



**HILLSBOROUGH TRANSIT AUTHORITY
A/K/A HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY**



**COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2006**

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

**Comprehensive Annual Financial Report
For the Year Ended September 30, 2006**

Mission Statement

The mission of the Hillsborough Area Regional Transit Authority (HART) is to provide public transportation services, which are safe, dependable, and cost effective thereby enhancing the quality of life in our community.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

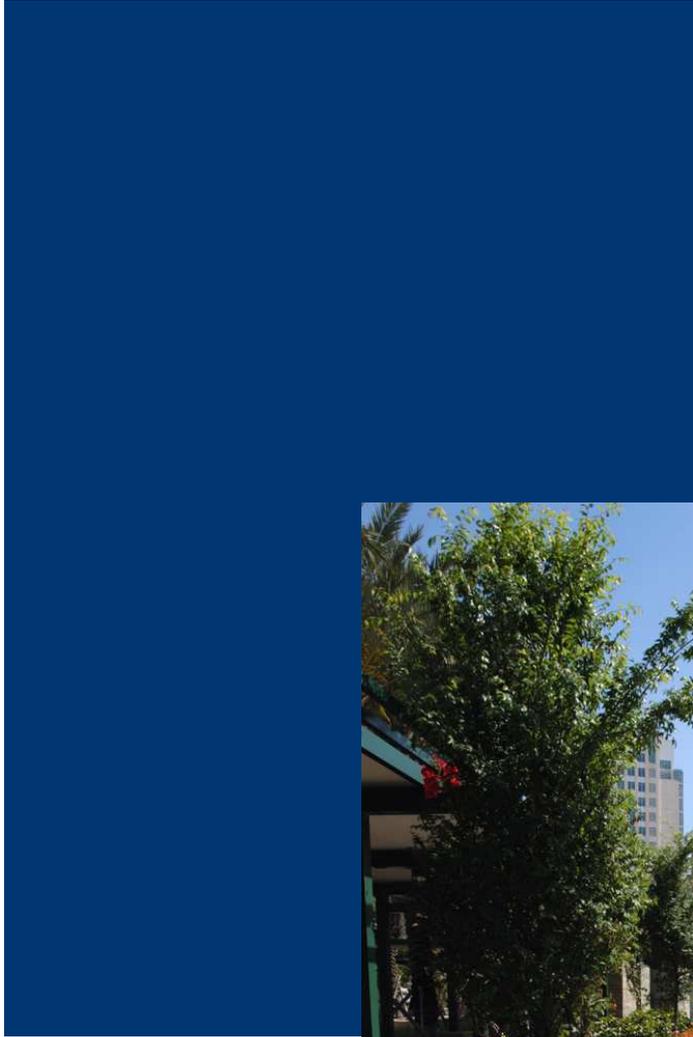
TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i
Organization Chart	viii
Elected and Appointed Officials	ix
Directory of Officials	x
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Assets	9
Statements of Revenues, Expenses and Changes in Fund Net Assets	10
Statements of Cash Flows	12
Notes to Basic Financial Statements	14
Supplementary Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	27
Regulatory Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Program and State Financial Assistance Project	32
Schedule of Findings and Questioned Costs	34
Exhibit A to Schedule of Findings and Questions Costs	36
"Management Letter" Based on Rule 10.554(1)(h) of the Auditor General of the State of Florida	38
Attachment 1 to "Management Letter"	41

TABLE OF CONTENTS (Continued)

	<u>Page</u>
<u>STATISTICAL SECTION</u>	
Financial Trends	
Net Assets by Component	46
Changes in Net Assets	47
Program Revenues by Function/Program	48
Expenses by Function/Program	49
Property Taxes	50
Revenue Capacity	
Taxable Assessed Value and Actual Value of Taxable Property	52
Principal Taxpayers	53
Property Tax Levies and Collections	54
Demographic and Economic Information	
Demographic and Economic Statistics	56
Principal Employers	57
Operating Information	
Full Time Equivalent Employees by Function/Program	59
Miscellaneous Information	
Miscellaneous Statistics	61

INTRODUCTORY SECTION





January 8, 2007

Ricardo Roig, Board Chair and
Members of the Board of Directors of the Hillsborough Transit Authority
A/K/A Hillsborough Area Regional Transit Authority and
Citizens of our Service Area

Dear Board Chair, Board Members and Citizens:

State law requires that all independent special districts publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority (“the Authority”), for the fiscal year ended September 30, 2006.

This CAFR is indicative of Authority management’s continued commitment to provide high quality, complete, concise, and reliable financial information about the Authority. The Report is organized as follows:

- **Introductory Section** provides background and context for readers of this report.
- **Financial Section** contains the Independent Auditors’ report, Management’s Discussion and Analysis, basic financial statements, required supplementary information, and related supplemental schedules.
- **Statistical Section** (required supplementary information) provides economic and other information in table form.

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

from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority's basic financial statements have been audited by ValienteHernandez PA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified, "clean" opinion that the Authority's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is located at the front of the financial section of this report.

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

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

Profile of the Authority

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

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

The Authority has been determined to be an “Independent Special District” as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (\$.50) on the taxable value of real and tangible personal property within the jurisdiction of its members. Chapter 165.570, Florida Statutes, allows the Authority to levy up to a three mill levy, subject to public referendum. The Authority’s ad valorem taxes are assessed as part of the annual assessment of Hillsborough County, which levies its taxes November 1 of each year. Collection of taxes is scheduled for November through the following March. Taxes become delinquent April 1 and tax certificates placing liens on the property are sold May 31.

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

Located in Hillsborough County, Florida, on the west coast of Florida, the Authority is a *regional* provider of mass transportation services primarily within Hillsborough County. The total area is 1,068 square miles and has a population of 998,948 according to the 2000 Census and an estimated population of 1,177,060 in 2006. A schematic of the Authority’s service area is presented on the following page.

Services and Service Delivery

The Authority provides virtually all public transportation services in this area. These services include fixed route, paratransit, vanpool, and specialized services. The Authority maintains over 4,500 bus stops and shelters, 8 transfer stations, and a fleet of 186 motorbus coaches and 29 demand responsive vehicles. For this fiscal year, the total ridership was 10,697,621. Tables in the Statistical Section contain service delivery statistics for ten years.

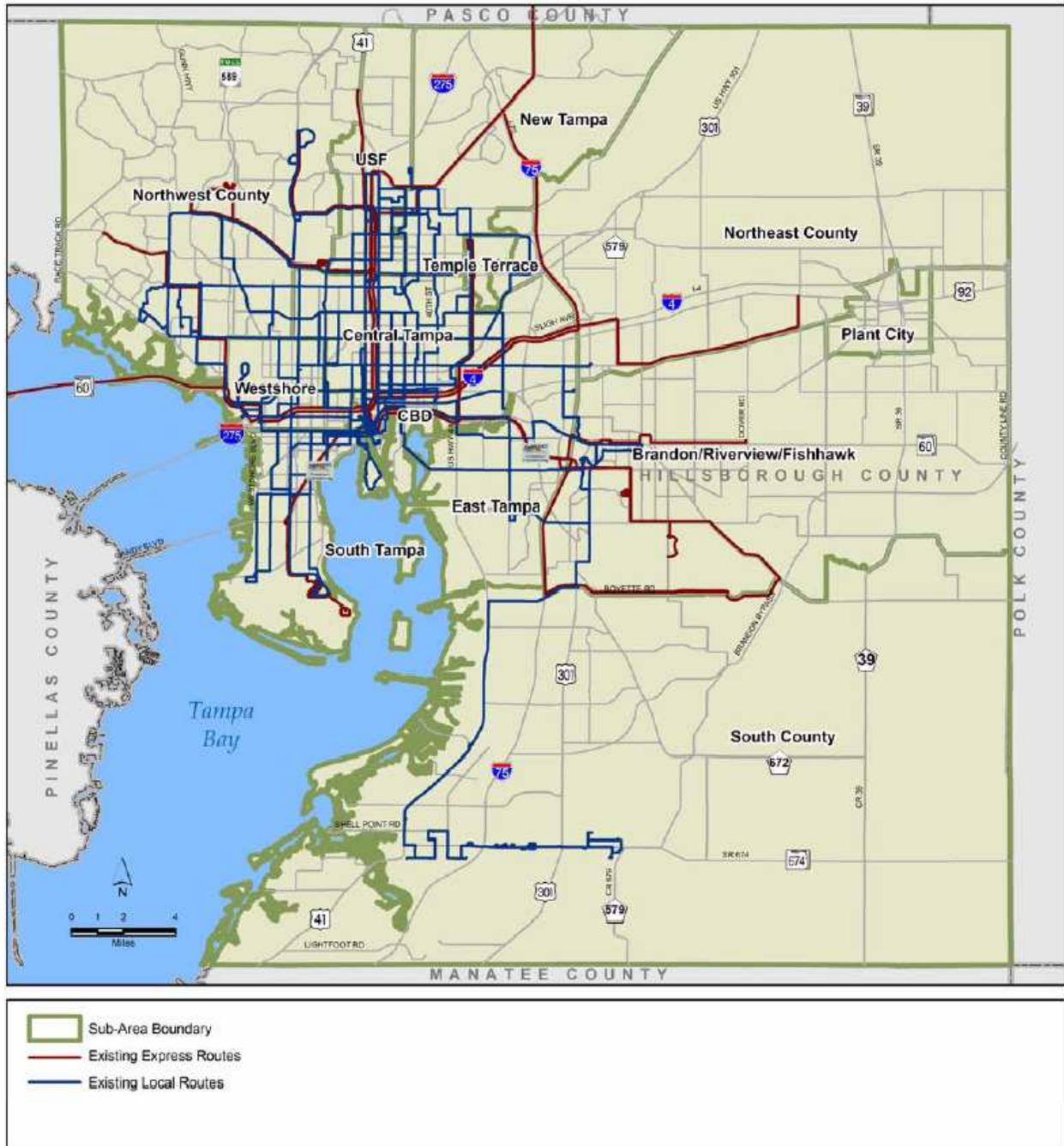
Officials

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

Management

The Executive Director is responsible for the Authority’s daily operations and directly supervises six core personnel who lead the Operations Group; Finance; General Administration; Planning, Development and Public Relations; Vehicle and Facilities Maintenance; and Government Affairs. Additionally, there are departments that support these functions. The Authority employs 712 employees.

Existing Local and Express Bus Routes



Budget

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

Factors Affecting Financial Condition

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

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

Property tax valuation and revenue increases over the previous year were significantly higher than last year with a 15.8 percent increase in 2006 in property tax revenues. The area's MSA unemployment rate is currently 3 percent, significantly better than the national rate of 4.6 percent and slightly better than the statewide rate of 3.3 percent. The region's growth and economic diversity are expected to be the basis for continued health of the local economy in coming years.

The Authority's ability to fund its operations is heavily dependent on the .50 millage levy generated from property taxes. These property tax revenues have grown at an annual average of 10.7 percent over the last 5 years compared to average growth in expenses, including depreciation, of 9.4 percent of the same period.

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

Even in light of these challenges, the Authority remains steadfast in its commitment to provide public transportation to its riders while meeting its fiscal challenges.

Long-Range Financial Planning

Due to the significant investment in buses and bus facilities used for service delivery and the necessary funding required to refurbish and to replace those assets when needed, the Authority has been building up resources. As of September 30, 2006, the Authority's unrestricted net assets totals \$15.5 million. Long-term financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions.

Cash management policies and practices. Cash temporarily idle during the year was invested in the Florida State Board of Administration (SBA) Local Government Investment Pool. The investment returns from October 2005 through September 2006 is in the range from 3.73 percent to 5.33 percent. The SBA investment pool allocation consists of U.S. Treasury Bills/Bonds, Federal Agency Obligations, REPO Agreements, Commercial Paper, Certificates of Deposit, and Asset-Backed Securities. This mix of asset allocation provides a strong diversity for a balanced portfolio with returns of up to 5.33 percent in August 2006. The Board awarded a new banking agreement in 2006 that freed-up all idle cash for investment.

Risk management. Commercial insurance is carried for damage to buildings with a deductible that varies with the cause of loss. The Authority is self-insured for worker's compensation and general liability. Additional information regarding the Authority's risk management activity can be found in Note 6 of the notes to the financial statements.

Pension and other post-employment benefits. Substantially, all full-time Authority employees are participants in the Florida Retirement System ("the System"), a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature, covers approximately 679,800 full-time employees of various governmental units within the State of Florida.

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

The Authority has no responsibility to the System other than to make the periodic payments required by State Statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System.

Participating employer contributions are based upon statewide rates established by the State of Florida.

Acknowledgements

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

Respectfully submitted,

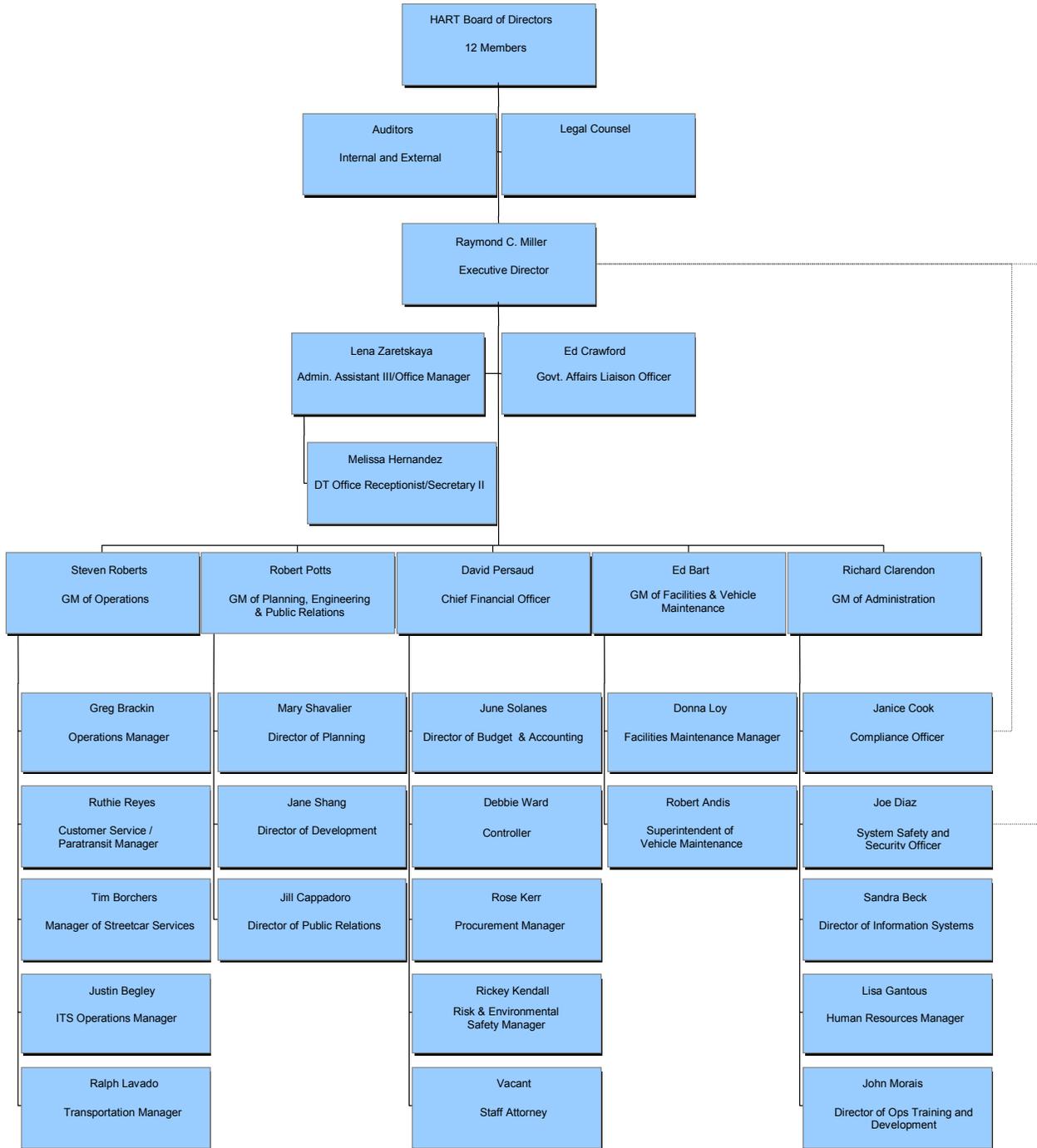


Raymond C. Miller
Executive Director



David Persaud, MPA, CGFM, CPE
Chief Financial Officer

HART ORGANIZATIONAL CHART



ELECTED AND APPOINTED OFFICIALS

Board of Directors (As of September 30, 2006)

Officers

Ricardo Roig, Chairperson
Edward Giunta II, Vice Chairperson
Alison Hewitt, Secretary

Hillsborough County

Wallace Bowers
Edward Giunta II
David Storck
Commissioner Brian Blair
Commissioner Kathy Castor
Commissioner Ronda Storms

City of Tampa

Councilman John Dingfelder
David Mechanik
Ricardo Roig, Esquire

City of Temple Terrace

Council Member Ron Govin

State of Florida

John Byczek
Alison Hewitt

Board of Directors (As of December 4, 2006)

Officers

Ricardo Roig, Chairperson
Edward Giunta II, Vice Chairperson
Alison Hewitt, Secretary

Hillsborough County

Wallace Bowers
Edward Giunta II
David Storck
Commissioner Rose Ferlita
Commissioner Mark Sharpe
Commissioner Al Higginbotham

City of Tampa

Councilman John Dingfelder
David Mechanik
Ricardo Roig, Esquire

City of Temple Terrace

Council Member Ron Govin

State of Florida

John Byczek
Alison Hewitt

Executive Director

Raymond C. Miller

General Counsel

Joyner & Jordan-Holmes, PLC

Independent Auditors

ValienteHernandez P.A.

Internal Auditors

Cherry, Bekaert & Holland, L.L.P.

DIRECTORY OF OFFICIALS

APPOINTED OFFICIALS

Raymond C. Miller, Executive Director

David Persaud, Chief Financial Officer

Steven Roberts, General Manager – Operations

Richard P. Clarendon, General Manager – Administration

Bob Potts, General Manager – Planning, Development and Public Relations

Ed Bart, General Manager – Vehicle and Facilities Maintenance

Ed Crawford, Government Affairs and Public Information Officer

FINANCIAL SECTION



TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 8
Basic Financial Statements:	
Statements of Net Assets	9
Statements of Revenues, Expenses and Changes in Fund Net Assets	10 – 11
Statements of Cash Flows	12 – 13
Notes to Basic Financial Statements	14 – 26
Supplementary Information:	
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	27 – 29
Regulatory Reports:	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	30 – 31
Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and State Financial Assistance Project	32 – 33
Schedule of Findings and Questioned Costs	34 – 35
Exhibit A to Schedule of Findings and Questioned Costs	36 – 37
"Management Letter" Based on Rule 10.554(1)(h) of the Auditor General of the State of Florida	38 – 40
Attachment 1 to "Management Letter"	41 – 44

ValienteHernandez

P.A.



CERTIFIED PUBLIC
ACCOUNTANTS

AUDITORS AND
CONSULTANTS

1715 N. Westshore Boulevard
Suite 950
Tampa, Florida 33607-3920

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813/ 933.9825 Fax

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, 2006 and 2005, and the related statements of revenues, expenses, and changes in fund net assets, and of cash flows for the years then ended, which collectively comprise the Authority's basic financial statements, 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, 2006 and 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2006 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, grant agreements and other matters. 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.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The supplementary information on pages 27 through 29, consisting of the schedule of expenditures of federal awards and state financial assistance projects, is not a required part of the basic financial statements and 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*, the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General of the State of Florida. Such supplementary information is the responsibility of the Authority's management and has 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.

The information presented in the introductory section and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.


CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
December 4, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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"), a/k/a Hillsborough Area Regional Transit, financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2006. 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 \$6,305,957, or 6.1 percent, of which \$3,408,642 represented an increase in the amount invested in capital assets and \$2,897,315 represented an increase in unrestricted assets.
- The four percent increase in capital assets (net of depreciation) is largely attributable to purchases of revenue vehicles, and construction costs for new transit centers.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Authority's total operating revenues increased \$1,313,197 or by 14 percent, due in large part to increased revenues from passenger fares.
- Operating expenses increased by \$4,762,446 or 10.23 percent. The largest portion of the increase in operating expenses was due to increases in salaries and benefits, fuel and lubricant costs. Conversely, insurance premiums and self insurance costs decreased \$723,636, or 37 percent.

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 \$109,990,807 as of September 30, 2006.
- The largest portion of the Authority's net assets each year, 85.9 percent and 87.8 percent at September 30, 2006 and 2005, respectively, represents its invested 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:	2006	2005	Increase (Decrease)	Percentage Change
Current assets	\$ 26,611,911	\$ 23,521,582	\$ 3,090,329	13.1%
Capital assets	94,438,179	91,029,537	3,408,642	3.7%
Total assets	<u>121,050,090</u>	<u>114,551,119</u>	<u>6,498,971</u>	<u>5.7%</u>
Liabilities:				
Current liabilities	11,059,283	10,866,269	193,014	1.8%
Total liabilities	<u>11,059,283</u>	<u>10,866,269</u>	<u>193,014</u>	<u>1.8%</u>
Net assets:				
Invested in capital assets	94,438,179	91,029,537	3,408,642	3.7%
Unrestricted	15,552,628	12,655,313	2,897,315	22.9%
Total net assets	<u>\$ 109,990,807</u>	<u>\$ 103,684,850</u>	<u>\$ 6,305,957</u>	<u>6.1%</u>

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- A portion of the Authority's assets, 3.9 percent at September 30, 2006 and 4 percent at September 30, 2005, represents resources that are restricted for the Authority's self insurance program. An additional portion of the Authority's net assets, 14 percent and 12.2 percent at September 30, 2006 and 2005, respectively, represents resources 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 20 percent and 19 percent of the service in fiscal years 2006 and 2005, respectively. The cost of providing the remainder of the service was subsidized by ad valorem tax revenue collections and federal, state, and local funding. The Authority's millage rate for the 2006 tax year was 0.5 mill. This rate has not changed since 1980.

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

	2006	2005	Favorable (Unfavorable)	Percentage Change
Operating revenues	\$ 10,831,237	\$ 9,518,040	\$ 1,313,197	13.8%
Operating expenses	(51,335,252)	(46,572,806)	(4,762,446)	10.2%
Depreciation	(7,791,245)	(7,400,882)	(390,363)	5.3%
Operating loss	(48,295,260)	(44,455,648)	(3,839,612)	8.6%
Federal, state grants, and local grants	9,529,337	11,953,019	(2,423,682)	-20.3%
Property tax proceeds	29,813,313	25,740,799	4,072,514	15.8%
Other non-operating revenues	1,592,266	785,178	807,088	102.8%
Capital grants	13,666,301	6,768,263	6,898,038	101.9%
Increase in net assets	\$ 6,305,957	\$ 791,611	\$ 5,514,346	696.6%

As noted above, fiscal year 2006 operating revenues increased by 13.8 percent, while operating expenses prior to the recognition of depreciation increased by 10.2 percent.

- Passenger fares increased by 14.38 percent in fiscal year 2006, from \$9,041,498 in fiscal year 2005 to \$10,342,004 in fiscal year 2006, largely due to increased revenues from full

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

fares and one day passes. Increased revenues are due to increases in fare rates and ridership.

- Interest income increased in the fiscal year 2006 to \$1,161,011, from \$498,345 in the fiscal year 2005, largely because of two factors. In the fiscal year 2006, the average interest rate increased by approximately two hundred basis points. Additionally, the average balance kept in the investment account increased due in part to increases in property tax proceeds.
- The increase in Other Income in fiscal year 2006 to \$431,255 over \$286,833 in fiscal year 2005 is largely due to increases in claims recovery revenue, and to a lesser degree, increases in loss of use recovery revenue.
- Contracted service costs increased by \$394,514, or 17.3 percent, in fiscal year 2006 as compared with fiscal year 2005. The costs were generated from increased use of professional services for such things as compiling data to support the development of community information packets to improve communication with the community, and community outreach support. Costs were also generated by the use of contracted services to provide security through the use of contracted security guards.
- Operating expenditures reimbursed by grants increased in fiscal year 2006 by \$1,058,955, or 74.86 percent, to \$2,473,473, from \$1,414,518 in fiscal year 2005, and included a variety of costs. Some of the costs subsidized by outside agencies were used for financial planning, project administration, design and engineering, purchase of parts to maintain the integrity of the fleet, quality service analysis, and lease expenses.
- Fuel and lubricants increased by \$685,336, or 19.49 percent, over the prior year. The increase was mainly because of the cost of diesel fuel used in buses for increased fixed route services.
- Marketing and promotion expenses decreased by \$108,587, or 12.87 percent, in fiscal 2006. The decrease in marketing and promotion expenses was because the marketing department anticipated significant service and fare changes scheduled to occur during the first quarter of the fiscal year 2007, and Marketing chose not to expend funds promoting services and fares that were scheduled to change. Further, the marketing department concentrated its efforts during the final months of fiscal year 2006 with person to person community involvement in an effort to learn from the community their needs, with a goal of helping to design the new services to be offered. This effort did not require use of marketing funds beyond the fixed salary costs.
- In fiscal year 2006, there was a \$7.4 million increase in revenues from Federal grants. Most of this increase came from the revenues collected from a Section 5307 Urbanized Area Formula Grant, and most of the money from that grant was used to purchase 21 replacement buses and three expansion buses to modernize the agency's fleet.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Grantors of local operating assistance reduced their contributions in fiscal year 2006. The largest reduction came from Hillsborough County, where the contribution was reduced by 98.9 percent as compared with fiscal year 2005.
- Non-operating revenues of the Authority increased by 6.4 percent in fiscal 2006. Most of the \$2.5 million increase was from proceeds from federal operating assistance grants and from property taxes.
- Net assets increased in fiscal 2006 by over \$6.3 million. This is a larger increase compared to the increase in fiscal 2005, mostly due to the increases in capital assets and available cash.

Capital Assets

The Authority's investment in capital assets for the fiscal year ending September 30, 2006 included land, buildings and improvements, revenue and other vehicles and equipment.

- Major capital asset activities during the year included completion of bids and a bid award for Net Park, with construction underway. The project is expected to be completed April, 2007.
- Environmental Assessment for the West Tampa Transfer Center, as required by the FTA, has been completed. The design has been completed to the 100 percent level as have preparations for permitting and bid release. This project is expected to be completed by November, 2007.
- Environmental Assessment for the Northwest Transit Center, the rezoning of the property from Agricultural-Residential to Planned Development through the County, the transfer of ownership from the County to HART, and completion of the design to the 100 percent level has been completed. This project is expected to be completed by late November, 2007.
- Construction of the South County transit property round-about and landscaping is near completion. The Authority awarded the high scoring respondent to the Request for Proposals (RFP's,) for programming, and architectural and engineering services for rehabilitation of the Operations Center on 21st Avenue. This project is now in progress.
- The Ybor office build-out RFP was issued and is in process for award in early 2007.
- The development of the Intelligent Transportation System is underway with a consulting firm providing technical support for the project as needed.

**HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- A contracted firm has evaluated RFP's to provide the agency with a state of the art Enterprise Resource Planning system. Senior staff is now in the process of evaluating proposals for this system.
- The Authority's acquisition of revenue vehicles and related equipment included the purchase of sixteen vanpool vans, four supervisor trucks, one streetcar truck, and twenty-four buses.

Long Term Debt Administration

The Authority has no long-term debt.

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 David Persaud, Chief Financial Officer, Hillsborough Transit Authority, Finance Division, 4305 East 21st Avenue, Tampa, FL 33605.

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BASIC FINANCIAL STATEMENTS

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF NET ASSETS

<u>ASSETS</u>	September 30,	
	2006	2005
Current assets:		
Cash and cash equivalents (Note 3)	\$ 20,190,799	\$ 18,260,911
Accounts receivable:		
Trade and other, net of allowance for uncollectible accounts of \$40,831 in 2006 and \$94,906 in 2005	1,039,679	636,519
Federal grants	1,596,344	2,085,488
State grants	356,481	339,218
Local grants	1,288,813	579,374
Inventory of replacement parts and supplies	1,582,149	1,356,646
Prepaid expenses	557,646	263,426
Total current assets	26,611,911	23,521,582
Capital assets, net of accumulated depreciation (Note 4)	94,438,179	91,029,537
Total assets	121,050,090	114,551,119
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	2,531,619	3,066,116
Accrued expenses	2,980,025	2,523,976
Self insurance and loss contingencies (Notes 3 and 6)	4,759,928	4,667,297
Deferred revenue	787,711	608,880
Total current liabilities	11,059,283	10,866,269
<u>NET ASSETS</u>		
Net Assets:		
Invested in capital assets (Note 4)	94,438,179	91,029,537
Unrestricted (Note 7)	15,552,628	12,655,313
Total net assets	\$ 109,990,807	\$ 103,684,850

The notes to basic financial statements are an integral part of these 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,	
	2006	2005
OPERATING REVENUES:		
Passenger fares	\$ 10,342,004	\$ 9,041,498
Charter fares	6,316	13,432
Advertising	482,917	463,110
Total operating revenues	10,831,237	9,518,040
OPERATING EXPENSES:		
Salaries	23,631,683	22,092,721
Payroll taxes, fringe benefits and workers' compensation	10,941,290	9,442,857
Fuel and lubricants	4,200,877	3,515,541
Contracted services	2,673,728	2,279,214
Parts and supplies	3,031,564	2,805,589
Insurance premiums, self insurance costs and settlements	1,225,591	1,949,227
Utilities	674,603	601,353
Marketing and promotion	735,051	843,638
Other	1,747,392	1,628,148
Operating expenditures reimbursed by grants	2,473,473	1,414,518
Total operating expenses before depreciation	51,335,252	46,572,806
Operating (loss) before depreciation	(40,504,015)	(37,054,766)
Depreciation	7,791,245	7,400,882
Operating (loss)	(48,295,260)	(44,455,648)
NONOPERATING REVENUES:		
Operating assistance grants		
Federal	4,564,443	5,385,927
State	3,455,026	3,574,740
Local	1,509,868	2,992,352
Property tax proceeds, net	29,813,313	25,740,799
Interest income	1,161,011	498,345
Other income	431,255	286,833
Nonoperating revenues	40,934,916	38,478,996
(Loss) before capital grants	(7,360,344)	(5,976,652)

(Continued on next page)

The notes to basic financial statements are an integral part of these statements.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS

	September 30,	
	2006	2005
<i>(Continued from previous page)</i>		
CAPITAL GRANTS:		
Federal	12,515,084	5,116,600
State	226,236	968,857
Local	924,981	682,806
Total capital grants	13,666,301	6,768,263
Increase in net assets	6,305,957	791,611
Net assets, beginning of year	103,684,850	102,893,239
Net assets, end of year	\$ 109,990,807	\$ 103,684,850

The notes to basic financial statements are an integral part of these statements.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	For the Years Ended	
	September 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 10,606,908	\$ 9,714,292
Cash paid to employees	(34,116,924)	(31,203,930)
Cash paid to suppliers	(17,610,376)	(14,183,474)
Net cash (used) in operating activities	(41,120,392)	(35,673,112)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	9,565,922	11,554,995
Property tax proceeds	29,813,313	25,740,799
Other income received	431,255	286,833
Net cash provided by noncapital financing activities	39,810,490	37,582,627
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(11,339,716)	(6,527,425)
Capital assistance grants	13,392,158	10,927,200
Proceeds from the sale of revenue vehicles	26,337	66,140
Net cash provided by in capital and related financing activities	2,078,779	4,465,915
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	1,161,011	498,345
Net cash provided by investing activities	1,161,011	498,345
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,929,888	6,873,775
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,260,911	11,387,136
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 20,190,799	\$ 18,260,911

The notes to basic financial statements are an integral part of these statements.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS

	For the Years Ended	
	2006	2005
RECONCILIATION OF OPERATING EXPENSES IN EXCESS OF OPERATING REVENUES TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating (loss)	\$ (48,295,260)	\$ (44,455,648)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash used in operating activities:		
Depreciation	7,791,245	7,400,882
Gain on sale of capital assets	(23,485)	(15,589)
Loss on disposal of assets	136,977	-
Increase (decrease) in accounts receivable	(403,160)	120,905
(Increase) decrease in inventories	(225,503)	(423,104)
(Increase) in prepaid expenses	(294,220)	(49,354)
Increase (decrease) in accounts payable	(534,497)	1,021,127
Increase (decrease) in accrued expenses	456,049	331,648
Increase (decrease) in deferred revenue	178,831	75,347
Increase (decrease) in other liabilities	92,631	320,674
Total adjustments	7,174,868	8,782,536
Net cash (used) in operating activities	\$ (41,120,392)	\$ (35,673,112)

The notes to basic financial statements are an integral part of these statements.

NOTES TO BASIC FINANCIAL STATEMENTS

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 – ORGANIZATION AND REPORTING ENTITY:

Description

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

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

The Authority has been determined to be an “Independent Special District” as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (\$.500000) on the taxable value of real and tangible personal property within the jurisdiction of its members. Chapter 165.570, Florida Statutes, allows the Authority to levy up to a three mill levy, subject to public referendum. 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.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 – ORGANIZATION AND REPORTING ENTITY (continued):

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 of the Financial Accounting Foundation (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 financial statements are reported on the accrual basis of accounting, under which, revenues are recognized when earned and measurable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Cash 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 average cost.

Capital Assets

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

	Useful lives <u>(years)</u>
Building and improvements	5 - 40
Revenue vehicles	4 - 30
Operating transit and related equipment	3 - 7
Other equipment, fixtures, and other vehicles	3 - 7

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 costs 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's Board of Directors. If restricted and unrestricted net assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

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 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 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, 2006. 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.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property Tax Revenue

The Authority is deemed a special taxing district and is authorized to levy an ad valorem tax on the taxable real and personal 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 2006 and 2005 was 0.5 mill.

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.

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*, as of October 1, 2002.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Estimates

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

Classification

Amounts in the 2005 statement cash flows were reclassified to conform with the 2006 presentation. Such classification changes do not alter the result for operations for either year.

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits

At September 30, 2006, the bank balance (restricted and unrestricted) of the Authority's deposits was \$1,415,319 and the book balance was \$1,035,418. At September 30, 2005, the bank balance (restricted and unrestricted) of the Authority's deposits was \$967,324 and the book balance was \$710,741. Of the September 30, 2006 bank balance, \$100,000 was covered by federal depository insurance and \$1,315,319 was collateralized by the State of Florida collateral pool. Of the September 30, 2005 bank balance, \$100,000 was covered by federal depository insurance and \$867,324 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 Florida State Board of Administration (FSBA) 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 \$64,102 and \$35,155 as of September 30, 2006 and 2005, respectively.

Investments

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

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (continued):

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

There were no violations to this policy during the fiscal year. The Authority’s investments at September 30, 2006 and 2005 consisted of the following:

The Authority invests funds throughout the year with the Surplus Funds Investment Pool, an investment pool administered by the FSBA under the regulatory oversight of the State of Florida. Throughout the year and as of September 30, 2006, the FSBA 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 48% of the FSBA’s portfolio at September 30, 2006. The FSBA met the criteria to be a “2a-7Like” pool as defined in GASB Statement No. 31 at September 30, 2006 and 2005. Therefore the investment was valued at share value, which approximates fair value at September 30, 2006. The totals (restricted and unrestricted) invested through the Surplus Funds Investment Pool are \$19,091,371 and \$17,515,015 at September 30, 2006 and 2005, respectively. These investments are not classified as to credit risk because they are not evidenced by securities that exist in book or entry form.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (continued):

Restricted cash and cash equivalents of \$4,759,928 and \$4,667,297, as of September 30, 2006 and 2005, 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, 2006 and 2005, respectively.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2006 is summarized as follows:

Description	Balance at September 30, 2005	Additions and Reclasses	Deletions and Reclasses	Balance at September 30, 2006
Land	\$ 13,089,868	\$ 32,821	\$ -	\$ 13,122,689
Buildings and improvements	41,019,565	150,976	201,119	40,969,422
Revenue vehicles	59,595,709	7,658,684	6,392,620	60,861,773
Operating and transit related equipment	14,104,914	1,460,692	634,151	14,931,455
Other equipment, fixtures and other vehicles	21,375,117	688,234	395,043	21,668,308
Construction in progress	723,264	2,144,255	808,533	2,058,986
Total capital assets	<u>149,908,437</u>	<u>12,135,662</u>	<u>8,431,466</u>	<u>153,612,633</u>
Less: Accumulated depreciation	58,878,900	7,791,245	7,495,691	59,174,454
Total capital assets, net	<u>\$ 91,029,537</u>	<u>\$ 4,344,417</u>	<u>\$ 935,775</u>	<u>\$ 94,438,179</u>

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HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4 – CAPITAL ASSETS (continued):

Capital asset activity for the year ended September 30, 2005 is summarized as follows:

Description	Balance at September 30, 2004	Additions and Reclasses	Deletions and Reclasses	Balance at September 30, 2005
Land	\$ 13,011,608	\$ 78,260	\$ -	\$ 13,089,868
Buildings and improvements	40,764,695	304,001	49,131	41,019,565
Revenue vehicles	56,461,610	4,569,434	1,435,335	59,595,709
Operating and transit related equipment	13,690,325	666,141	251,552	14,104,914
Other equipment, fixtures and other vehicles	21,291,810	294,531	211,224	21,375,117
Construction in progress	108,206	615,058		723,264
Total capital assets	<u>145,328,254</u>	<u>6,527,425</u>	<u>1,947,242</u>	<u>149,908,437</u>
Less: Accumulated depreciation	53,374,709	7,400,882	1,896,691	58,878,900
Total capital assets, net	<u>\$ 91,953,545</u>	<u>\$ (873,457)</u>	<u>\$ 50,551</u>	<u>\$ 91,029,537</u>

Depreciation expense during the years ended September 30, 2006 and 2005 were \$7,791,245 and \$7,400,882, respectively.

NOTE 5 – PENSION PLANS:

Defined Benefit Pension Plan

Substantially, all full-time employees of the Authority are participants in the Florida Retirement System (“the System”), a multiple-employer, cost-sharing public retirement system. The System, is controlled by the State Legislature and covers approximately 679,800 full-time employees of various governmental units within the State of Florida.

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

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5 – PENSION PLANS (continued):

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Authority is required to contribute at an actuarially determined rate. The current rates are regular employees, 9.85%, senior management, 13.12%, deferred retirement option program (DROP) 10.91%. The Authority's contributions during the years ended September 30, 2006, 2005, and 2004 were \$2,223,588, \$1,843,690 and \$1,604,247, respectively, equal to the required contributions for each year.

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

Defined Contribution Plan

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

NOTE 6 – 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.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 – SELF INSURANCE AND LOSS CONTINGENCIES (continued):

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 \$4,759,928 and \$4,667,297 in self-insurance and loss contingencies reported at September 30, 2006 and 2005, respectively, are based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires liability for claims 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 2006 and 2005 were:

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HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 6 – SELF INSURANCE AND LOSS CONTINGENCIES (continued):

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at September 30, 2004	\$ 2,038,231	\$ 2,308,392	\$ 4,346,623
Current year claims and changes in estimates	1,200,332	215,298	1,415,630
Claim payments	<u>(622,213)</u>	<u>(472,743)</u>	<u>(1,094,956)</u>
Balance at September 30, 2005	<u>2,616,350</u>	<u>2,050,947</u>	<u>4,667,297</u>
Current year claims and changes in estimates	320,294	906,788	1,227,082
Claim payments	<u>(416,026)</u>	<u>(718,425)</u>	<u>(1,134,451)</u>
Balance at September 30, 2006	<u>\$ 2,520,618</u>	<u>\$ 2,239,310</u>	<u>\$ 4,759,928</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 \$2,105,086 and \$1,938,336 as of September 30, 2006 and 2005, respectively. These amounts are not externally restricted and do not represent measurable liabilities as of September 30, 2006 and 2005.

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 at \$13.50, escalating annually, plus 3.604% of common area costs. The rent for the year ended September 30, 2006 included two months at \$19.12 per square foot, five months at \$19.89 per square foot, and five months at \$20.69 per square foot, for a total of \$204,326. Certain other operating costs, storage space, and parking totaling \$25,825 was added to the base rent. The Authority has exercised its option to extend the term of the lease for an additional five years, and the new expiration date is May 10, 2011. Lease expenditures for all operating leases recognized for the year ended September 30, 2006 was \$290,947 of which \$230,151 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 \$60,796 was leasing expenditures for office and maintenance equipment.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 8 – OPERATING LEASES (continued):

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>
2007	\$ 217,864
2008	226,589
2009	235,669
2010	245,119
2011	146,263
Total	<u>\$ 1,071,504</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, 2006 and 2005 totaled approximately \$6,188 and \$9,232, 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 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 (“PAI”) projects, which are mutually agreed upon for a total not to exceed \$1,700,000. The Agreement further details the annual obligations by the Authority through the fiscal year ending September 30, 2009. The Authority agreed to pay from available federal funding through grants and City impact fees for these PAI projects.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued):

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

The payments stipulated in the Agreement were as follows:

Immediate upon execution of agreement	\$ 450,000
After October 1, 2004	250,000
After October 1, 2005	250,000
After October 1, 2006	250,000
After October 1, 2007	250,000
After October 1, 2008	250,000
Total	<u><u>\$ 1,700,000</u></u>

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

During fiscal year ended September 30, 2006, the Authority paid approximately \$683,000 to the City as part of this agreement for approved and completed projects. The amount remaining to be paid under the Agreement is approximately \$1,017,000, summarized as follows:

Total amount approved through September 30, 2006	<u>\$ 950,000</u>
Less: Prior year accrual	265,000
Less: Current year expenditures	<u>418,000</u>
Amount paid this year	<u>683,000</u>
Obligation at September 30, 2006	267,000
Remaining for future projects yet to be determined	<u>750,000</u>
Total remaining to be paid	<u><u>\$ 1,017,000</u></u>

SUPPLEMENTARY INFORMATION

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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, 2006

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>
<u>U.S DEPARTMENT OF TRANSPORTATION</u>		
<u>FEDERAL TRANSIT ADMINISTRATION</u>		
Streetcar Events & Mode Shift Promotions	20.205	FL-90-X527
Bus Purchase and Ybor Station PD & E	20.500	FL-03-0167
Bus Purchase	20.500	FL-03-0221
Mobility Study / Historic Streetcar	20.500	FL-90-X461
Fixed Guideway Funds	20.500	FL-03-0237
Fixed Guideway Funds	20.500	FL-03-0274
Historic Electric Streetcar	20.507	FL-90-X295
Intermodal Mobility Project	20.507	FL-90-X333
FY98 Program of Projects	20.507	FL-90-X331
FY99 Program of Projects	20.507	FL-90-X360
FY00 Program of Projects	20.507	FL-90-X396
FY01 Program of Projects	20.507	FL-90-X424
FY02 Program of Projects	20.507	FL-90-X453
FY03 Program of Projects	20.507	FL-90-X481
FY04 Program of Projects	20.507	FL-90-X519
FY05 Program of Projects	20.507	FL-90-X538
FY06 Program of Projects	20.507	FL-90-X584
Bus Tracking and Communication	20.515	FL-26-0005
Bus Tracking and Communication	20.515	FL-26-0006
Bus and Related Equipment Purchase	20.515	FL-90-X521
Jobs Access/Reverse Commute	20.516	FL-37-X011
Total Federal Transit Administration		
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
<u>FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION -</u>		
<u>DEPARTMENT OF HOMELAND SECURITY / NATIONAL</u>		
<u>DISASTER MEDICAL SYSTEM</u>		
Total Direct Federal Assistance		
<u>PASS THROUGH</u>		
<u>FLORIDA DEPARTMENT OF TRANSPORTATION</u>		
Section 18 - FPN 402250 18405	20.509	FL-18-X019
Ridership Development - FPN 405531	20.509	4047098
Roadway Bus Bays - FPN 405532	20.509	4047085c
Total Pass Through Federal Assistance		
Total Federal Awards		
	<u>State CSFA Number</u>	<u>State Project Number</u>
<u>STATE GRANTOR PROGRAM TITLE</u>		
<u>STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION</u>		
<u>Direct State Financial Assistance</u>		
State Block Grant FY 06	55.010	402251-18406
Park and Ride Lots	55.011	408209-19402
Coach Maintenance Training Program	55.012	411540-19401
Hyde Park - Route 98	55.012	416263-19401
Brandon to Tampa - Route 25X	55.012	418310-19401
Urban Corridor Program (200X)	55.013	410693-18402
Urban Corridor Program (200X)	55.013	410693-18403
Southern Intermodal Terminal	55.014	403138-19401
Urban Transit Capital Grant	55.017	415014-19401
Total Direct State Grants and Aids Appropriations		
<u>PINELLAS COUNTY METROPOLITAN PLANNING ORGANIZATION</u>		
<u>(pass through)</u>		
Oldsmar to Tampa Express/WAGES	55.012	408509
Total State Financial Assistance Projects		
Total Federal Awards and State Financial Assistance Projects		

See Notes to Schedule of Federal Awards and State Financial Assistance.

Program or Award Amount	Accrued or (Deferred) Reveue September 30, 2005	Receipts	Program Expenditures	Transfes	Accrued Revenue September 30, 2006
\$ 261,474	\$ 11,474	\$ 80,254	\$ 92,929		\$ 24,149
6,969,757	(1,429)	7,315	10,178	733	2,167
7,549,018	125,000	822,704	837,977	-	\$140,273
1,000,000	-	7,355	12,355	-	5,000
239,462	-	36,800	47,834	-	11,034
118,403	-	-	-	-	-
18,041,993	449,828	528,710	78,882	-	-
16,366,000	10,612	10,812	-	200	-
5,803,175	(3,457)	16,527	36,465	(933)	15,548
11,048,966	29,450	73,198	48,914	-	5,166
7,539,218	40,228	395,376	392,111	-	36,963
7,401,004	316,907	539,564	284,586	-	61,929
8,084,316	59,581	386,454	548,947	-	222,074
7,808,040	426,314	1,016,072	928,665	-	338,907
8,147,169	159,904	625,007	648,758	-	183,655
8,233,873	344,040	794,143	582,344	-	132,241
9,030,225	-	3,328,532	3,698,147	-	369,615
991,307	-	64,025	64,091	-	66
3,973,955	32,422	691,491	700,410	-	41,341
9,500,000	-	7,727,325	7,727,573	-	248
2,054,680	8,233	339,048	335,815	-	5,000
	<u>2,009,107</u>	<u>17,490,712</u>	<u>17,076,981</u>	<u>-</u>	<u>1,595,376</u>
	1,926	1,926	-	-	-
	<u>2,011,033</u>	<u>17,492,638</u>	<u>17,076,981</u>	<u>-</u>	<u>1,595,376</u>
253,393	60,791	60,791	-	-	-
600,000	12,696	15,242	2,546	-	-
300,000	968	-	-	-	968
	<u>74,455</u>	<u>76,033</u>	<u>2,546</u>	<u>-</u>	<u>968</u>
	<u>2,085,488</u>	<u>17,568,671</u>	<u>17,079,527</u>	<u>-</u>	<u>1,596,344</u>
3,119,191	-	3,119,191	3,119,191	-	-
180,000	-	-	107,008	-	107,008
1,000,000	57,586	122,491	64,905	-	-
350,000	51,139	154,560	105,460	-	2,039
75,000	-	-	28,710	-	28,710
375,000	45,825	118,626	174,485	-	101,684
250,000	-	-	1,497	-	1,497
800,000	149,131	149,131	-	-	-
597,790	-	-	80,006	-	80,006
	<u>303,681</u>	<u>3,663,999</u>	<u>3,681,262</u>	<u>-</u>	<u>320,944</u>
1,071,000	35,537	-	-	-	35,537
	<u>339,218</u>	<u>3,663,999</u>	<u>3,681,262</u>	<u>-</u>	<u>356,481</u>
	<u>\$ 2,424,706</u>	<u>\$ 21,232,670</u>	<u>\$ 20,760,789</u>	<u>\$ -</u>	<u>\$ 1,952,825</u>

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – BASIS OF PRESENTATION:

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

NOTE 2 – CONTINGENCIES:

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

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REGULATORY REPORTS

ValienteHernandez

P. A.

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

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

We have audited the accompanying basic financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority ("the Authority"), as of September 30, 2006 and for the year then ended and have issued our report thereon dated December 4, 2006. 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 basic financial statements and not to provide an opinion 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 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 caused by error or fraud 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 operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 4, 2006.

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 other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
December 4, 2006

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE FLORIDA SINGLE AUDIT ACT

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, 2006. The Authority's major federal programs and state financial assistance projects are identified in Section I, Summary of Auditors' Results, 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, the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General of the State of Florida. Those standards, OMB Circular A-133, the Florida Single Audit Act, 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.

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, 2006.

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, the Florida Single Audit Act, 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 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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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 4, 2006

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS
YEAR ENDED SEPTEMBER 30, 2006

SECTION I – SUMMARY OF AUDITORS’ RESULTS:

<u>Financial Statements</u>	<u>Results</u>	
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)	No	
Noncompliance material to financial statements noted?	No	
	<u>Federal</u>	<u>State</u>
<u>Awards and Financial Assistance</u>		
Internal control over major programs:		
Material weakness(es) indentified?	No	No
Reportable condition(s) identified not considered to be a material weakness(es)	None reported ¹	None reported ¹
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
<u>Identification of Major Programs</u>		
<u>Federal</u>	<u>Name of Program or Cluster</u>	
CFDA 20.507	Federal Transit – Formula Grants	
CFDA 20.515	Federal Transit – State Planning and Research	
CFDA 20.516	Job Access Reverse Commute	
<u>State</u>	<u>Name of Program or Cluster</u>	
CSFA 55.010	Public Transit Block Grant Program	
CSFA 55.011	Park and Ride Lot Program	
CSFA 55.013	Transit Corridor Program	
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 512,386	
Auditee qualified as low-risk auditee?	Yes	

¹ See above section on internal control over financial reporting.

HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS
YEAR ENDED SEPTEMBER 30, 2006

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 are no material weaknesses, or instances of noncompliance related to the financial statements that require disclosure.

PRIOR YEARS' COMMENTS

There are no material weaknesses, or instances of noncompliance related to the financial statements that require disclosure. However, we noted a reportable condition on the internal control over financial reporting, which is shown in Exhibit A, pages 31 and 32. The reportable condition has 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 awards or state financial assistance projects required to be reported in accordance with OMB A – 133, the Florida Single Audit Act, or Chapter 10.550, Rules of the Auditor General of the State of Florida.

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HILLSBOROUGH TRANSIT AUTHORITY
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
BASED ON AN AUDIT FOLLOWING *GOVERNMENT AUDITING STANDARDS* AND
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS
YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT A

REPORTABLE CONDITIONS

Previous Years' Findings (2005):

Finding 05-01:

Condition:

The Authority's internal control procedures were not followed, which lead to a breach in financial monitoring of the accounting and reporting thereon of a significant transaction. This condition does not include federal or state funding.

The Authority has an agreement with the City of Tampa (the City) calling for the Authority to reimburse, during a five-year period ending September 30, 2009, up to \$1.7 million for certain pedestrian access improvements (as defined). The City is responsible for carrying out these projects; the Authority's responsibility is to provide funding based on previously agreed specific projects. The City would seek reimbursement by providing evidence that an approved segment or a complete project has been finished.

The Authority failed to monitor from a fiscal angle the progress of authorized projects totaling approximately \$700,000. Consequently, an invoice from the City of approximately \$265,000, effective as of September 30, 2005, was submitted during the first week of December 2005 for which an accrual had not been booked.

Result:

Communication between the Authority's Engineering and Development Department (E&D), responsible for monitoring the agreement with the City, and the Authority's Finance Department was breached when E&D failed to obtain a purchase order (PO) through the established channels for the total amount of approved projects, \$700,000. Had a PO been issued, the Finance Department could have followed up before September 30, 2005 with the appropriate E&D personnel as to the financial status of the project, therefore avoiding missing recording of a material expenditure.

Recommendation:

We recommend that adherence with established procedures whereby a PO is issued as soon as a project is identified be followed in non-traditional contractual engagements such as currently exists with the City.

HILLSBOROUGH TRANSIT AUTHORITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
BASED ON AN AUDIT FOLLOWING *GOVERNMENT AUDITING STANDARDS* AND
FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS
YEAR ENDED SEPTEMBER 30, 2006

Views of Responsible Officials and Planned Corrective Actions:

Management concurs with the above recommendation and such procedures have been implemented.

Current Status:

Finding has been cleared.

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“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 basic financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority (“the Authority”), as of and for the fiscal year ended September 30, 2006 and have issued our report thereon dated December 4, 2006. These basic financial statements are the responsibility of the Authority. Our responsibility is to express an opinion on these basic financial statements as a result of our audit.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor’s Report on Compliance and Internal Control over financial reporting, Independent Auditor’s Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in that report, which are dated December 4, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was 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 we address in the Management Letter, if not already addressed in our report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The two recommendations made in the preceding annual financial report have been corrected.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes. However, our audit was not directed toward obtaining knowledge regarding the Authority’s compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the Management Letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In addition to what has been disclosed in our report related to *Government Auditing Standards*, there is one matter to be reported in the audit period, which is disclosed in Attachment 1 to this Management Letter.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the Management Letter of the following matters that are not clearly inconsequential considering both quantitative and qualitative factors, 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 and were discovered within the scope of the audit; (2) improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements; (3) deficiencies in the internal control that are not reportable conditions, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit disclosed certain matters required to be disclosed by the Rules of Auditor General (Section 10.554(1)(h)4.), which are mentioned in Attachment 1 to this letter.

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 basic financial statements. This information has been included in the notes to the basic 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, which 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 or long-term payments when due, as a result of a lack of funds.
- 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.

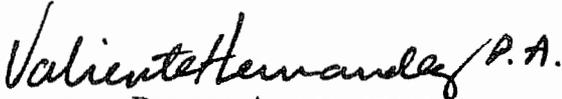
Section 218.503(2) states that a local governmental entity shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1) have occurred or will occur if action is not taken to assist the local governmental entity.

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 audit of the basic 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 audit does 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 Financial Services, 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, 2006, filed in accordance with Section 218.32 Florida Statutes, to the Authority's 2006 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(7). In connection with our audit of the basic financial statements of the Authority, we applied financial condition assessment procedures pursuant to rule 10.556(7.)

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 4, 2006

**“MANAGEMENT LETTER”
BASED ON RULE 10.554(1)(h) OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA
SEPTEMBER 30, 2006**

ATTACHMENT 1

CURRENT YEAR COMMENTS

COMMENT 06-01:

Criteria:

Adequacy of self-insurance reserves for workers' compensation and general liability. Reasonableness of established self-insurance reserves. Proper recognition of liabilities.

Condition:

During the preliminary (interim) phase of our audit work of the self-insurance funds, we found four exceptions related to the workers' compensation fund and two related to the general liability fund, from samples of ten and fifteen, respectively.

Exceptions regarding the workers' compensation fund

The exceptions related to workers' compensation include one claim prematurely approved by the risk management department manager and three claim folders that were incomplete as to matters required in the department's own checklist of items needed to process claims.

Exceptions regarding the general liability fund

In the general liability area, the exceptions consisted of a check for \$836 found outside the filing bin for this type of claim without any processing instructions. A second exception relates to setting reserves when there was neither apparent probable cause nor measurable liability.

During the final phase of the audit, we extended our testing by two and one items for the workers' compensation and general liability funds, respectively. No further exceptions were found.

Cause of Deficiency:

Inadequate or ignored procedures; lack of adequate supervision in the risk management department.

Possible Asserted Effect of the Deficiency:

Absence of adequate procedures led to setting up reserves for claims that lacked validity, or had inadequate or insufficient support. The effect of these factors is that liabilities (“reserves”) were

recognized prior to meeting the probable and measurable prerequisites in establishing such reserves. Consequently, liabilities were overstated as to the extent of these possible claims.

Since making this observation (during the preliminary phase of our audit work), management has set up procedures to correct this situation.

Recommendation to Prevent Future Occurrence:

Subsequently to the preliminary phase of the audit, we recommended to management to take corrective action consisting of the implementation of procedures to avoid the reoccurrence of exceptions noted, and periodic monitoring by the finance department to ascertain compliance with the implemented procedures.

During the final phase of our audit, we ascertained that management was following improved procedures. We tested additional items and found no exceptions.

Views of Responsible Officials

Corrective action has been implemented. Finance works regularly with Risk Management staff to insure compliance with improved procedures.

PRIOR YEAR'S COMMENTS

COMMENT 05-01:

Condition:

During the fiscal year ended September 30, 2005 it was noted that continuing variances existed between the actual cash deposited and fares collected according to General Farebox, Inc. (GFI) reports which summarize transactions originated from each bus's fare box. Cumulative variances for the fiscal year were 3.03% negative. Such variances are possible because the boxes do not count bills larger than \$5; the high volume of small change that pass through the fare boxes; mechanical failures; operator errors; and count room errors. Industry standards allow for 3% variances. Consequently, the Authority's cumulative variances are not considered unusual.

Result:

Notwithstanding that variances are within acceptable industry standards, variances should be continuously investigated and steps should be taken to correct or minimize those factors causing the variances.

The Authority's Finance Department has recently undertaken a proactive program to identify reasons for these variances and to reduce them to a minimal level.

Recommendation:

We recommend that the Finance Department conduct unscheduled test counts in order to document weaknesses within the system. We further recommend that management consider enhancing the security aspects of the count room, such as adding more video taping cameras and having tapes pulled and reviewed by independent personnel for those days when variances exceed 1%.

Management's Response:

Unscheduled test counts by the Accounting Department are conducted on a random basis, including a verification of one hundred percent of the bus fleet on an individual basis. Cash control procedures have been implemented for improvements in internal controls. An update to the security system is underway. Tapes will be reviewed by independent personnel when a negative variance of greater than 1% is identified between the daily cash flow vault sheet and daily summary report for farebox data. The Authority's internal audit firm will be conducting a cash control audit once the scope of work is finalized.

Current Status:

Issue has been successfully cleared.

COMMENT 05-02:

Condition:

General liability claims and changes in self-insurance reserves during the past three fiscal years have averaged \$1,205,000 per year. Payments and settlements over the same three year period averaged \$692,000 per year. Liabilities, representing estimated losses at September 30th of each of the past three years, were:

2003	\$ 1,078,000
2004	\$ 2,038,000
2005	\$ 2,616,000

At September 30, 2005, this account (at \$2.616 million) represents the largest single liability account on the Authority's statement of net assets. During the past three fiscal years, the related expense equals 2.9% of annualized operating expenses excluding depreciation, and comprises a significant portion of the Authority's operating budget.

The increase over the two-year period from October 1, 2003 to September 30, 2005 of \$1,538,000 represents a 142.7% increase in this liability. Payments and settlements have increased from \$502,000 in 2003 to \$622,000 in 2005, or 24%.

The increase during fiscal year ended September 30, 2004 was due, to a significant extent, to year-end adjustments augmenting reserves for both general liability and workers' compensation.

Most of the increase affecting the general liability reserve was due to incurred-but-not-reported (“INR”) incidents, which were found to be under-reserved by an independent actuarial study conducted in 2004.

During fiscal year 2005, management decided to document INR incidents by opening a claim file for each incident. Some of these incidents may not result in a claim; however, reserves were established for these incidents. Reserve amounts depend on management’s estimates of liability exposure.

Certain internal procedures within the risk management area were established during 2005 giving the Risk Manager higher discretion over setting reserves than this position had had in the past. In order to maintain checks/balances over this sensitive area, periodic reviews of reserves are made by the General Manager of Finance who has supervisory capacity over risk management.

This condition does not apply to the workers’ compensation self-insurance because there is a third-party administrator that monitors these claims and acts in conjunction with the risk management staff. In addition, there is commercial insurance coverage for claims over \$500,000.

Result:

This trend may lead to unanticipated negative financial results. Continued increases in this expense category will require a higher demand of the Authority’s financial resources.

Recommendation:

We recommend that the Authority’s board of directors be appraised monthly as to the fluctuations in self-insurance reserves. In addition, we recommend that the balances in both the general liability and workers’ compensation reserves be closely monitored to detect and study reasons for incidents to occur, and propose corrective actions. We further recommend that management research whether the current number of incidents and the associated dollar amounts are within industry standards.

Management’s Response:

Management concurs with the recommendation. An actuarial study will be conducted in fiscal year 2006. Staff will review the feasibility of conducting an annual actuarial study rather than the current process whereby a study is conducted every two to three years. The Chief Financial Officer has implemented several changes to provide improved internal accounting controls and establish reserves. In addition, an internal audit has provided control recommendations to improve this situation.

Current Status:

Issue has been successfully cleared.

STATISTICAL SECTION



STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Demographic and Economic Information

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

Operating Information

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

Miscellaneous Information

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

Statistical Section

Financial Trends

- Net Assets by Component (FY2006 - FY2002)
- Changes in Net Assets (FY2006 - FY2002)
- Program Revenues by Function/Program (FY2006 - FY1997)
- Expenses by Function/Program (FY2006 - FY1997)
- Property Taxes (FY2006 - FY1997)

**HILLSBOROUGH TRANSIT AUTHORITY
NET ASSETS BY COMPONENT
FY2006 - FY2002**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 94,438,179	\$ 91,029,537	\$ 91,953,546	\$ 93,735,491	\$80,806,942
Unrestricted	<u>15,552,628</u>	<u>12,655,313</u>	<u>10,939,693</u>	<u>8,449,758</u>	<u>4,582,453</u>
Total business-type activities net assets	<u>\$109,990,807</u>	<u>\$103,684,850</u>	<u>\$102,893,239</u>	<u>\$102,185,249</u>	<u>\$85,389,395</u>

Notes:

- (1) FY2002 through FY1997 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.

**HILLSBOROUGH TRANSIT AUTHORITY
CHANGES IN NET ASSETS
FY2006 - FY2002**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses					
Salaries	\$ 23,631,683	\$ 22,092,721	\$ 18,140,615	\$16,563,410	\$15,297,839
Payroll taxes, fringe benefits and workers' compensation	10,941,290	9,442,857	6,899,164	4,815,278	4,021,481
Fuel and lubricants	4,200,877	3,515,541	2,022,337	1,627,750	1,668,579
Contracted services	2,673,728	2,279,214	4,483,635	4,354,562	3,379,722
Parts and supplies	3,031,564	2,805,589	1,819,765	1,645,891	1,612,760
Insurance premiums, self insurance costs and settlements	1,225,591	1,949,227	2,663,215	1,374,196	1,837,682
Utilities	674,603	601,353	570,692	546,780	423,071
Marketing and promotion	735,051	843,638	642,438	868,880	622,672
Other	1,747,392	1,628,148	1,537,634	1,131,925	1,182,733
Operating expenditures reimbursed by grants	2,473,473	1,414,518	3,211,740	3,344,976	1,443,775
Depreciation	<u>7,791,245</u>	<u>7,400,882</u>	<u>7,641,164</u>	<u>7,741,655</u>	<u>6,597,718</u>
Total expenses	<u>\$ 59,126,497</u>	<u>\$ 53,973,688</u>	<u>\$ 49,632,399</u>	<u>\$44,015,303</u>	<u>\$38,088,032</u>
Program Revenues					
Passenger fares	\$ 10,342,004	\$ 9,041,498	\$ 7,987,861	\$ 7,149,636	\$ 6,295,113
Charter fares	6,316	13,432	92,426	17,886	13,572
Advertising	482,917	463,110	343,821	242,167	170,833
Operating assistance grants and contributions	9,506,837	11,885,488	8,127,185	8,152,038	5,408,982
Capital grants and contributions	<u>13,688,802</u>	<u>6,835,794</u>	<u>10,112,326</u>	<u>23,573,060</u>	<u>25,023,666</u>
Total program revenues	<u>\$ 34,026,876</u>	<u>\$ 28,239,322</u>	<u>\$ 26,663,619</u>	<u>\$39,134,787</u>	<u>\$36,912,166</u>
Net (Expense)/Revenue					
Total net expense	<u>\$(25,099,621)</u>	<u>\$(25,734,366)</u>	<u>\$(22,968,780)</u>	<u>\$ (4,880,516)</u>	<u>\$ (1,175,866)</u>
General Revenues and Other Changes in Net Assets					
Property tax proceeds, net	\$ 29,813,313	\$ 25,740,799	\$ 23,180,746	\$21,124,567	\$19,604,163
Investment income	1,161,011	498,345	171,635	153,425	237,541
Interest expense	0	0	(58,726)	(77,547)	(87,790)
Sale of land	0	0	0	0	829,800
Other income	<u>431,255</u>	<u>286,833</u>	<u>383,115</u>	<u>475,925</u>	<u>726,706</u>
Total general revenues	<u>\$ 31,405,579</u>	<u>\$ 26,525,977</u>	<u>\$ 23,676,770</u>	<u>\$21,676,370</u>	<u>\$21,310,420</u>
Change in Net Assets	<u>\$ 6,305,958</u>	<u>\$ 791,611</u>	<u>\$ 707,990</u>	<u>\$16,795,854</u>	<u>\$20,134,554</u>

NOTES:

- (1) FY2002 through FY1997 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.

**HILLSBOROUGH TRANSIT AUTHORITY
PROGRAM REVENUES BY FUNCTION/PROGRAM
FY2006 - FY1997**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
REVENUES										
FARES	\$ 10,831,237	\$ 9,518,040	\$ 8,424,108	\$ 7,409,689	\$ 6,479,518	\$ 6,429,273	\$ 6,169,697	\$ 5,928,497	\$ 5,812,772	\$ 5,465,593
FEDERAL ASSISTANCE	4,564,443	5,385,927	2,694,133	3,569,651	1,142,205	966,523	413,491	421,407	146,315	1,514,998
STATE ASSISTANCE	3,455,026	3,574,740	3,600,063	3,523,230	3,505,580	3,512,415	3,235,582	2,695,469	3,142,914	3,018,454
LOCAL ASSISTANCE	1,509,868	2,992,352	1,832,989	1,059,157	761,197	1,337,887	1,799,061	699,060	703,883	710,214
PROPERTY TAX	29,813,313	25,740,799	23,180,746	21,124,567	19,604,163	16,958,159	15,664,986	14,590,656	13,701,743	12,542,559
INTEREST INCOME	1,161,011	498,345	112,909	75,878	149,751	348,931	537,327	539,029	608,187	500,539
OTHER INCOME	431,255	286,833	383,115	475,925	1,556,506	384,700	200,898	490,112	497,617	792,744
SUBTOTAL OPERATING	\$ 51,766,153	\$ 47,997,036	\$ 40,228,063	\$ 37,238,097	\$ 33,198,920	\$ 29,937,888	\$ 28,021,042	\$ 25,364,230	\$ 24,613,431	\$ 24,545,101
FEDERAL CAPITAL	12,515,084	5,116,600	9,618,018	19,957,940	20,930,833	29,965,858	14,932,000	14,595,064	5,665,912	11,405,474
STATE CAPITAL	226,236	968,857	193,503	3,103,855	3,211,733	1,152,532	3,632,957	2,318,435	388,794	1,604,684
LOCAL CAPITAL	924,981	682,806	300,805	511,265	881,100	769,471	788,955	1,096,331	272,921	997,373
OTHER CAPITAL	0	0	0	0	0	1,272,822	4,945,578	419,278	145,262	340,131
SUBTOTAL CAPITAL	\$ 13,666,301	\$ 6,768,263	\$ 10,112,326	\$ 23,573,060	\$ 25,023,666	\$ 33,160,683	\$ 24,299,490	\$ 18,429,108	\$ 6,472,889	\$ 14,347,662
GRAND TOTAL	\$ 65,432,454	\$ 54,765,299	\$ 50,340,389	\$ 60,811,157	\$ 58,222,586	\$ 63,098,571	\$ 52,320,532	\$ 43,793,338	\$ 31,086,320	\$ 38,892,763

NOTES:

- (1) FY2002 through FY1997 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.
- (3) Change in presentation of Other Capital consistent with Enterprise Fund reporting.
- (4) FY2002 restated in FY2003 audited financials consistent with GASB Statement No. 34.

**HILLSBOROUGH TRANSIT AUTHORITY
EXPENSES BY FUNCTION/PROGRAM
FY2006 - FY1997**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
EXPENSES										
BUS OPERATIONS	\$ 21,600,223	\$ 20,714,748	\$ 17,895,403	\$ 16,608,159	\$ 15,992,088	\$ 16,660,827	\$ 14,302,147	\$ 13,460,229	\$ 12,583,150	\$ 12,050,803
VEHICLE & FACILITIES MAINTENANCE	10,192,485	9,294,416	7,499,606	6,958,330	6,556,789	6,841,660	6,581,285	5,456,230	5,077,186	5,116,183
ADMINISTRATION	10,111,161	8,988,618	6,307,372	4,944,722	5,378,873	5,267,266	5,961,667	5,098,106	4,313,581	4,056,991
OTHER EXPENSES	5,406,107	4,185,195	7,384,551	4,746,007	1,922,766	1,967,159	1,373,736	599,746	1,714,614	1,940,840
PARATRANSIT OPERATIONS	2,077,806	1,741,080	1,314,344	1,137,757	1,383,336	1,427,291	449,729	0	0	0
STREETCAR OPERATIONS	1,947,470	1,648,749	1,589,960	1,878,672	256,463	0	0	0	0	0
TOTAL OPERATING LESS DEPRECIATION	\$ 51,335,252	\$ 46,572,806	\$ 41,991,235	\$ 36,273,648	\$ 31,490,314	\$ 32,164,203	\$ 28,668,563	\$ 24,614,310	\$ 23,688,531	\$ 23,164,817
DEPRECIATION	7,791,245	7,400,882	7,641,164	7,741,655	6,597,718	0	0	0	0	0
TOTAL OPERATING	\$ 59,126,497	\$ 53,973,688	\$ 49,632,399	\$ 44,015,303	\$ 38,088,032	\$ 32,164,203	\$ 28,668,563	\$ 24,614,310	\$ 23,688,531	\$ 23,164,817

NOTES:

- (1) FY2002 through FY1997 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.
- (3) Other Expenses includes FTA Ineligibles, Risk Management Funds and Operating Expenses reimbursed by Capital Grants.
- (4) In FY2005, the Authority changed it's accounting practice of recording operating expenditures reimbursed by grants as a contra-account to expense. The impact of this change is reflected in Other Expenses.

**HILLSBOROUGH TRANSIT AUTHORITY
PROPERTY TAXES
FY2006 - FY1997**

<u>Year</u>	<u>Millage</u>	<u>Amount</u>	<u>Percent Increase</u>
2006	0.5	\$ 29,813,313	15.8
2005	0.5	\$ 25,740,799	11.0
2004	0.5	\$ 23,180,746	9.7
2003	0.5	\$ 21,124,567	7.8
2002	0.5	\$ 19,604,163	9.2
2001	0.5	\$ 17,958,159	11.1
2000	0.5	\$ 16,164,986	8.1
1999	0.5	\$ 14,955,656	8.5
1998	0.5	\$ 13,789,973	8.3
1997	0.5	\$ 12,737,785	4.0

Statistical Section

Revenue Capacity

- Taxable Assessed Value and Actual Value of Taxable Property (FY2006 - FY1997)
- Principal Taxpayers
- Property Tax Levies and Collections (FY2005 - FY1997)

**HILLSBOROUGH TRANSIT AUTHORITY
HILLSBOROUGH COUNTY, FLORIDA
TAXABLE ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
FY2004 - FY1997
(in millions of dollars)**

Fiscal Year Ended September 30,	Estimated Actual Value		Exemptions		Assessed Value			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Centrally Assessed Property		
2004	63,183	8,011	14,398	1,281	48,775	6,730	112	55,617	13.016
2003	57,521	7,479	13,761	1,146	43,760	6,333	112	50,205	13.047
2002	52,952	7,438	13,094	1,171	39,858	6,267	80	46,205	13.066
2001	48,164	7,527	11,791	1,194	36,373	6,333	78	42,784	13.322
2000	42,400	7,278	10,700	1,184	31,700	6,094	82	37,876	13.452
1999	41,379	7,809	12,657	1,926	28,722	5,883	67	34,672	13.557
1998	38,338	7,485	12,076	1,916	26,262	5,569	62	31,893	13.695
1997	35,282	7,165	11,261	1,909	24,021	5,256	72	29,349	13.783

NOTES:

2006 property tax rolls not levied and opened for collections until November 1, 2006, final data for the 2006 property tax levy not available.

2005 property tax rolls not available in a like format.

SOURCE:

Hillsborough County Tax Collector's Office

**HILLSBOROUGH TRANSIT AUTHORITY
HILLSBOROUGH COUNTY, FLORIDA
PRINCIPAL TAXPAYERS
FY2006**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Hillsborough County Aviation Authority	\$171,441,000	1	0.1431%
Glimcher Westshore LLC	103,318,800	2	0.0863%
Citrus Park Venture LP	95,770,000	3	0.0800%
HMC Hotel Development Corp	93,505,700	4	0.0781%
Glimcher University Mall LTD Partnership	81,783,600	5	0.0683%
One Tampa City Center LLC	77,237,800	6	0.0645%
Brandon Shopping Center Partners LTD	76,486,800	7	0.0639%
Jonathan C Florman and David A Florman	72,978,400	8	0.0609%
Plaza IV Associates LTD	69,472,600	9	0.0580%
Citicorp North America Inc c/o Citibank Corporate	66,419,300	10	0.0555%
Total	<u>\$908,414,000</u>		<u>0.7584%</u>

SOURCE:
Hillsborough County Property Appraiser's Office

**HILLSBOROUGH TRANSIT AUTHORITY
HILLSBOROUGH COUNTY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
FY2005 - FY1997
(in millions of dollars)**

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
2005	\$701,730	\$696,591	99.30%	\$802	\$697,978	99.40%
2004	\$614,133	\$608,746	99.10%	\$2,232	\$610,978	99.50%
2003	\$553,131	\$547,054	98.90%	\$1,227	\$548,281	99.10%
2002	\$508,616	\$500,980	98.50%	\$644	\$501,624	98.60%
2001	\$482,663	\$474,844	98.40%	\$2,797	\$477,641	99.00%
2000	\$429,559	\$422,776	98.40%	\$2,887	\$425,663	99.10%
1999	\$396,193	\$388,930	98.20%	\$980	\$389,910	98.40%
1998	\$370,500	\$365,501	98.70%	\$1,060	\$366,561	98.90%
1997	\$342,837	\$338,239	98.70%	\$935	\$339,174	98.90%

NOTE:

2006 property tax rolls not levied and opened for collections until November 1, 2006, final data for the 2006 property tax levy not available.

SOURCE:

Hillsborough County, FL Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2005

Statistical Section

Demographic and Economic Information

- Demographic and Economic Statistics (FY2006 – FY1997)
- Principal Employers (FY2005)

**HILLSBOROUGH TRANSIT AUTHORITY
HILLSBOROUGH COUNTY, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
FY2006 - FY1997**

<u>Year</u>	<u>Population</u>	<u>Personal Income in Thousands</u>	<u>Personal Income per Capita</u>	<u>Median Age</u>	<u>Public High School Graduation Rates</u>	<u>Total Public School Enrollment</u>	<u>Unemployment Rate</u>
2006	1,177,060	**	**	**	77.3	**	3.1%
2005	1,142,850	**	**	36	79.5	193,669	3.6
2004	1,115,960	34,848,801	31,671	36	79.3	184,642	4.1
2003	1,083,520	32,667,713	30,452	35	75.8	177,539	5.1
2002	1,055,807	31,070,635	29,564	36	77.5	171,249	5.3
2001	1,027,436	29,977,256	29,213	35	74.4	166,491	3.9
2000	998,948	28,645,545	28,558	35	71.4	160,983	3.4
1999	953,500	26,483,397	26,889	36	69.5	156,349	2.9
1998	939,070	24,754,135	25,648	36	72.9	153,351	2.8
1997	915,900	22,730,424	24,081	33	74.0	150,235	3.4
	(a)	(b)	(b)	(e)	(d)	(d)	(c)

SOURCES:

- (a) Hillsborough County City-County Planning Commission
- (b) U.S. Department of Commerce Bureau of Economic Analysis
- (c) U.S. Bureau of Labor Statistics
- (d) Florida Department of Education
- (e) U.S. Census Bureau
- ** Data not available

**HILLSBOROUGH TRANSIT AUTHORITY
HILLSBOROUGH COUNTY, FLORIDA
PRINCIPAL EMPLOYERS**

<u>Taxpayer</u>	2005	
	<u>Employees</u>	<u>Rank</u>
Hillsborough County School District	25,487	1
Verizon Communications	14,000	2
MacDill Air Force Base	12,000	3
University of South Florida	11,607	4
Hillsborough County Government	10,886	5
Tampa International Airport	7,760	6
James A Haley Veterans Hospital	5,900	7
St Joseph's Hospital	5,242	8
JPMorgan Chase	5,237	9
Verizon Information Technologies	5,000	10

SOURCE:
Tampa Chamber of Commerce

Statistical Section

Operating Information

- Full Time Equivalent Employees by Function/Program
(FY2006 – FY2002)

**HILLSBOROUGH TRANSIT AUTHORITY
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
FY2006 - FY2002**

	Budgeted Full-time Equivalent Employees				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Function/Program</u>					
General Administration					
Executive Office	4	4	6	6	3
Planning, Development & Public Relations					33
Administration	37	37	36	36	
Administration	23	20	0	0	0
Finance & Budget	31	31	42	37	39
Bus Operations					
Administration	34	34	36	38	38
Customer Service	12.3	12.3	12	13	15
Bus Operators	330	317	296	296	289
Van Operators	0	0	0	0	50
Maintenance					
Administration	15	15	13	13	13
Inventory Control	9	9	8	8	8
Vehicle	81	79	71.5	70.5	67
Facilities	31	31	31.5	28.5	27
Paratransit Operations					
Administration	5.7	4.7	3	0	0
Paratransit Operators	30	28	30	30	0
Streetcar Operations					
Administration	6	6	3	0	0
Conductors	14	14	14	0	0
Maintenance	9	9	8.5	0	0
Total	672	651	610.5	576	582

NOTES:

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

SOURCES:

Hillsborough Transit Authority Budgets FY2006 - FY2002

Statistical Section

Miscellaneous Information

Miscellaneous Statistics

HILLSBOROUGH TRANSIT AUTHORITY

Miscellaneous Statistics September 30, 2006 (Unaudited)

Date Authority Created	October 3, 1979
Date Authority Began Operations	1980
Form of Government	Board of Directors, Executive Director
Board of Directors	12
Service Area Square Miles	1,068 square miles
Population In Service Area	998,948
Type of Tax Support	Property Tax
Property Tax (Millage/Rate)	.50 mil (0.0005)
Number of Fixed Routes	28 local routes, 11 express routes, 8 circulator routes, 2 limited express routes, 100 percent wheelchair/bicycle accessible buses and vans
Number of Bus Stops	Over 4,500
Number of Buses in Peak Service	186 (plus 29 Paratransit vans)
Facilities	<ul style="list-style-type: none">◦ 21st Avenue Operations and Maintenance Facility◦ 18 park-and-ride lots◦ 2 transit centers (Marion Transit Center and University Area Transit Center)◦ 8 transfer centers (Britton Plaza, Westshore Plaza, Hanley Waters Plaza, Tampa Bay Center, Netp@rk Transfer Center, Yukon Transfer Center, Westfield Shoppingtown – Brandon, University Mall)◦ Marion Transitway◦ Ybor Station (streetcar operations and maintenance facility)◦ Southern Transportation Plaza
Passenger Shelters	250



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