



**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND  
REGULATORY REPORTS**

**SEPTEMBER 30, 2004**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements:	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Fund Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 20
Supplementary Information:	
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	21 – 23
Regulatory Reports:	
Independent Auditors' Report On Internal Control Over Financial Reporting Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	24 – 25
Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and State Financial Assistance Project.	26 – 27
Schedule of Findings and Questioned Costs	28 – 32
"Management Letter" Based on Rule 10.554(1)(h) of the Auditor General of the State of Florida	33 – 35

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority ("the Authority") as of September 30, 2004 and 2003, and the related statement of revenues, expenses, and changes in fund net assets, and of cash flows for the years then ended, 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 audits to obtain reasonable assurance about whether the basic 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, such financial statements present fairly, in all material respects, the financial position of the Authority, as of September 30, 2004 and 2003, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, of the Governmental Accounting Standards Board (GASB 34). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors  
Hillsborough Transit Authority  
a/k/a Hillsborough Regional Transit Authority  
Page 2 of 2

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the foregoing table of contents of pages 21 to 23 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary schedules of Expenditures of Federal Awards and State Financial Assistance is presented for additional analysis as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and Chapter 10.550, Rules of the Auditor General of the State of Florida. This supplementary information and schedule is the responsibility of the Authority's management. Such schedules have been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering our audit.

  
CERTIFIED PUBLIC ACCOUNTANTS  
Tampa, Florida

December 17, 2004

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management's discussion and analysis (MD&A) of the Hillsborough Transit Authority's ("the Authority"), d/b/a Hillsborough Area Regional Transit, financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with the financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents 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.

**FINANCIAL HIGHLIGHTS**

- Net assets of the Authority increased by \$707,990, of which \$1,781,945 represented a decrease in the amount invested in capital assets and \$2,489,935 represented an increase in unrestricted assets.
- The 1.9 percent decrease in capital assets (net of depreciation) is largely attributable to depreciation, disposals, and a downturn in major construction during fiscal year 2004.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

- The Authority's total operating revenues increased \$1,014,419 or by 13.7%. Operating expenses increased by \$5,717,587 or 15.8%. The largest portion of the increase in operating expenses was due to increases in salaries and benefits, insurance premiums and self-insurance costs, and fuel and lubricant costs.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Statement 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 \$102,893,239 as of September 30, 2004.

The largest portion of the Authority's net assets each year, 89.4% and 91.7% at September 30, 2004 and 2003, respectively, represents its investment in capital assets (i.e., land, buildings and improvements, buses, paratransit vans, streetcars). The Authority uses these capital assets to provide services to its customers. These assets are not available for spending in future years.

**Table 1**  
**Condensed Statement of Net Assets**

Assets:	2004	2003	Percentage Change
Current assets	\$20,057,167	\$20,398,451	-1.7%
Capital assets	<u>91,953,546</u>	<u>93,735,491</u>	<u>-1.9%</u>
Total assets	<u>112,010,713</u>	<u>114,133,942</u>	<u>-1.9%</u>
 Liabilities:			
Current liabilities	<u>9,117,474</u>	<u>11,948,693</u>	<u>-23.7%</u>
Total liabilities	<u>9,117,474</u>	<u>11,948,693</u>	<u>-23.7%</u>
 Net assets:			
Investment in capital assets	91,953,546	93,735,491	-1.9%
Unrestricted	<u>10,939,693</u>	<u>8,449,758</u>	29.5%
Total net assets	<u>\$102,893,239</u>	<u>\$102,185,249</u>	<u>.7%</u>

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

A portion of the Authority's assets, 3.9% at September 30, 2004 and 2% at September 30, 2003, represent resources that are restricted for the Authority's self insurance program. An additional portion of the Authority's net assets, 10.6% and 8.3% at September 30, 2004 and 2003, respectively, represents resources that that are unrestricted. These funds may be used to meet the ongoing obligations of the Authority.

**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, provided funding for approximately 19 percent of the service in both fiscal years 2004 and 2003. 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 2004 tax year was 0.5 mills. This rate has not changed since 1980.

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

	<u>2004</u>	<u>2003</u>	<u>Percentage Change</u>
Operating revenues	\$8,424,108	\$7,409,689	13.7%
Operating expenses	(41,991,235)	(36,273,648)	15.8%
Depreciation	<u>(7,641,164)</u>	<u>(7,741,655)</u>	<u>-1.3%</u>
Operating loss	<u>(41,208,291)</u>	<u>(36,605,614)</u>	<u>12.6%</u>
Federal, state grants, and local grants	8,127,185	8,152,038	-0.3%
Property tax proceeds	23,180,746	21,124,567	9.7%
Other non-operating revenue and expenditures	496,024	551,803	-10.1%
Capital grants	<u>10,112,326</u>	<u>23,573,060</u>	<u>-57.1%</u>
Increase in net assets	<u>\$707,990</u>	<u>\$ 16,795,854</u>	<u>-95.8%</u>

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

As noted above, fiscal year 2004 operating revenues increased by 13.7%, while operating expenses prior to the recognition of depreciation increased by 15.8%. Contracted service costs increased by 3% over fiscal 2003. Marketing and promotions expenses decreased by 26% in fiscal 2004 as a result of the grand openings of the Marion Transit Center, Southern Transportation Plaza, and the Streetcar line in fiscal 2003, with no comparable openings in fiscal 2004.

Non-operating revenues of the Authority increased by 6.6% in fiscal 2004. Most of the \$1.9 million increase was from property tax proceeds due to increased property values in the County.

Net assets increased in fiscal 2004 by over \$700 thousand. This is a significantly smaller increase compared to the increase in fiscal 2003 due to completion of several major projects in fiscal 2003. This resulted in a corresponding reduction of Federal Transportation Administration capital grant funding in fiscal 2004.

**Capital Assets**

The Authority's investment in capital assets for the fiscal year ended September 30, 2004, included land, buildings and improvements, revenue and other vehicles and equipment. Major capital asset activities during the year included preliminary engineering and environmental studies for Net Park and the Northwest Transit Center. Agreements were entered into to develop the Tampa Bay Transit Center. In addition, an agreement was entered into for a private developer to make improvements to the north end of the Southern Transportation Plaza. The Authority's acquisition of revenue vehicles and related equipment included the purchase of twelve 40 foot buses.

**Long Term Debt Administration**

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

**REQUESTS FOR INFORMATION**

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. If you have questions concerning information contained within this report, contact Deborah J. Ward, General Manager of Administration and Finance, Hillsborough Area Regional Transit Authority, Administration and Finance Division, 4305 East 21<sup>st</sup> Avenue, Tampa, FL 33605.

*This space left blank intentionally.*

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**STATEMENTS OF NET ASSETS**

<b>ASSETS</b>	<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 3)	\$ 11,387,136	\$ 6,942,940
Accounts receivable:		
Trade and other, net of allowance for uncollectible accounts of \$110,980 in 2004 and \$45,734 in 2003	757,424	776,316
Federal grants	6,166,783	5,915,574
State grants	284,475	4,934,564
Local grants	313,735	698,171
Inventory of replacement parts and supplies	933,542	944,284
Prepaid expenses	214,072	186,602
Total current assets	20,057,167	20,398,451
<b>Capital assets, net of accumulated depreciation (Note 4)</b>		
Total capital assets, net	91,953,546	93,735,491
Total assets	112,010,713	114,133,942
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Accounts payable	2,044,989	3,394,699
Accrued expenses	2,192,328	2,891,753
Notes payable	-	2,655,611
Self insurance and loss contingencies (Notes 3 and 6)	4,346,623	2,259,290
Deferred revenue	533,534	747,340
Total current liabilities	9,117,474	11,948,693
<b><u>NET ASSETS</u></b>		
<b>Net Assets:</b>		
Invested in capital assets (Note 4)	91,953,546	93,735,491
Unrestricted (Note 7)	10,939,693	8,449,758
Total net assets	\$ 102,893,239	\$ 102,185,249

See accompanying Notes to Financial Statements

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

	For the Years Ended	
	September 30,	
	2004	2003
<b>OPERATING REVENUES:</b>		
Passenger fares	\$ 7,987,861 ✓	\$ 7,149,636
Charter fares	92,426 ✓	17,886
Advertising	343,821 ✓	242,167
Total operating revenues	8,424,108	7,409,689
<b>OPERATING EXPENSES:</b>		
Salaries	18,140,615 ✓	16,563,410
Payroll taxes, fringe benefits and workers' compensation	6,899,164 ✓	4,815,278
Fuel and lubricants	2,022,337 ✓	1,627,750
Contracted services	4,483,635 ✓	4,354,562
Parts and supplies	1,819,765 ✓	1,645,891
Insurance premiums, self insurance costs and settlements	2,663,215 ✓	1,374,196
Utilities	570,692 ✓	546,780
Marketing and promotion	642,438 ✓	868,880
Other	1,537,634 ✓	1,131,925
Operating expenditures reimbursed by grants	3,211,740	3,344,976
Total operating expenses before depreciation	41,991,235	36,273,648
Operating (loss) before depreciation	(33,567,127)	(28,863,959)
Depreciation	7,641,164	7,741,655
Operating (loss)	(41,208,291)	(36,605,614)
<b>NONOPERATING REVENUES AND (EXPENSES):</b>		
Operating assistance grants		
Federal	2,694,133 ✓	3,569,651
State	3,600,063 ✓	3,523,230
Local	1,832,989 ✓	1,059,157
Property tax proceeds, net	23,180,746 ✓	21,124,567
Interest income	171,635 ✓	153,425
Interest expense	(58,726)	(77,547)
Other income	383,115 ✓	475,925
Net nonoperating revenues and (expenses)	31,803,955	29,828,408
(Loss) before capital grants	(9,404,336)	(6,777,206)
<b>CAPITAL GRANTS:</b>		
Federal	9,618,018	19,957,940
State	193,503	3,103,855
Local	300,805	511,265
Total capital grants	10,112,326	23,573,060
Increase in net assets	707,990	16,795,854
Net assets, beginning of year	102,185,249	85,389,395
Net assets, end of year	\$ 102,893,239	\$ 102,185,249

See accompanying Notes to Financial Statements

**HILLSBOROUGH TRANSIT AUTHORITY**  
a/k/a **HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

	For the Years Ended September 30,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 8,229,194	\$ 7,809,259
Cash paid to employees	(25,739,204)	(21,110,033)
Cash paid to suppliers	(16,230,561)	(19,439,108)
Net cash (used) in operating activities	(33,740,571)	(32,739,882)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating grants received	11,224,954	5,350,920
Property tax proceeds	23,180,746	21,124,567
Increase in allowance for doubtful accounts	65,246	-
Other	376,968	475,925
Net cash provided by noncapital financing activities	34,847,914	26,951,412
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of debt	-	2,655,611
Repayment of notes payable debt	(2,655,611)	(7,671,557)
Interest paid on loans and leases	(58,726)	(77,547)
Purchase of capital assets	(5,886,114)	(20,670,204)
Capital assistance grants	11,697,873	28,221,342
Proceeds from the sale of revenue vehicles	67,796	-
Net cash provided by (used in) in capital and related financing activities	3,165,218	2,457,645
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income	171,635	153,425
Net cash provided by investing activities	171,635	153,425
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,444,196	(3,177,400)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	6,942,940	10,120,340
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 11,387,136	\$ 6,942,940
<b>RECONCILIATION OF OPERATING EXPENSES IN EXCESS OF OPERATING REVENUES TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (41,208,291)	\$ (36,605,614)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash used in operating activities:		
Depreciation	7,641,164	7,741,655
(Increase) decrease in accounts receivable	(46,354)	100,444
Increase in allowance for doubtful accounts	65,246	-
(Increase)decrease in inventories	10,742	(3,764)
Decrease in prepaid expenses	(27,470)	58,468
Increase (decrease) in accounts payable	(1,349,710)	(4,771,839)
Increase in accrued expenses	(699,425)	268,655
Increase in deferred revenue	(213,806)	299,126
Increase (decrease) in self-insurance	2,087,333	172,987
Total adjustments	7,467,720	3,865,732
Net cash (used) in operating activities	\$ (33,740,571)	\$ (32,739,882)

See accompanying Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 1 - ORGANIZATION AND REPORTING ENTITY:**

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

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

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 mil (\$.5000000) 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 mil levy, subject to public referendum. The Authority's ad valorem taxes are assessed as part of the annual assessment of Hillsborough County which levies its taxes November 1 of each year. Collection of taxes is scheduled for November through the following March. Taxes become delinquent April 1 and tax certificates placing liens on the property are sold May 31.

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

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

Basis of Accounting - 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 ("FASB") issued on or before November 30, 1989, and all applicable pronouncements required by the Governmental Standards Board of the Financial Accounting Foundation ("GASB") subsequent to that date.

The accompanying financials statements are reported using the flow of economic resources measurement focus on the accrual basis of accounting, under which, revenues are recognized when earned and measurable.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

Cash and Cash Equivalents - For the purposes of the statements of cash flows, cash equivalents are defined as short-term, highly liquid debt instruments that are both readily convertible to known amounts of cash and have original maturities of three months or less.

Inventory - Inventory, principally consisting of vehicle replacement parts and operating supplies, is stated at averaged cost.

Capital Assets - Capital assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives as follows:

Building and improvements	5 - 40 years
Revenue vehicles	4 - 30 years
Operating transit and related equipment	3 - 7 years
Other equipment, fixtures, and other vehicles	3 - 7 years

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

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

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

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

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 expenditure and a fund liability of the general fund; the employee is allowed to transfer accumulated hours in excess of 240 to the sick leave pool. The portion of sick leave that is payable at retirement is accrued when

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

vested; the Authority allows employees to accumulate unused sick leave at varying rates depending on several factors, including the employee's union representation and length of employment.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the compensated absences liability is calculated based on the pay or salary rates in effect at the balance sheet date September 30, 2004. 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 salary related payments subject to this accrual are those items for which an employer is liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. Accordingly, the Authority has also recognized 7.65% of the compensated absences liability, representing its share of the Social Security and Medicare taxes. An accrual is also made for the pension cost related to the compensated absences amount because the Authority's employees are covered under the Florida Retirement System.

Property Tax Revenue - The Authority is deemed a special taxing district and is authorized to levy an ad valorem tax on the taxable real property in the transit area at a rate not to exceed three mills, subject to approval by a vote of the electors in the taxing district. The approved ad valorem tax rate in arrears for the calendar years 2004 and 2003 was 0.5 mills.

Chapter 197, Florida Statutes, governs property tax collections. The Hillsborough County Tax Collector ("Tax Collector") bills and collects all property taxes levied within the County. Discounts are allowed for early payment of 4% in November, 3% in December, 2% in January, and 1% in February. If property taxes are not paid by April 1, the County adds a 3% penalty to the delinquent real estate taxes.

The Tax Collector advertises and sells tax certificates on all real property for delinquent taxes. Certificates not sold revert to the County. The Tax Collector must receive payment before the certificates are issued. Any person owning land on which a tax certificate has been sold may redeem the tax certificate by paying the Tax Collector the face amount of the tax certificate plus interest and other costs. The owner of the tax certificate may at any time after taxes have been delinquent (April 1) for two years, file an application for tax deed sale. The County, as a certificate owner, may exercise similar procedures two years after taxes have been delinquent. Tax deeds are issued to the highest bidder for the property, which is sold at public auction.

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

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Passenger and Charter Fares – Fares are recorded as revenue at the time services are performed.

Accounting Pronouncements - The Authority implemented the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for state and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus, an Amendment to GASB Statements No. 21 and No. 34*, and Statement No. 38, *Certain Financial Statement Note Disclosures* October 1, 2002.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 - Amounts in the 2003 financial statements have been reclassified to conform to the presentation of the 2004 financial statements.

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS:**

Deposits - At September 30, 2004, the bank balance (restricted and unrestricted) of the Authority’s deposits was \$1,568,304 and the book balance was \$1,101,472. At September 30, 2003, the bank balance (restricted and unrestricted) of the Authority’s deposits was \$1,329,502 and the book balance was \$983,265. Of the September 30, 2004 bank balance, \$100,000 of which was covered by federal depository insurance and \$1,393,304 was collateralized by the State of Florida collateral pool. Of the September 30, 2003 bank balance, \$100,000 of which was covered by federal depository insurance and \$1,154,502 was collateralized by the State of Florida collateral pool. Required collateral is defined under Chapter 280 of the Florida Statutes, *Security for Public Deposits*. 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 State Board of Administration (SBA) Local Government Surplus Trust Fund Investment Pool (“the Surplus Funds Investment Pool”) to cover cash needs.

Cash on hand - The Authority had cash on hand totaling \$32,627 and \$22,547 as of September 30, 2004 and 2003, respectively.

Investments - 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 State Board of Administration

**HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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

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

There were no violations to this policy during the fiscal year. The Authority’s investments at September 30, 2004 and 2003 consisted of the following:

The Authority invests funds throughout the year with the Surplus Funds Investment Pool, an investment pool administered by the SBA) under the regulatory oversight of the State of Florida. Throughout the year and as of September 30, 2004, the SBA contained certain floating and adjustable rate securities which were indexed based on prime rate and/or one and three month London Inter Bank Offering Rate (“LIBOR”) rates. These investments were purchased to add relative value to the portfolio. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base. These investments represented 59% of the SBA’s portfolio at September 30, 2004. The SBA met the criteria to be a “2a-7Like” pool as defined in GASB Statement No. 31 at September 30, 2004 and 2003. Therefore the investment was valued at share value, which approximates fair value at September 30, 2004. The totals (restricted and unrestricted) invested through the Surplus Funds Investment Pool are \$10,253,036 and \$5,937,129 at September 30, 2004 and 2003, respectively. These investments are not classified as to credit risk as they are not evidenced by securities that exist in book or entry form.

Restricted cash and cash equivalents of \$4,346,632 and \$2,259,290, as of September 30, 2004 and 2003, respectively, represent an amount equal to the sum of the two self-insurance programs of the Authority (See Note 6). This amount represents the accrual by the Authority of measurable liabilities on claims made as of September 30, 2004 and 2003, respectively.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 4 – CAPITAL ASSETS:**

Capital asset activity for the year ended September 30, 2004 and 2003 is summarized as follows:

Description	Balance at September 30, 2003	Additions and Reclasses	Deletions and Reclasses	Balance at September 30, 2004
Land	\$ 13,011,608	\$ -	\$ -	\$ 13,011,608
Buildings and improvements	40,443,450	321,244✓	-	40,764,695
Revenue vehicles	55,664,511	4,402,039	3,604,941	56,461,610
Operating and transit related equipment	12,840,114	926,988	76,777	13,690,325
Other equipment, fixtures and other vehicles	21,164,174	127,636	-	21,291,810
Construction in progress	-	108,206✓	-	108,206
<b>Total capital assets</b>	<b>143,123,857</b>	<b>5,886,114</b>	<b>3,681,717</b>	<b>145,328,254</b>
Less: Accumulated depreciation	49,388,366	7,641,163	3,654,820	53,374,709
<b>Total capital assets, net</b>	<b>\$ 93,735,491</b>	<b>\$ (1,755,048)</b>	<b>\$ 26,897</b>	<b>\$ 91,953,546</b>

Description	Balance at September 30, 2002	Additions and Reclasses	Deletions and Reclasses	Balance at September 30, 2003
Land	\$ 12,698,192	\$ 313,416	\$ -	\$ 13,011,608
Buildings and improvements	27,211,431	351,268	12,880,751	40,443,450
Revenue vehicles	50,239,976	10,156,957	(4,732,422)	55,664,511
Operating and transit related equipment	12,466,198	508,253	(134,337)	12,840,114
Other equipment, fixtures and other vehicles	3,357,791	2,802,522	15,003,861	21,164,174
Construction in progress	21,366,866	6,537,790	(27,904,656)	-
<b>Total capital assets</b>	<b>127,340,454</b>	<b>20,670,204</b>	<b>(4,886,803)</b>	<b>143,123,857</b>
Less: Accumulated depreciation	46,533,512	7,741,655	4,886,803	49,388,366
<b>Total capital assets, net</b>	<b>\$ 80,806,942</b>	<b>\$ 12,928,549</b>	<b>\$ -</b>	<b>\$ 93,735,491</b>

Depreciation expense during the years ended September 30, 2004 and 2003, were \$7,641,164 and \$7,741,655, respectively.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 5 - PENSION PLANS:**

Defined Benefit Pension Plan - Substantially all full-time employees of the Authority are participants in the Florida Retirement System ("the System"), a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature and covers approximately 640,000 full-time employees of various governmental units within the State of Florida.

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

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

Participating employer contributions are based upon statewide rates established by the State of Florida. For the System's fiscal year commencing July 1, 2003, these rates are applied to employee salaries as follows: Regular employees, 7.39%, and senior management, 9.37%. The Authority's contributions during the years ended September 30, 2004, 2003, and 2002 were \$1,604,247, \$1,257,429, \$1,363,758, respectively, equal to the required contributions for each year.

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

Defined Contribution Plan - Beginning December 1, 2002, the System offered a second retirement plan option, the FRS Investment Plan. Under this plan the employer pays all contributions, which are a percentage of salary based on the System's Membership Class. The employee makes investment elections within the investment funds chosen by the SBA. The retirement benefit is based on the account balance, and the benefit is vested after one year of service. If an employee leaves the job, he or she can keep the benefit in the System, or transfer his or her account to another retirement plan. The employee can also elect to cash out the benefit

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 5 - PENSION PLANS (continued):**

when leaving but could be subject to tax penalties for taking early withdrawal. The employee in this plan is not eligible for DROP. All employees in the System's defined benefit pension plan were given a choice of switching to the FRS Investment Plan with a designated time period.

**NOTE 6 - SELF INSURANCE AND LOSS CONTINGENCIES:**

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

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

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

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

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

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

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

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

Settled claims have not exceeded commercial coverage in any of the past three years. The liability of \$4,346,632 and \$2,259,290 in self-insurance and loss contingencies reported at September 30,

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 6 - SELF INSURANCE AND LOSS CONTINGENCIES (continued):**

2004 and 2003, respectively, are based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amount in fiscal year 2004 and 2003 were:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at September 30, 2002	\$ 1,077,636	\$ 1,008,967	\$ 2,086,603
Current year claims and changes in estimates	501,719	567,645	1,069,364
Claim payments	<u>(501,672)</u>	<u>(395,005)</u>	<u>(896,677)</u>
Balance at September 30, 2003	1,077,683	1,181,607	2,259,290
Current year claims and changes in estimates	1,912,293	1,639,998	3,552,291
Claim payments	<u>(951,745)</u>	<u>(513,213)</u>	<u>(1,464,958)</u>
Balance at September 30, 2004	<u>\$ 2,038,231</u>	<u>\$ 2,308,392</u>	<u>\$ 4,346,623</u>

**NOTE 7 – UNRESTRICTED NET ASSETS:**

Designated Reserves - Unrestricted net assets includes reserves which have been designated by the Authority for capital projects in the amounts of \$1,666,002 and \$877,573 as of September 30, 2004 and 2003, respectively. These amounts are not externally restricted and do not represent measurable liabilities as of September 30, 2004 and 2003.

**NOTE 8 – OPERATING LEASES:**

Lease commitments - On December 12, 2000, the Authority entered into a five-year operating lease cancelable by the Authority under certain specific conditions) for 10,168 square feet of space at a base rent starting of \$13.50, escalating annually, plus 3.6182% of common area costs. The rent for the year ended September 30, 2004 included two months at \$17.68 per square foot and 10 months at \$18.39, for a total of \$185,786. Certain other operating costs, storage space, and parking totaling \$15,647.40 was added to the base rent. The term may be extended at the Authority's option for an additional five years, the expiration date is May 10, 2006.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 8 – OPERATING LEASES (continued):**

Lease expenditures for all operating leases recognized for the year ended September 30, 2004 was \$284,223 of which \$201,434 was for office rent, plus estimated operating costs, storage space, and parking, plus a pro rata share for the previous year's estimated versus actual operating costs. The difference of \$82,789 was leasing expenditures for office and maintenance equipment. The minimum annual lease payments under these agreements are as follows:

<u>Fiscal year ended</u> <u>September 30,</u>	<u>Minimum</u> <u>Annual Rental</u>
2005	\$ 193,175
2006	<u>128,800</u>
Total	<u>\$ 321,975</u>

**NOTE 9 – COMMITMENTS AND CONTINGENCIES:**

Environmental clean-up costs - During the year ended September 30, 1988, the Authority discovered and began the clean up of major underground diesel and unleaded gasoline fuel spills. Clean-up and associated costs incurred during the year ended September 30, 2004 and 2003 totaled approximately \$17,047 and \$26,500, respectively. Of the total costs incurred to date, \$325,601 has been recouped from the State of Florida Department of Environmental Protection. The Authority is unable to reasonably estimate the additional clean-up costs, if any that will be incurred in the future relating to this incident; therefore no liability has been accrued.

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

Resolution of claim by the City of Tampa – The City expended \$1,602,232 to cover costs of construction of the Tampa-Ybor Historic Electric Streetcar project (the streetcar project), that it had planned to have reimbursed from federal and state grants through the Authority. As of September 30, 2003, the Authority had paid \$12,025,115 for the project, and had recognized an additional \$1,572,180 as accounts payable for the project, for a total of \$13,597,295. During the fiscal year ended September 30, 2004, the City granted the Authority credits totaling \$231,770 towards the amount recorded by the Authority as accounts payable at September 30, 2003. These credits resulted in a net payment to the City of \$1,340,410, for a total project cost \$13,365,525. No additional grant funds for the project were available.

To resolve these claims, the City and the Authority entered into a multi-year Interlocal Agreement dated September 30, 2004, effective through September 30, 2009, (the agreement) whereby the City agrees to construct Pedestrian Access Improvement projects to which are mutually agreed for a total not to exceed \$1,700,000. The agreement further details the annual obligations by the Authority through the fiscal year ending September 30, 2009. The Authority

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued):**

agreed to pay from available federal funding through grants and City impact fees for these Pedestrian Access Improvement projects.

Pedestrian Access Improvements are defined as new, repair 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 obligated for the construction and maintenance responsibility 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.

The future payments stipulated in the agreement are 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	<u>250,000.</u>
Total	\$ <u>1,700,000.</u>

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

*This space left blank intentionally.*

**HARTING**  
**SUPPLEMENTARY INFORMATION**

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED SEPTEMBER 30, 2004

FEDERAL GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE 09/30/03	RECEIPTS	PROGRAM EXPENDITURES	ACCRUED REVENUE 09/30/04
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
<b>FEDERAL TRANSIT ADMINISTRATION</b>							
Streetcar Constuction/Electrification	20.500	FL-03-0161	1,400,000	10,272	10,272	-	-
Bus Purchase	20.500	FL-03-0167	6,888,239	3,082	(1,348)	5,597	10,027
Purchase Replacement Buses	20.500	FL-03-0221	2,780,058	-	6,909	10,766	3,857
Fixed Guideway Funds	20.500	FL-03-0237	239,462	2,850	2,850	67,168	67,168
Bus Tracking and Communications	20.515	FL-26-0005	991,307	-	-	4,449	4,449
Jobs Access/Reverse Commute*	20.516	FL-37-X011	1,909,000	300,345	-	319,792	620,137
Jobs Access/Reverse Commute*	20.516	FL-37-X015	900,000	-	-	900,000	900,000
Jobs Access/Reverse Commute*	20.516	FL-37-X016	693,470	-	-	129,251	129,251
Emergency Preparedness Grant	20.512	FL-40-X002	25,000	-	-	25,000	25,000
FY 94 Program of Projects*	20.507	FL-90-X238	8,691,827	2,448	24,371	21,923	-
FY 96 Program of Projects*	20.507	FL-90-X295-01	17,041,993	990,627	802,863	7,548	195,312
FY 98 Program of Projects*	20.507	FL-90-X331	5,803,175	2,736	103,801	116,069	15,004
Intermodal Mobility Project*	20.507	FL-90-X333	16,366,000	286,567	291,690	(16,605)	(21,728)
FY 99 Program of Projects*	20.507	FL-90-X360	6,273,966	605	3,248,496	3,494,176	246,285
FY 00 Program of Projects*	20.507	FL-90-X396	7,539,218	428	89,666	120,490	31,252
FY01 Program of Projects*	20.507	FL-90-X424	7,401,004	297,705	278,011	431,596	451,290
Southern Transportation Plaza	20.205	FL-90-X430	5,000,000	217,952	217,952	-	-
FY02 Program of Projects*	20.507	FL-90-X453	8,084,316	339,037	1,535,109	2,033,500	837,428
Historical Streetcar Mobility Study	20.500	FL-90-X461	1,000,000	(1)	32,782	32,783	-
FY03 Program of Projects*	20.507	FL-90-X481	7,808,040	2,357,625	3,169,441	1,320,004	508,188
FY04 Program of Projects*	20.507	FL-90-X519	6,627,169	-	-	1,966,143	1,966,143
Total Federal Transit Administration				4,812,278	9,812,865	10,989,650	5,989,063
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
<b>FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION</b>							
						104,624	104,624
<b>Total Direct Federal Assistance</b>				<b>\$ 4,812,278</b>	<b>\$ 9,812,865</b>	<b>\$ 11,094,274</b>	<b>\$ 6,093,687</b>

See Independent Auditors' Report

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED SEPTEMBER 30, 2004

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>ACCRUED OR (DEFERRED) REVENUE 09/30/03</u>	<u>RECEIPTS</u>	<u>PROGRAM EXPENDITURES</u>	<u>ACCRUED REVENUE 09/30/04</u>
<b><u>PASS THROUGH</u></b>							
<b><u>FLORIDA DEPARTMENT OF TRANSPORTATION</u></b>							
Section 18 - FPN 402250 18402	20.509	FL-18-X019	218,178	151,628	151,628	-	-
Section 18 - FPN 402250 18403	20.509	FL-18-X019	249,848	177,042	249,848	72,806	-
Section 18 - FPN 402250 18404	20.509	FL-18-X019	250,125	-	250,125	250,125	-
Ridership Development - FPN 405531	20.509	4047098	600,000	130,780	223,081	113,555	21,254
Roadway Bus Bays - FPN 405532	20.509	4047085c	300,000	4,900	45,631	44,979	4,248
South County Transfer Center - FPN 402284	20.509	FL-18-X020	900,000	-	2,359	2,359	-
Streetcar Operations - FPN 405526*	20.205	4047 097	2,100,000	608,946	1,278,010	669,064	-
<b><u>FLORIDA DEPARTMENT OF TRANSPORTATION / CITY OF PLANT CITY</u></b>							
Plant City Service*	20.507		1,000,000	30,000	94,989	64,989	-
<b>Total Pass Through Federal Assistance</b>				<u>1,103,296</u>	<u>2,295,671</u>	<u>1,217,877</u>	<u>25,502</u>
Total Federal Awards				<u>\$ 5,915,574</u>	<u>\$ 12,108,536</u>	<u>\$ 12,312,151</u>	<u>\$ 6,119,189</u>

See Independent Auditors' Report

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY

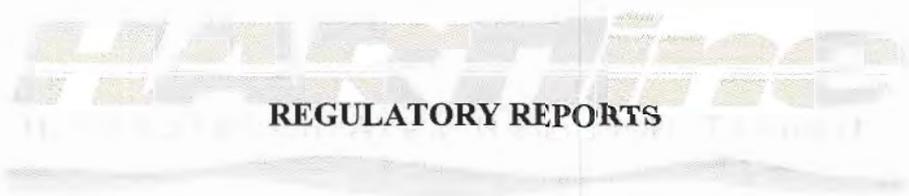
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 2004

STATE GRANTOR PROGRAM TITLE	STATE CSFA NUMBER	STATE GRANT NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE 9/30/2003	RECEIPTS	PROGRAM EXPENDITURES	ACCRUED REVENUE 9/30/2004
<b>STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION</b>							
<b>Direct State Financial Assistance</b>							
State Block Grant FY 02/03*	55.010	402251-3	\$ 3,116,508	\$ 3,116,508	\$ 3,116,508	\$ -	\$ -
State Block Grant FY 04*	55.010	402251-4	3,420,555	-	3,420,555	3,420,555	-
Transit Accessibility Plus**	55.012	402277	90,000	-	15,093	15,093	-
South Hillsborough County Intermodal Facility**	55.014	402284	50,000	-	131	131	-
Tampa-Ybor City Historic Electric Streetcar - Terminal & Southern Intermodal Terminal**	55.012	403126	1,200,000	856,354	856,354	-	-
Tampa Electric Streetcar**	55.014	403138	800,000	153,001	3,870	-	149,131
Park and Rides**	55.014	408488	100,000	65,000	100,000	35,000	-
Courtney Campbell Causeway (200X)**	55.011	410593	150,000	13,581	15,418	34,902	33,065
Coach Maintenance Training Program**	55.013	410693	275,000	41,149	181,813	179,508	38,844
Coach Maintenance Training Program**	55.012	411540	500,000	28,284	108,762	108,196	27,718
Heavy Duty Diesel Hybrid Electric Buses	55.017	414833	900,000	-	-	181	181
<b>Total Direct State Grants and Aids Appropriations</b>				<u>4,273,877</u>	<u>7,818,504</u>	<u>3,793,566</u>	<u>248,939</u>
<b>PINELLAS COUNTY METROPOLITAN PLANNING ORGANIZATION (pass through)</b>							
Oldsmar to Tampa Express/WAGES**	55.012	408509	1,071,000	660,686	625,149	-	35,537
<b>Total State Financial Assistance Projects</b>				<u>4,934,563</u>	<u>8,443,653</u>	<u>3,793,566</u>	<u>284,476</u>
<b>Total Federal Awards and State Financial Assistance Projects</b>				<u>\$ 9,746,841</u>	<u>\$ 18,256,518</u>	<u>\$ 14,887,840</u>	<u>\$ 6,378,163</u>

\* Denotes Major Program  
\*\* Denotes Type B Program

See Independent Auditors' Report





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING 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

We have audited the financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority ("the Authority"), as of September 30, 2004, and for the year then ended, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A *material weakness* is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Our report for the fiscal year ended September 30, 2003 disclosed two conditions, one reported as a material weakness and a second as a reportable condition; these conditions have been cleared. See the Schedule of Findings and Questioned Costs, Exhibit A.

### **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

Board of Directors  
Hillsborough Transit Authority  
a/k/a Hillsborough Area Regional Transit Authority  
Page 2 of 2

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 that are required to be reported under *Government Auditing Standards*.

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



CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida  
December 17, 2004

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT**

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

### ***Compliance***

We have audited the compliance of Hillsborough Transit Authority a/k/a Hillsborough Area Regional Transit Authority ("the Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to its major program and state financial assistance project for the year ended September 30, 2004. The Authority's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the 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 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General of the State of Florida. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General of the State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state 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.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs and state financial assistance projects for the year ended September 30, 2004.

***Internal Control Over Compliance***

The 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 its federal 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 to its major federal programs and state financial assistance projects in order to determine our 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 and Chapter 10.550, Rules of the Auditor General of the State of Florida.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal programs or state financial assistance projects being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no instance involving the internal control over compliance and its operation that we consider to be material weaknesses. Our report for the fiscal year ended September 30, 2003 disclosed two conditions, one reported as a material weakness and a second as a reportable condition; these conditions have been cleared. See Schedule of Findings and Questioned Costs, Exhibit A.

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



CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida  
December 17, 2004

**HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT  
YEAR ENDED SEPTEMBER 30, 2004**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

**Results**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) indentified? No

Reportable condition(s) identified not considered to be a material weakness(es)? None reported

Noncompliance material to financial statements noted? No

**Topic**

**Federal**

**State**

Internal control over major programs:

Material weakness(es) indentified? No No

Reportable condition(s) identified not considered to be material weakness(es)? None reported None reported

Type of auditors’ report issued on compliance For major programs? Unqualified Unqualified

Any audit findings disclosed that are required to be reported in accordance with -  
Circular A-133 section .501 (a) None reported -  
Florida Single Audit Act - None reported

**Identification of Major Programs:**

**Federal**

CFDA 20.205  
CFDA 20.507  
CFDA 20.516

**Name of Program or Cluster**

Highway Planning and Construction  
Federal Transit Formula Grant  
Job Access Reverse Commute

**State**

CSFA 55.010

**Name of Program or Cluster**

Public Transit Block Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 500,000  
Auditee qualified as low-risk auditee? Yes

**HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT  
YEAR ENDED SEPTEMBER 30, 2004**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraph 5.18 through 5.20 of *Government Auditing Standards*.

**CURRENT YEAR COMMENTS**

There is no reportable condition, material weakness, or instances of noncompliance related to the financial statements that require disclosure.

**PRIOR YEAR'S COMMENTS**

There was one material weaknesses, one reportable conditions, and no instances of noncompliance that were previously disclosed in the prior year.

Both of these conditions have been successfully cleared.

**SECTION III – FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE  
PROJECT FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs applicable to federal award or state financial assistance project required to be reported in accordance with OMB – 133 or Chapter 10.550, Rules of the Auditor General of the State of Florida

*This space left blank intentionally.*

**HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT  
YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT A**

**PREVIOUS YEAR'S CONDITIONS**

**Material Weakness-**

The following condition was reported in last year's report which has been successfully cleared by management.

**Finding 03-01:**

**Condition:**

Several invoices from the City of Tampa ("the City") related to the Tampa-Ybor Historic Electric Streetcar project construction during the period October 31, 2001 through December 31, 2001 were not timely forwarded to the Finance Department ("Finance") prior to the end of the fiscal year ended September 30, 2002. The related expenditures are reimbursable to the Authority from federal and state capital grants.

These invoices were submitted during March 2002 by City personnel to the Authority's Engineering and Development Department ("E&D") and were not forwarded to Finance to be duly recorded and processed for payment for various reasons, such as, lack of adequate support, significant change orders, discrepancies with vendors and other administrative matters.

Finance had no knowledge of the existence of these invoices when received nor upon inquiries made at the end of the fiscal year for unrecorded liabilities and, consequently, could not account the related expenditures.

The Authority recorded these invoices during fiscal year 2002-2003 as capital expenditures, accounts payable to the City, and recognized the related income and accounts receivable during this fiscal year.

**Result:**

The condition reveals a serious break down in the internal control over expenditures due to inadequate communications between the originating point (E&D) with the recording unit, Finance. As a result of this break down in procedures, expenditures were not properly recorded as construction in progress and the related income from these capital grants was not shown in the period when they occurred, neither were accounts receivable and accounts payable recorded for these amounts as of September 30, 2002. This break down in procedures appears to be isolated to this particular project due to its peculiarities.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT**  
**YEAR ENDED SEPTEMBER 30, 2004**

**Result (continued):**

The project's capital expenditures were negotiated, approved, supervised and accounted for by City personnel. The Authority's involvement as a pass-through of federal and state grants to assist in the construction of the project makes necessary for it to obtain required support to comply with its contractual obligations with granting entities and the timeliness of this reporting is essential to its fiscal responsibilities. The Authority no longer employs the E&D accountable person principally responsible for the omission; however, the procedures in place for other capital projects were not followed in this case and, regardless of the particular circumstances, the procedures in place for capital grants were not adequately followed.

**Recommendation:**

We recommended that the Authority improve the controls over the expenditures related to capital grants and construction projects by its E&D personnel whereby each project is carefully analyzed, followed and documented with adequate evidentiary matter to protect the Authority's fiscal integrity and provide adequate accounting.

Additionally, we recommended that communications between E&D and Finance, including timely submission (within the month when the invoice or other form of payment request is received from external sources) of evidentiary matter related to capital projects.

The process will be further improved by a monthly reconciliation between the accounting function and E&D needs to take place to properly determine the status of funds expended and the balance remaining under the grant. Any deviation from the original, approved, budget needs to be reviewed and agreed to by senior management.

**Management has cleared this condition and adopted our recommendation.**

**Reportable Condition-**

**Finding 03-02:**

**Condition:**

The Authority's capital (also called 'fixed') assets are tracked in an *Excel* spreadsheet. The listing includes the original cost, acquisition date (the date placed in service), useful lives and accumulated depreciation. Capitalization of new assets and disposal of unusable,

**HILLSBOROUGH TRANSIT AUTHORITY**  
**a/k/a HILLSBOROUGH REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT**  
**YEAR ENDED SEPTEMBER 30, 2004**

**Condition (continued):**

sold or inoperative assets, and depreciation expense is booked at fiscal year's end. During fiscal year 2002-2003 approximately \$1.9 million remained (after the year-end recording of capital assets) as period expenditures that were not capitalized during the year because of lacking effective analysis or alertness by the responsible personnel. The condition was discovered after an analytical review of non-capitalized expenditures.

**Result:**

The condition resulted in a once of year analysis of expenditures with the effect of an annual decision as to whether or not, and how much, to capitalize expenditures.

Furthermore, capital ('fixed') assets are underreported during the year and accounting records are not used as a management tool to determine the extent of year-to-date expenditures.

Additionally, depreciation was not reported during interim closings of the accounting books, thereby significantly distorting the results of operations during the interim period (fiscal year to date, before a full year).

**Recommendation:**

We recommended that the Authority design and implement procedures to ensure proper periodic (preferably monthly, but no less often than quarterly) analysis and recording of capital assets in the general ledger and ancillary depreciation schedule (*Excel* worksheet) rather than doing the same once at fiscal year end.

Furthermore, the Authority needed to establish procedures to monthly reconcile its *Excel* spreadsheet of capital assets to the general ledger, thereby avoiding lengthy year-end research and adjustments, with the added benefit of spreading the work in 12 (or four) installments during the fiscal year which will provide a more systematically managed environment.

**Current Status:**

Management has substantially implemented our recommendation. However, for the year ended September 30, 2004, depreciation was booked as a charge to fund balance rather than to a current expense. An audit adjustment was necessary to reflect depreciation expense in the current period. Accumulated depreciation was properly credited with each month's journal entry. Management has taken corrective action to book depreciation as a current expense with each monthly closing.

**“MANAGEMENT LETTER”**  
**BASED ON RULE 10.554(1)(h) OF THE**  
**AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

We have audited the financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority (“the Authority”), as of and for the fiscal year ended September 30, 2004 and 2003, and have issued our report thereon dated December 17, 2004. These financial statements are the responsibility of the Authority. 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.

As required under *Governmental Auditing Standards*, we have issued an Independent Auditors’ Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 17, 2004. Disclosures in those reports, if any, should be considered in conjunction with this “Management Letter”.

Additionally, our audits were conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) state that the Management Letter shall include a statement as to whether or not recommendations made in the preceding annual financial audit report have been followed. There were no such recommendations made in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554(1)(h)2.), state that a management letter shall have a statement as to whether or not the Authority complied with Section 218.415, Florida Statutes (1999), regarding the investment of its public funds. In connection with our audits of the general purpose financial statements of the Authority, the results of our tests did not indicate the Authority was not in compliance with Section 218.415, regarding the investment of public funds. However, our audits were not directed toward obtaining knowledge regarding the Authority’s compliance with this requirement.

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

The Rules of the Auditor General (Section 10.554(1)(h)3.) require disclosure in the “Management Letter” any recommendations to improve the local governmental entity’s financial management, accounting procedures, and internal control. Our audits disclosed no matters required to be disclosed by the Rules of Auditor General (Sections 10.554 (1) (h)3.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the “Management Letter” of the following matters if not already addressed in the auditors’ reports on compliance and internal controls or schedule of findings or questioned costs: (1) violations of laws, rules, regulations and contractual provisions that have occurred or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audits disclosed no matters required to be disclosed by the Rules of Auditor General (Sections 10.554 (1) (h).

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the “Management Letter”, unless disclosed in the notes to the financial statements. This information has been included in the notes to the financial statements.

The rules of the Auditor General (Section 10.554(1)(h) 6a.) state that a management letter shall include a statement as to whether or not a unit of local government is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occur:

- a) Failure within the same fiscal year in which due to pay short-term loans from banks or failure to make bond debt service payments when due.
- b) Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees; or (2) employer and employee contributions for a) federal social security, or b) any pension, retirement, or benefit plan of an employee.
- c) Failure for any one pay period to pay, due to lack of funds: (1) wages and salaries owed to employees; or (2) retirement benefits owed to former employees.
- d) An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local governmental entity are not available to cover the deficit for two successive years.
- e) Noncompliance of the local government retirement system with actuarial conditions provided by the law.

Section 218.503(2) states that a local governmental entity shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section

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

218.503(1) have occurred or will occur if action is not taken to assist the local governmental entity.

Management of the Authority has determined that the Authority is not in a state of financial emergency under Section 218.503(1). In connection with our audits of the financial statements of the Authority, the results of our tests did not indicate that the Authority is in a state of financial emergency as a consequence of the conditions in Section 218.503(1). However, our audits do not provide a legal determination on the Authority's compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(h) 6b.) state that a management letter shall include a statement as to whether or not the financial report filed with the Florida Department of Banking and Finance, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period and, if not, explanations of any significant differences. In accordance with Chapter 10.550, paragraph 4 of the Rules of the Auditor General, State of Florida, we have compared the financial information contained in the Authority's annual financial report for the year ended September 30, 2004, filed in accordance with Section 218.32 of the Florida Statutes, to the Authority's 2004 audited financial statements. Our comparison resulted in no material differences.

The Rules of the Auditor General (Section 10.554(1)(h) 6c.1.) state that a management letter shall include a statement that the auditor applied financial condition assessment procedures pursuant to rule 10.556(8). In connection with our audits of the financial statements of the Authority, we applied financial condition assessment procedures pursuant to rule 10.556(8).

This "Management Letter" is intended solely for the information of the Board of Directors, management and applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida  
December 17, 2004