from the Chief Financial Officer on the final Indirect Cost Rate Plan. This approval will also be required for this true-up of actual cost versus preliminary cost.

(Continued)

<b>12-7 GRANT AWARDS</b>		<b>Deficiency</b>
<b>Condition:</b>	During our review of the financial and non-financial information contained on the SEFA we noted that one grant did not have an executed grant agreement.	
<b>Criteria:</b>	An executed agreement or formal commitment obligating federal funds is integral to recognizing revenue and a receivable and to including expenditures on the SEFA.	
<b>Cause:</b>	The Authority recorded grant revenues and reported expenditures on the SEFA based on pre-award authority instead of an executed grant agreement.	
<b>Effect:</b>	Revenue on the financial statements and expenditures on the SEFA are overstated by approximately \$190,000.	
<b>Recommendation:</b>	We recommend that grant revenue and SEFA expenditures not be recorded on the financial statements and SEFA, respectively, until an executed award is received by the Authority.	
<b>Management's Response:</b>	<p>Management concurs with this finding.</p> <p>Based on Generally Accepted Accounting Policies (GAAP), HART should not recognize these revenues and related receivables until the grant has been properly approved by the Grantee and the Grantor, even though HART as the Grantee has the ability to incur expenses related to the grant prior to their final approval. HART will review current policies and procedures and adjust to these findings.</p> <p>HART believes, however, that there inequities on how GAAP standards are applied, especially to the transit industry. HART recommends GAAP readdress the issue of how pre-award relates to revenue recognition and recommend uniform application of these policies to all industries.</p>	

<b>12-8 WORKERS COMPENSATION WAGE STATEMENTS</b>		<b>Deficiency</b>
<b>Condition:</b>	We observed 2 out of 17 workers comp claim files tested that did not have the appropriate wages statements to support the wages paid for lost wages.	
<b>Criteria:</b>	A wage statement verifying an employee's wage rate is supposed to be obtained from Authority before the Third Party Administrator (TPA) pays any lost wages claims due to an injury incurred on the job.	
<b>Cause:</b>	The Authority's TPA paid lost wages claims without the appropriate supporting documentation.	
<b>Effect:</b>	Lost wages were paid to employees without verified wage statements from the Authority.	
<b>Recommendation:</b>	The Authority should consider establishing controls to ensure that their TPA receives all required claims documentation in a timely fashion. Also, the Authority should consider implementing period review of the TPA files to ensure claim files are properly supported.	
<b>Management's Response:</b>	This finding was due to the weekly wage statement not being placed in the WC file. Management has developed a check list for the employee file as it is being compiled. The use of this check list should prevent this from occurring again.	

(Continued)

<b>12-9 ACCRUAL FOR ENVIRONMENTAL REMEDIATION LIABILITIES</b>		<b>Deficiency</b>
<b>Condition:</b>	During our review of the Authority's financial statements we noted a disclosure for an environmental remediation liability but an accrual for any liability had not been made.	
<b>Criteria:</b>	GASB 49 requires pollution remediation obligations to be accrued once the obligating event occurs and the components of the obligation become reasonably estimable.	
<b>Cause:</b>	The Authority determined the pollution remediation outlays to be pollution prevention or control obligations with respect to current operations instead of post remediation monitoring.	
<b>Effect:</b>	The Authority understated its liabilities by \$281,451.	
<b>Recommendation:</b>	We recommend that the Authority record environmental liabilities in accordance with GASB 49.	
<b>Management's Response:</b>	Moving forward, at the end of each fiscal year, management will record a short term and long term liability and record an estimated cost based on the assessed value of the continued environmental remediation and management has made the necessary adjustments to record this amount to the financial statements.	

<b>12-10 FLORIDA DEPARTMENT OF TRANSPORTATION (FDOT) OVERTIME REGULATIONS</b>		<b>Deficiency</b>
<b>Condition:</b>	We observed 5 out of 25 operators tested for compliance with FDOT overtime regulations that exceed the twelve hour per day driving limit.	
<b>Criteria:</b>	Operators have a maximum driving limit of 12 hours per day.	
<b>Cause:</b>	Potential delays such as traffic are not properly built into operator's schedules to prevent non-compliance with FDOT regulations	
<b>Effect:</b>	The Authority could have additional non-compliance instances.	
<b>Recommendation:</b>	Consider revising operator schedules to allow for potential delays that could lead to regulation non-compliance and to closely monitor operator drive time to ensure schedule adjustments are made before non-compliance occurs	
<b>Management's Response:</b>	Management will review current operator schedules so to reduce the opportunity of non-compliance and to closely monitor when operators are reaching the twelve hour driving threshold.	

(Continued)

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.

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.

  
Crowe Horwath LLP

Tampa, Florida  
April 15, 2013



Hillsborough Area Regional Transit Authority

Tampa, Florida

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