



HILLSBOROUGH TRANSIT AUTHORITY

TAMPA, FLORIDA

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

SEPTEMBER 30, 1980

PMN

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James A. McNulty
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Stephen M. Hartsock
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Board of Directors
Hillsborough Transit Authority
Tampa, Florida

We have examined the balance sheets of the Hillsborough Transit Authority as of September 30, 1980, and the related statements of revenues, expenditures, and changes in fund balance -- general fund and revenues, expenditures, and changes in fund balance -- budget and actual -- general fund for the period March 1, 1980, (date of inception) to September 30, 1980. Federal funds of \$1,178,048 were awarded under section five of the Urban Mass Transportation Act of 1964, as amended. The City of Tampa received \$434,517 of the section five grant, the remaining funds were received by the Hillsborough Transit Authority. Our examination was made in accordance with the General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, & Functions, the Guidelines for Financial and Compliance Audits of Federally Assisted Programs, as supplemented, and generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Authority has recorded assets in the general fixed asset account group, which were contributed by the City of Tampa on March 1, 1980, at book value to the City at that date. Generally accepted accounting principles require these assets be recorded at their estimated fair value at the time received. The effect of this departure on the balance sheet of the general fixed asset account group has not been determined.

In our opinion, except for the effect of not recording transferred assets at their fair value on the balance sheet of the general fixed asset account group, the financial statements referred to above present fairly the financial position of the Hillsborough Transit Authority as of September 30, 1980, and the results of operations and changes in fund balance for the period from March 1, 1980, (date of inception) to September 30, 1980, in conformity with generally accepted accounting principles.

Pender, McNulty & Newkirk

Certified Public Accountants
December 29, 1980

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Pender, McNulty & Newkirk • Certified Public Accountants

HILLSBOROUGH TRANSIT AUTHORITY

BALANCE SHEETS

SEPTEMBER 30, 1980

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Total (memorandum only)</u>
<u>ASSETS</u>			
Cash	\$ 11,895		\$ 11,895
Temporary cash investments	150,000		150,000
Accounts receivable:			
Trade	30,613		30,613
United States Government	78,728		78,728
State of Florida	2,286		2,286
Employee	325		325
Inventory	186,665		186,665
Prepaid insurance	22,619		22,619
Revenue and administrative vehicles		\$2,758,366	2,758,366
Machinery and equipment		304,927	304,927
EDP equipment		51,704	51,704
Office furniture and fixtures		9,626	9,626
Deferred pension expense	<u>1,234,830</u>		<u>1,234,830</u>
	<u>\$1,717,961</u>	<u>\$3,124,623</u>	<u>\$4,842,584</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 89,425		\$ 89,425
Accrued expenses and other current liabilities:			
Salaries and wages	99,378		99,378
Payroll taxes and amounts withheld from employees	23,805		23,805
Pension and retirement	104,253		104,253
Other	16,190		16,190
Unfunded past service liability to employee pension plan	<u>1,242,000</u>		<u>1,242,000</u>
Total liabilities	<u>1,575,051</u>		<u>1,575,051</u>
<u>FUND EQUITY</u>			
Capital contributed from City of Tampa, Florida		\$3,123,626	3,123,626
Capital contributed from Hillsborough County, Florida		997	997
Fund balances:			
Reserved for inventory	186,665		186,665
Undesignated	(43,755)		(43,755)
Total fund equity	<u>142,910</u>	<u>3,124,623</u>	<u>3,267,533</u>
	<u>\$1,717,961</u>	<u>\$3,124,623</u>	<u>\$4,842,584</u>

HILLSBOROUGH TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE -- GENERAL FUND
FOR THE PERIOD MARCH 1, 1980, (DATE OF INCEPTION) TO SEPTEMBER 30, 1980

<u>OPERATING REVENUES</u>	
Passenger fares	\$ 967,701
Charter services	94,234
Advertising and other	<u>9,766</u>
Total operating revenues	<u>1,071,701</u>
<u>OPERATING EXPENDITURES</u>	
Wages	1,318,214
Payroll taxes and employee benefits	322,213
Materials and supplies	125,030
Fuel and lubricants	448,476
General insurance	189,612
Group insurance	72,928
Professional services	30,997
Utilities	18,794
Taxes and licenses	40,945
Rentals	6,302
Other	<u>2,963</u>
Total operating expenditures	<u>2,576,474</u>
<u>OPERATING LOSS</u>	<u>(1,504,773)</u>
<u>OTHER REVENUES (EXPENSES)</u>	
Intergovernmental revenue:	
United States Government	748,562
State of Florida	8,572
Hillsborough County, Florida	263,756
City of Tampa, Florida	538,179
Other revenues	16,088
Special election expenditures	<u>(56,980)</u>
Total other revenues	<u>1,518,177</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	13,404
<u>FUND BALANCE, MARCH 1, 1980</u>	<u>129,506</u>
<u>FUND BALANCE, SEPTEMBER 30, 1980</u>	<u>\$ 142,910</u>

See accompanying notes to financial statements.

HILLSBOROUGH TRANSIT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE -- BUDGET AND ACTUAL -- GENERAL FUND
 FOR THE PERIOD MARCH 1, 1980, (DATE OF INCEPTION) TO SEPTEMBER 30, 1980

	<u>Budget</u>	<u>Actual</u>	<u>Variance -- Favorable (Unfavorable)</u>
<u>OPERATING REVENUES</u>			
Passenger fares	\$ 974,545	\$ 967,701	\$ (6,844)
Charter services	96,178	94,234	(1,944)
Advertising and other	10,762	9,766	(996)
Total operating revenue	<u>1,081,485</u>	<u>1,071,701</u>	<u>(9,784)</u>
<u>OPERATING EXPENDITURES</u>			
Wages	1,318,214	1,318,214	
Payroll taxes and employee benefits	324,359	322,213	2,146
Materials and supplies	134,854	125,030	9,824
Fuel and lubricants	440,988	448,476	(7,488)
General insurance	198,743	189,612	9,131
Group insurance	74,972	72,928	2,044
Professional services	35,609	30,997	4,612
Utilities	20,892	18,794	2,098
Taxes and licenses	40,945	40,945	
Rentals	6,447	6,302	145
Other	7,864	2,963	4,901
Total operating expenditures	<u>2,603,887</u>	<u>2,576,474</u>	<u>27,413</u>
<u>OPERATING LOSS</u>	<u>(1,522,402)</u>	<u>(1,504,773)</u>	<u>17,629</u>
<u>OTHER REVENUES (EXPENSES)</u>			
Intergovernmental revenues:			
United States Government	755,531	748,562	(6,969)
State of Florida	8,000	8,572	572
Hillsborough County, Florida	263,756	263,756	
City of Tampa, Florida	538,179	538,179	
Other revenues	16,936	16,088	(848)
Special election expenditures	(60,000)	(56,980)	3,020
Total other revenues	<u>1,522,402</u>	<u>1,518,177</u>	<u>(4,225)</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>		13,404	13,404
<u>FUND BALANCE, MARCH 1, 1980</u>	<u>129,506</u>	<u>129,506</u>	
<u>FUND BALANCE, SEPTEMBER 30, 1980</u>	<u>\$ 129,506</u>	<u>\$ 142,910</u>	<u>\$ 13,404</u>

See accompanying notes to financial statements.

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1980

Note 1 -- Creation of the Authority

The Hillsborough Transit Authority was formed October 3, 1979, by an act of the Legislature of the State of Florida, which became effective upon ratification by the Board of County Commissioners of Hillsborough County, Florida and the City Council of the City of Tampa, Florida. The purpose of the Authority is to provide mass transit service to the City of Tampa and Hillsborough County.

On March 1, 1980, the City of Tampa transferred to the Authority the assets and liabilities of the Transit Division of the City's Department of Parking and Transportation, and all of its rights, titles, and interests in contracts existing at that date related to the Transit Division. Operations of the Authority commenced on March 1, 1980.

The Authority is deemed a special tax district and is authorized to levy an ad valorem tax based on the value of real property within its jurisdiction not to exceed one-half mill, subject to approval by the Authority and by referendum.

Note 2 -- Significant Accounting Policies

The Authority uses the modified accrual basis of accounting whereby revenues are recorded when earned and expenses recorded when incurred except for accumulated unpaid vacation and sick pay, which are recorded when paid.

Temporary investments are stated at the lower of cost or market.

Inventory is stated at the lower of cost (first-in, first-out basis) or market.

Pension costs charged to current earnings include charges for current services costs, interest on unfunded past service liability and amortization of unfunded past services liability over forty years as computed by independent actuaries. It is the policy of the Authority to fund pension costs as accrued.

Note 3 -- Retirement Commitments

Employees of the City of Tampa Transit Division, who became employees of the Authority as of March 1, 1980, had the option to continue in the City of Tampa's retirement plan, or to join the State of Florida's retirement plan. Employees hired subsequent to March 1, 1980, participate in the State of Florida's retirement plan. The Authority is obligated to contribute to either plan on behalf of the employees. In addition, employees participating in the City of Tampa's retirement plan must also contribute to the plan. A retirement plan has not

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1980

Note 3 -- Retirement Commitments (continued)

been established by the Hillsborough Transit Authority.

The Hillsborough Transit Authority agreed to assume an unfunded past service liability of \$1,242,000 which represents accrued pension benefits due former employees of the predecessor entity responsible for mass transit prior to formation of the Authority. The liability is amortized over forty years. The Authority may pay the liability in part or in full at any time.

Note 4 -- Property and Equipment

Property and equipment acquired after March 1, 1980, is stated at cost. Those assets transferred from the City of Tampa are stated at their cost less accumulated depreciation taken by the City of Tampa as follows:

	<u>Cost To City Of Tampa</u>	<u>Depreciation Taken By City Of Tampa</u>	<u>Book Value At Date Of Transfer</u>	<u>Additional Transfers After March 1, 1980</u>	<u>Value At September 30, 1980</u>
Revenue and adminis- trative vehicles	\$4,426,572	\$1,681,206	\$2,745,366	\$ 13,000	\$2,758,366
Machinery and equipment	95,147	56,600	38,547	266,380	304,927
EDP equipment	56,300	5,346	50,954	750	51,704
Office furniture and fixtures	10,680	2,593	8,087	1,539	9,626
	<u>\$4,588,699</u>	<u>\$1,745,745</u>	<u>\$2,842,954</u>	<u>\$281,669</u>	<u>\$3,124,623</u>

Depreciation is not provided on property and equipment.

Note 5 -- Lease Commitments

The Authority is obligated under an operating lease expiring in February, 1982, which provides for rentals aggregating \$6,000 and \$2,500 for the years ending in 1981 and 1982, respectively.

Note 6 -- Accumulated Unpaid Vacation and Sick Pay

Accumulated unpaid vacation and sick pay are not accrued. At September 30, 1980, unrecorded liabilities included approximately \$80,000 sick pay and \$90,000 vacation pay.

HILLSBOROUGH TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1980

Note 7 -- Federal and State Grants

The Federal Government and the State of Florida have provided grants to the Authority. Proceeds from the sale of assets purchased with Federal or State funds must be reinvested in assets whose purchase has been approved by the Federal Government, or the Authority will be liable to repay that portion of the grant.

Operating assistance from the Federal Government is made available under the Urban Mass Transportation Act of 1964, as amended. The amount of Federal assistance is dependent upon the level of local matching funds and other criteria.

Note 8 -- Subsequent Events

On November 4, 1980, a special referendum authorizing a maximum tax of one-half mill on the value of real property in the City of Tampa and unincorporated Hillsborough County to provide funds for mass transit was approved by a majority of the voting public in those respective areas.



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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
ON ADDITIONAL INFORMATION

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The calculation of maintenance of effort is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pender, McNulty & Newkirk

Certified Public Accountants
December 29, 1980



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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE AND INTERNAL CONTROL

We have examined the financial statements of the Hillsborough Transit Authority for the period March 1, 1980, (date of inception) to September 30, 1980, and have issued our report thereon dated December 29, 1980. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and by the General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, & Functions and Guidelines for Financial and Compliance Audits of Federally Assisted Programs, as supplemented. The purposes of an evaluation under generally accepted auditing standards are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expression of an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. Under guidelines established by the General Accounting Office, the purposes of such an evaluation are to assess the extent this system of internal accounting control can be relied upon to ensure accurate information, to ensure compliance with law and regulations, and to provide for efficient and effective operations. This report is intended for use in connection with UMTA grant FL05-4089 and is not intended for any other purpose.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the valuation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control

procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with generally accepted auditing standards and guidelines established by the General Accounting Office, including the study and evaluation of the Authority's system of internal accounting control for the period ended September 30, 1980, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Based on our examination of internal accounting control in accordance with the purposes set forth in paragraph one, it is our opinion that there are no material weaknesses in the system of internal accounting control of the Hillsborough Transit Authority.

During the course of our examination we examined financial reports and claims for advances or reimbursement and submitted to the Department of Transportation and found them to be accurate and complete in all material aspects in relation to the operations of the Authority, taken as a whole.

Leuder, Mc Nutty & Newbirk

Certified Public Accountants
December 29, 1980