

Hillsborough Transit Authority (HART)

Board Meeting
June 6, 2016



CLAconnect.com



CLA Engagement Team

- **Overall Engagement Responsibility**
 - Andrew Laflin, Principal

- **Single Audit and Compliance Audit Team**
 - Roxana Acosta, Engagement Director
 - Ray Busler, Senior

- **Financial Statement Audit Team**
 - Sue Pagan, Engagement Director
 - Kim Poblete, Senior
 - Stephen Smith, Associate

- **IT Audit Team**
 - Jim Barton, Manager

- **NTD AUP Team**
 - Andrew Laflin, Principal
 - Stephen Smith, Associate

Audit and Attestation Services Performed

Financial Statements

- Financial statement audit for the year ended September 30, 2015, in accordance with *Government Audit Standards*
- Limited procedures applied to RSI (MD&A)

Federal Compliance

- Federal Single Audit in accordance with OMB Circular A-133

State Compliance

- State Single Audit in accordance with *Section 215.97, Florida Statutes* and *Chapter 10.550, Rules of the Auditor General*
- Examination of compliance with investment provisions in accordance with requirements of *Section 218.415, Florida Statutes*

Reports to be Delivered

- 1 Independent Auditors' Report
- 2 Report on Internal Control Over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Yellow Book Report)
- 3 Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General (Single Audit Report)
- 4 Management letter as required by Chapter 10.550 Rules of the Auditor General
- 5 Communication to Governance
- 6 Independent Accountants' Report (Examination)

Results of Procedures

➤ Independent Auditors' Report

- Unmodified Opinion

➤ Independent Auditors' Report on Internal Control (*GAS - Yellow Book*)

- No Material Weaknesses reported

➤ Single Audit Report, Federal (OMB A-133) and State Projects (S.215.97 F.S.)

- Unmodified Opinion on Compliance
- No Material Weaknesses reported
- No Findings or Questioned Costs
- One major federal program tested; two major state projects tested
- No Material Weaknesses reported

Results of Procedures

➤ **Management Letter (*Florida Auditor General*)**

- One recommendation made to management to improve financial management
 - ❖ 2015-001 – Pay Rate Modifications

➤ **Independent Accountants' Report (*Examination – Investment Compliance*)**

- Unmodified attestation opinion on investment compliance

Status of Prior Year Findings

Prior Year Findings and Recommendations		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2014-001 – Year-End Financial Closing Procedures	Material Weakness	X		
2014-002 – Cost Allocation Plan – Cost Inputs	Significant Deficiency	X		
2014-003 – Matching Requirement	Significant Deficiency	X		
2014-004 – Cost Allocation Process	Significant Deficiency	X		
2014-01 – User Access Restrictions	Recommendation to Improve Financial Management	X		
2013-001 – Review of Route Cost Calculations	Significant Deficiency	X		

Audit Procedures Performed - Highlights

Internal Control & Compliance Testing

- Evaluation of key internal controls over cash & investments, inventories, revenues & receipts, payroll, A/P disbursements, capital assets, self insured claims, financial closing & reporting process
- Single audit compliance & IC over compliance testing

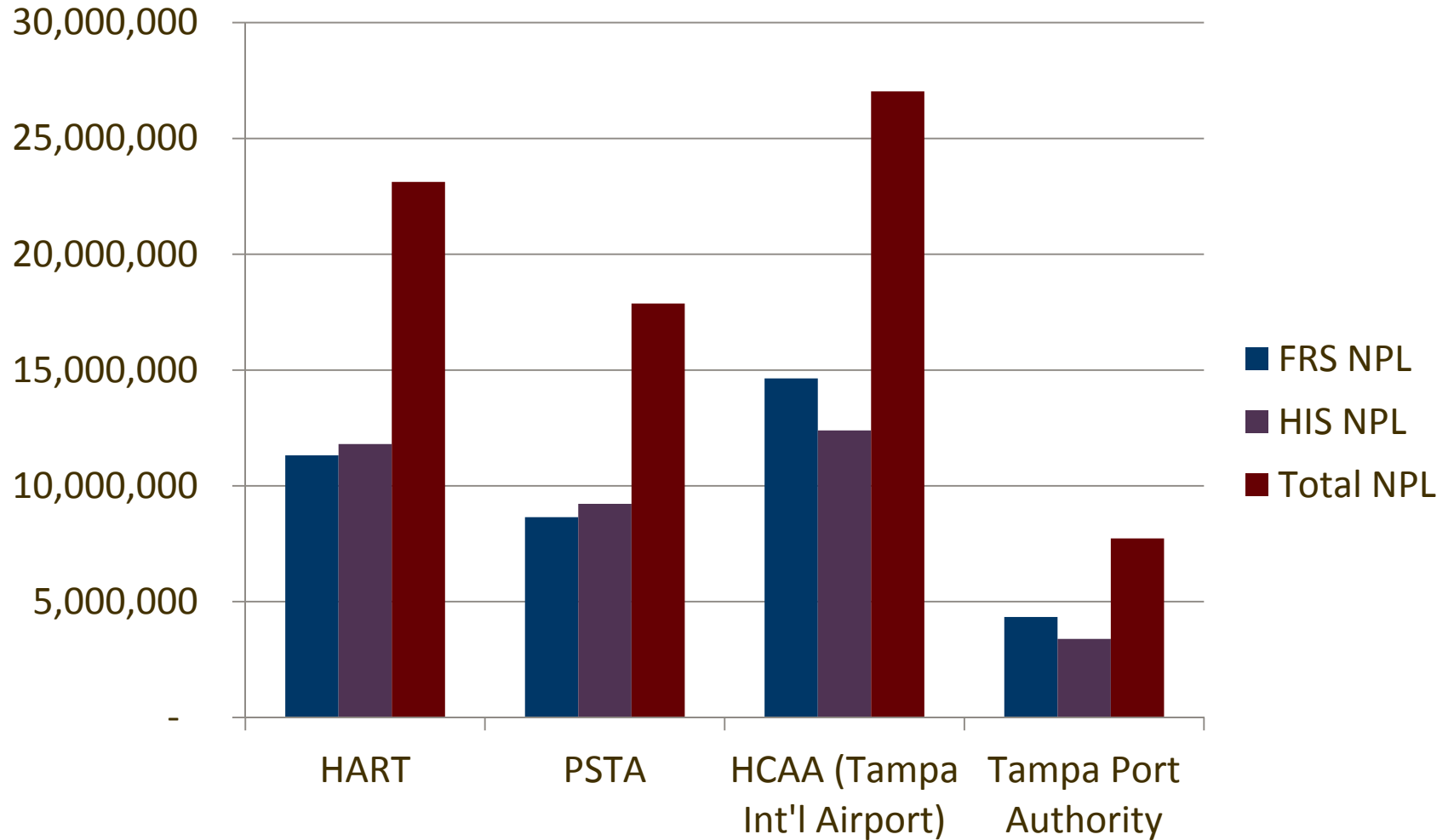
Non-Traditional Audit Procedures Performed

- IT security assessment
 - External penetration testing, internal network penetration testing & vulnerability assessment (anticipated for future)
- Self-insured medical – PBM claims assessment (in progress)

New Accounting Standards

- GASB Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, was issued in June 2012, and was effective for the Authority in fiscal year 2015. Under this standard, the Authority was required to report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments in the Florida Retirement System plan. The impact on the Authority's financial statements is recognition of a \$23,122,094 net pension liability at September 30, 2015.

Net Pension Liability – A Comparison



Financial Statement Analysis: Assets

Asset Account	2015	2014	2013	2012
Cash, Cash Equivalents & Investments	\$16,475,962	\$21,156,606	\$22,689,574	\$21,757,697
Parts & Supplies Inventory	\$1,513,189	\$1,471,429	\$1,401,416	\$1,541,486
Capital Assets, Net	\$123,485,181	\$123,264,994	\$123,973,178	\$103,777,430
Capital Asset Additions	\$12,046,766	\$9,882,366	\$31,906,668	\$9,416,049

Financial Statement Analysis: Liabilities

Liability Account	2015	2014	2013	2012
Accounts Payable & Accrued Expenses	\$4,251,085	\$4,508,597	\$7,501,360	\$5,626,594
Self Insurance & Loss Contingencies	\$7,991,529	\$7,693,334	\$5,752,000	\$5,272,218
Environmental Remediation	\$119,000	\$49,708	\$282,427	\$332,574
Net Pension Liability	\$23,122,094	\$15,640,974	\$0	\$0

Financial Statement Analysis: Revenues

Revenue Account	2015	2014	2013	2012
Passenger Fares	\$16,593,816	\$16,420,800	\$15,536,071	\$14,187,514
Ad Valorem Taxes	\$32,398,546	\$30,171,450	\$26,466,343	\$29,415,613
Operating Grant Revenue	\$16,404,005	\$18,078,029	\$17,573,928	\$16,963,177
Capital Grant Revenue	\$13,519,284	\$9,397,220	\$36,291,164	\$12,461,932

Financial Statement Analysis: Expenses

Expense Account	2015	2014	2013	2012
Personnel Costs	\$48,731,424	\$44,101,606	\$41,650,103	\$40,408,046
Other Operating Expenses	\$23,294,497	\$23,452,627	\$23,222,608	\$21,331,584
Depreciation Expense	\$11,671,433	\$10,578,252	\$11,635,161	\$12,292,280

Financial Statement Analysis: Net Position

Net Position Account	2015	2014	2013	2012
Unrestricted Net Position	(\$5,632,905)	(\$1,304,949)	\$24,894,805	\$23,793,080

OMB's Uniform Grant Guidance

- The objectives of the OMB Super Circular include eliminating duplicating and conflicting guidance, consistent and transparent treatment of costs, and strengthening oversight
- Key changes include the following:
 - Increased competition in grants
 - New administrative requirements
 - Reforms to cost principles
 - Audit changes (effective 9/30/16)
 - ◇ Raising audit threshold and Type A threshold
 - ◇ Lowering percentage of coverage rule
 - ◇ Increase threshold to report known or likely questioned costs

Required Communication to Governance

- **No difficulties encountered in dealing with management**
- **No uncorrected misstatements**
- **No disagreements with management**



Conclusion

We appreciate everyone's cooperation throughout the audit.



Andrew Laflin, CPA

Principal

andrew.laflin@CLAconnect.com

813-384-2711

Roxana Acosta, CPA, MBA

Engagement Director

roxana.acosta@CLAconnect.com

813-384-2726

Sue Pagan, CPA

Engagement Director

sue.pagan@CLAconnect.com

813-384-2713

Kim Poblete

Senior

kim.poblete@CLAconnect.com

813-384-2746



CliftonLarsonAllen

CLAconnect.com

