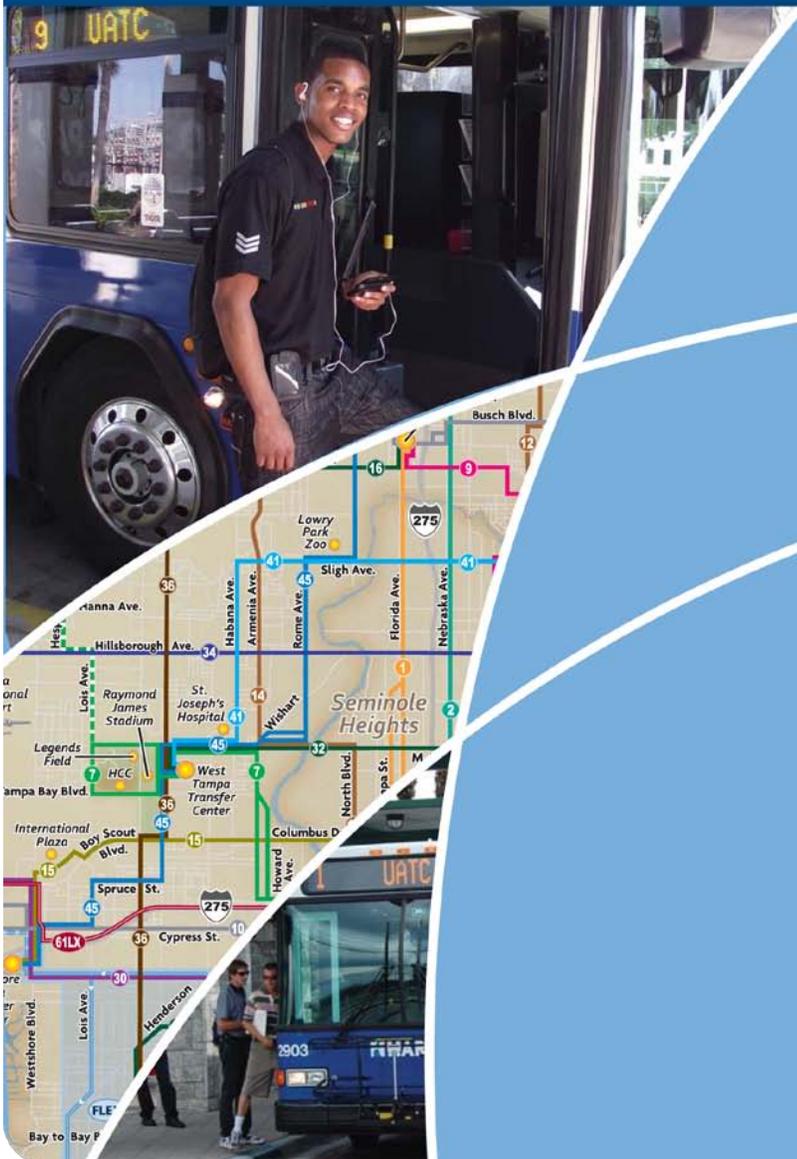


# Comprehensive Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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



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



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

**Comprehensive Annual Financial Report  
For the Year Ended September 30, 2011**

**Mission Statement**

**Our Team is dedicated to providing excellent customer service  
while building solutions to support  
Hillsborough County's needs...now  
and into the future.**

*Prepared by the Finance Department*

**HILLSBOROUGH TRANSIT AUTHORITY  
 FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS**

Section-Page #

**SECTION I -- INTRODUCTORY SECTION**

Letter of Transmittal .....	I-2
GFOA Certificate of Achievement .....	I-10
Organization Chart .....	I-11
Elected and Appointed Officials.....	I-12
Directory of Officials .....	I-13

**SECTION II -- FINANCIAL SECTION**

Report of Independent Auditors.....	II-2
Management’s Discussion and Analysis .....	II-4
Financial Statements	
Statements of Net Assets .....	II-10
Statements of Revenues, Expenses and Changes in Net Assets .....	II-11
Statements of Cash Flow .....	II-13
Notes to Financials.....	II-15
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects ...	II-33
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects.....	II-35

**SECTION III -- STATISTICAL SECTION**

Financial Trends	
Net Assets by Component (FY2011 – FY2003).....	III-4
Changes in Net Assets/Fund Equity (FY2011 – FY2003).....	III-5
Revenues by Function/Program (FY2011 – FY2002) .....	III-6
Expenses by Function/Program (FY2011 – FY2002) .....	III-8
Farebox Structure (FY2011 – FY2006).....	III-10
Property Tax Revenue by Year (FY2011 – FY1999).....	III-11
Revenue Capacity	
Taxable Assessed Value and Actual Value of Property (FY2010 – FY1997).....	III-13
Principal Taxpayers (2010).....	III-15

**TABLE OF CONTENTS (Continued)**

	<u>Section-Page#</u>
Property Tax Levies and Collections (FY2010 – FY1998).....	III-16
Demographic and Economic Information	
Demographic and Economic Statistics (FY2010 – FY1998) .....	III-18
Principal Employers (2010).....	III-20
Employment Indicators – Hillsborough County, FL .....	III-21
Population – Hillsborough County, FL.....	III-22
Operating Information	
Miscellaneous Statistics - HART.....	III-24
Full Time Equivalent Employees by Function/Program (FY2011 – FY2004).....	III-25
Multi-Year Comparison of Key Operating Statistics (FY2011 – FY2002).....	III-26

**SECTION IV -- SUPPLEMENTAL SECTION**

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	IV-2
Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Award Program and State Financial Assistance Projects and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.....	IV-4
Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance .....	IV-6
Summary of Prior Audit Findings.....	IV-15
Corrective Action Plan.....	IV-16
Management Letter .....	IV-18

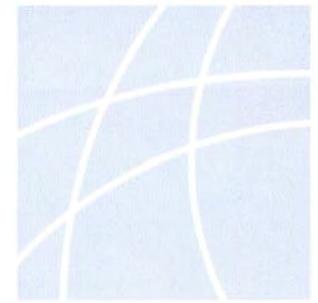
**SECTION 1**

**INTRODUCTORY SECTION**



**Hillsborough Area Regional Transit Authority**

1201 E. 7th Avenue • Tampa, Florida 33605  
(813) 223-6831 • fax (813) 273-7976 • [www.goHART.org](http://www.goHART.org)



April 2, 2012

Ms. Fran Davin, Board Chair and  
Members of the Board of Directors of the Hillsborough Transit Authority  
A/K/A Hillsborough Area Regional Transit Authority and  
Citizens of our Service Area

Dear Board Chair, Board Members and Citizens:

State law requires that all independent special districts publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority (“the Authority”), for the fiscal year ended September 30, 2011.

This CAFR is indicative of Authority management’s continued commitment to provide high quality, complete, concise, and reliable financial information on the Authority.

This report consists of management’s representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all 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 Crowe Horwath LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2011, 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, 2011, 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 the MD&A and should be read in conjunction with it. This year’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Authority**

The Hillsborough Transit Authority, 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 was admitted as a member of the Authority on November 16, 1982.

The Authority’s Board of Directors is comprised of two directors appointed by the Governor of the State of Florida and a minimum of one director from each member. Members are allowed an additional director for each 150,000 persons, or major fraction thereof, residing in those members’ jurisdictional limits; currently, the Authority is governed by a thirteen-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 pursuant to Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill 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 the Authority’s members, which levy 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, 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 1,266 square miles and has a population of 1,245,870 according to the 2010 Census. 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, light rail (TECO Streetcar) and specialized services. The service area population is estimated at 822,404 and the service area is 243 square miles. The authority services this area with 27 local, 7 express, 2 connector, and 5 limited express routes, along with 5 flex service areas. The Authority maintains 3,406 bus stops; 217 shelters maintained by HART; 308 shelters maintained by a vendor; 2 transit centers; 9 transfer centers; and a fleet of 192 fixed route and flex service buses and vans, 30 Paratransit vehicles, and 10 streetcars.

The FY2011 ridership for each mode compared to FY2010 is presented below:

<b>Mode</b>	<b>September 30, 2011</b>	<b>September 30, 2010</b>	<b>Percent of Change</b>
<b>Bus Operations</b>	13,702,653	12,264,357	11.7%
<b>Paratransit</b>	123,112	104,378	17.9%
<b>HARTFlex*</b>	28,052	2,927	858.4%
<b>Streetcar</b>	366,808	407,011	(9.9%)

\*HARTFlex service was implemented April 12, 2010

Tables located in the Statistical Section contain service delivery statistics for ten years.

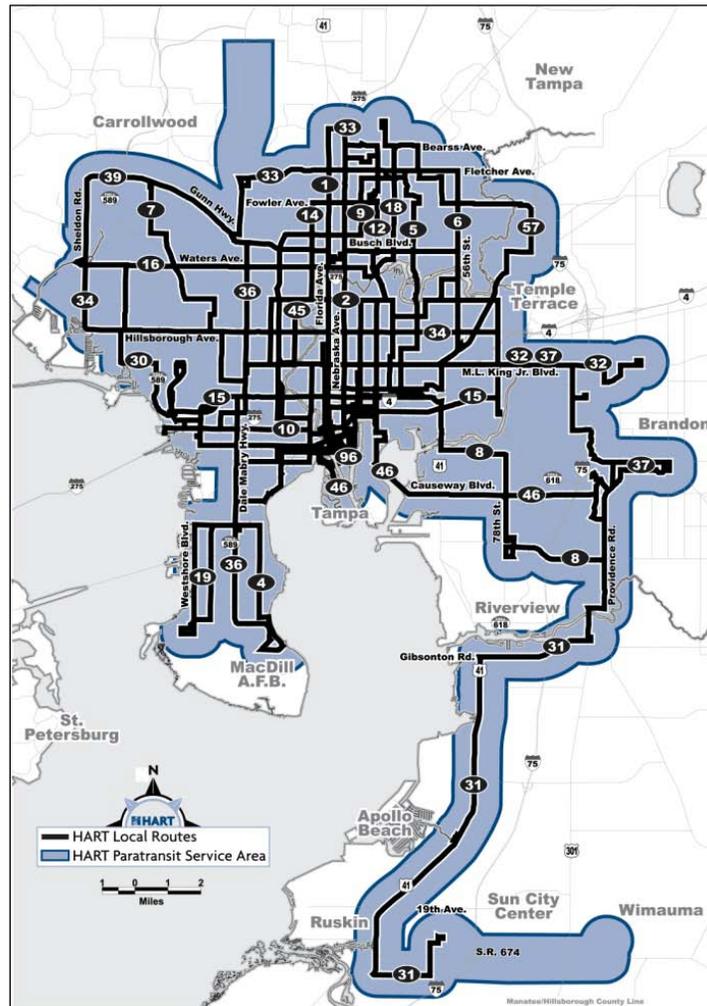
**Officials**

The Board establishes its policies and sets direction for the Authority. The Board is made up of a chair and twelve members; three members are appointed by the City of Tampa, seven 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 Chief Executive Officer is responsible for the Authority's daily operations and directly supervises core personnel who lead the organization: Human Resources, Finance, Operations, and Administration. Additionally, there are departments that support these functions.

## Hillsborough Transit Authority 2011 Local Routes and Paratransit Service Area



### 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 Chief Executive Officer and the Chief Financial Officer may permit movement of funds within the approved budget.

The HART Board’s adopted FY2012 operating and capital budget totals \$100.8 million. This adopted budget allows the Authority to continue to provide the same level of service in FY2012 as was delivered in FY2011.

## **Factors Affecting Financial Condition**

**Local economy.** The Authority is experiencing the continued effect of the national economic downturn resulting in a continued decrease of revenue for operations and capital, while the demand for services increases. The Authority's ability to fund its operations, and this increased service demand, is heavily dependent on a millage levy generated from property taxes. The property tax revenues have declined by \$8.3 million or 22.9% since 2007. The millage rate for 2007 was .50 compared to the 2011 millage rate of .4682.

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 by purchasing fuel prices at a lower rate in the futures market.

## **Long-Range Financial Planning**

The Authority has seen a significant challenge in maintaining the current level of service to the community due to the national and regional economic down-turn. While the economic conditions have reduced available revenue to provide service delivery, those same conditions drive the need and use of those services higher. To ensure the Authority maintains, and can support increases in that service demand, prudent long range financial planning is critical. Over the past year, the Authority has worked diligently to reduce its overall operating costs; in FY2011, the Authority reduced its workforce by 28 positions and reduced overhead operating costs. As estimates of continued revenue decline continue, the Authority is committed to building up financial resources to ensure continuity of operations into the future. As of September 30, 2011, the Authority's unrestricted net assets total \$20.3 million, which is inclusive of the Board's requirement of maintaining 3 months of operating in reserve. In the coming year, the Authority will look at solidifying and building its reserves, examine a multi-year operating and capital budgeting process, and continue to work on reducing overall expenditures through gains in efficiency and productivity.

## **Major Initiatives**

Major initiatives undertaken in FY2011 include the following projects

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

**Cash management policies and practices.** Cash temporarily idle during the year was invested in the Florida State Board of Administration (SBA) Local Government Investment Pool. The investment returns through fiscal year end September 30, 2011, totaled an average of 26 basis points compared to an average of 27 basis points for FY2010. 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.

**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 workers' compensation and general liability. Additional information regarding the Authority's risk management activity can be found in Note 7 of the notes to the financial statements.

### **Pension and Other Post-Employment Benefits**

**Defined Benefit Pension Plan:** Substantially, all full-time and part-time employees of the Authority are participants in the Florida Retirement System (FRS), a multiple-employer, cost-sharing public retirement system. FRS is controlled by the State Legislature and covers approximately 665,000 employees of various governmental units within the State of Florida. This retirement plan promises a lifetime benefit at retirement, but retirees must meet an age and/or service requirement. The benefit amount is based on the member's earnings, length of service, and service accrual value. Promised benefits are prefunded by contributions made by the employer, employee, or both, plus investment earnings. All promised benefits to current and future retirees and other eligible beneficiaries are guaranteed under the plan.

FRS provides for vesting benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Employees hired after July 1, 2011, are vested after eight years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based on age, average compensation and years-of-service credit where the average compensation is computed as the average of an individual's highest five years of earnings.

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Authority is required to contribute at an actuarially determined rate. Effective July 1, 2011, the Florida Legislature established the rates for regular employees at 4.91%; senior management at 6.27%; deferred retirement option program (DROP) at 4.42%; and the employee contribution of 3% for all plans and classes except for those employees in the DROP program. The Authority's contributions during the fiscal years ending September 30, 2011, 2010, and 2009

were \$2,872,075, \$3,234,874, and \$2,952,017, respectively, equal to the required contributions for each year which is included as part of payroll taxes, fringe benefits and workers' compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

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

Defined Contribution Plan: Beginning December 1, 2002, FRS offers a second retirement plan option, the FRS Investment Plan. This retirement plan is an employer-sponsored plan in which contributions are made by both the employer and employee. Funds are generated for future distribution to the member. The benefit amount is the sum that accumulates in the member's account, based on contributions made, plus investment earnings, less fees and expenses. Members may be required to meet certain age and/or service requirements to receive account accumulations. It is the responsibility of the member (employee) to ensure, through investment, that sufficient monies are raised to provide adequate income in retirement. The employee makes investment elections within the investment funds chosen by the Florida State Board of Administration (FSBA). The retirement benefit is based on the account balance, and the benefit is vested after one year of service. The employee in this plan is not eligible for DROP.

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

Deferred Compensation Plan -- 457: Full time employees are eligible to participate in the company's Deferred Compensation Plan. Employees will choose from two available plans. The deferred compensation plan is governed by the Internal Revenue Code (IRC) 457 savings plan authorized by Congress. Under the plan, an employee contributes a set sum each pay period to an investment account in the employee's name. Deferred compensation is a voluntary, payroll-deducted retirement program which offers the opportunity of setting aside a portion of income on a pre-tax basis and investing those monies into one or more funds selected by the employee. The Calendar Year 2011 deferred compensation maximum contribution is \$16,500 for anyone under 50 years of age and \$22,000 for anyone over 50 years of age if they select the catch-up provision. Contributions to the investment account are made out of pretax income and the earnings of the account are not taxed until they are withdrawn, usually at retirement. In an effort to encourage employees to save for their retirement, the company will match the employee's contribution dollar for dollar up to the equivalent of three and one-half (3 ½) percent of the employee's salary on an annual basis.

City of Tampa Pension Plan: The Authority is required by the City of Tampa to pay retirement benefits to employees that transitioned from the City to the Authority on March 1, 1980, but chose to remain in the City of Tampa Pension Fund. In FY2011, the Authority contributed \$109,658 for 20 remaining pensioners.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hillsborough Transit Authority (HART) for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. This was the fourth year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Authority also received the GFOA's Distinguished Budget Presentation Award for its FY2010 annual budget document dated September 28, 2010. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Philip R. Hale  
Chief Executive Officer



Jeffrey C. Seward  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Hillsborough Transit Authority  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



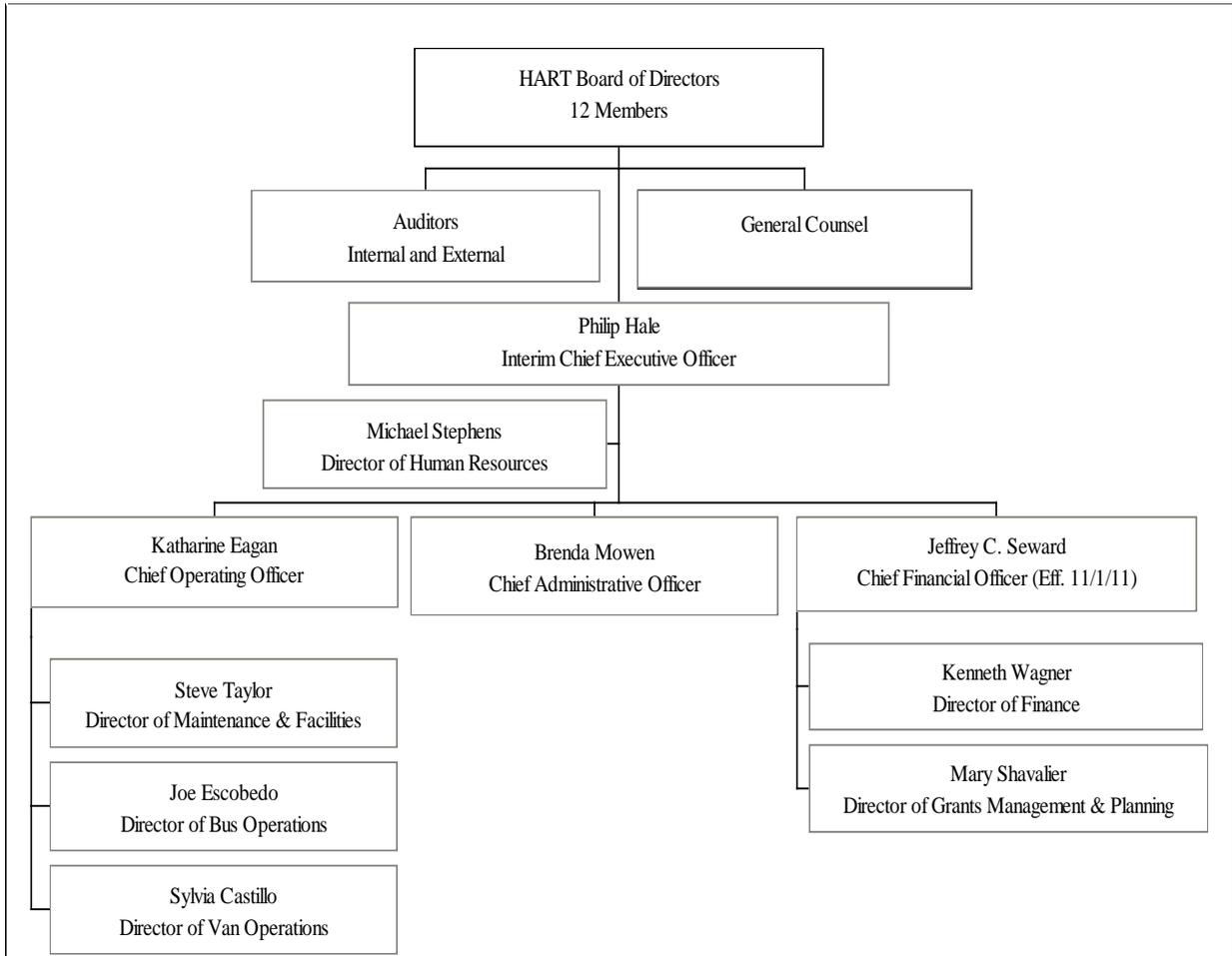
*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

**HILLSBOROUGH TRANSIT AUTHORITY  
ORGANIZATIONAL CHART  
SEPTEMBER 30, 2011**



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**ELECTED AND APPOINTED OFFICIALS**

**HART Board of Directors  
(As of September 30, 2011)**

**Officers**

Alison A. Hewitt, Chairperson  
Fran Davin, Vice Chairperson  
Wallace Bowers, Secretary

**Hillsborough County**

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

**City of Temple Terrace**

Council Member Ron Govin

**City of Tampa**

Councilmember Mike Suarez  
David Mechanik  
Fran Davin

**State of Florida**

John Byczek  
Alison A. Hewitt

**Interim Chief Executive Officer**

Philip R. Hale

**General Counsel**

GrayRobinson, P.A.

**Independent Auditors**

Crowe Horwith, LLP

**Internal Auditors**

Protiviti, Inc.

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**DIRECTORY OF OFFICIALS**

**APPOINTED OFFICIALS  
(As of September 30, 2011)**

**Michael Stephens**, Director of Human Resources

**Brenda Mowen**, Chief Administrative Officer

**Jeffrey C. Seward**, Chief Financial Officer (as of 11/1/11)

**Mary Shavalier**, Director of Grants Management & Planning

**Kenneth J. Wagner**, Director of Finance

**Katharine Eagan**, Chief Operating Officer

**Steven Taylor**, Director of Maintenance and Facilities

**Joe Escobedo**, Director of Bus Operations

**Sylvia Castillo**, Director of Van Operations

**SECTION II**  
**FINANCIAL SECTION**

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Hillsborough Transit Authority  
Tampa, Florida

We have audited the accompanying basic financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit Authority, or HART (the "Authority"), as of and for the years ended September 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hillsborough Transit Authority, as of September 30, 2011 and 2010, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, on our consideration of the Hillsborough Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

---

(Continued)

The Management's Discussion and Analysis on II-4 through II-9 is not a required part of the basic financial statements but are 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 required 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 Hillsborough Transit Authority's basic financial statements. The introductory section and statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Crowe Horwath LLP".

Crowe Horwath LLP

Tampa, Florida  
March 19, 2012

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

The following management's discussion and analysis (MD&A) of the Hillsborough Transit Authority's ("the Authority"), a/k/a Hillsborough Area Regional Transit, financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this report consists of three parts: management discussion and analysis (this section), the basic financial statements, notes to the financial statements, and other 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 and Expenses, the Changes in Net Assets, the Statement of Cash Flows, and the related notes.

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

The Statement of Revenues, Expenses, and Changes in Net Assets present information on the Authority's operating revenues and expenses and non-operating revenue and expenses for the fiscal year. The net income or loss when combined with capital grant revenue determines the net change in assets for the year. The net change in assets is combined with the previous year-end's net asset total to arrive at the net asset total for this fiscal year.

The Statement of Cash Flows presents information on the Authority's cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year.

# HILLSBOROUGH TRANSIT AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

- Net assets of the Authority decreased by \$7,979,405 or 5.9%, of which \$5,834,699 or 5.2% represents a decrease in the amount invested in capital assets and \$2,144,706 or 9.5% represents a decrease in unrestricted assets.
- The \$5.2 million decrease in capital assets (net of depreciation) is largely attributable to the disposal of thirty-eight revenue vehicles and twenty-one non-revenue vehicles.
- The Authority's total operating revenues increased \$957,978 or by 7.3%. This increase was a result of a 7.8% increase in passenger fares.
- Operating expenses decreased by \$1,104,784 or 1.7%. Salary expense decreased \$503,321 or 1.7% due to staff reductions. Fringe benefits decreased \$258,890 or 1.7% due to the staff reductions. Fuel and Lubricants cost increased by \$907,915 or 17.0% due to increases in diesel fuel cost per gallon. Parts and supplies decreased by \$673,334 or 19%. All other expenses decreased by \$577,154 due to: increase in contract services of \$196,463, decrease in insurance and risk management cost of \$43,319, decrease in utilities expense of \$55,491, decrease in marketing by \$188,365 and a decrease in miscellaneous expenses and expenditures reimbursed by grants by \$486,442.

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Statements of Net Assets

- As noted earlier, net assets serve as a measurement of the Authority's financial position over a period of time. The Authority's assets exceeded liabilities by \$127,017,676 and \$134,997,081 as of September 30, 2011 and 2010, respectively.
- The largest portion of the Authority's net assets each year, 84.0% and 83.4% at September 30, 2011 and 2010, respectively, represents its investment in capital assets (i.e., land, buildings and improvements, buses, paratransit vans and non-revenue vehicles). The Authority uses these capital assets to provide services to its customers. These assets are not available for spending in future years.

A portion of the Authority's net assets, \$2,003,242 or 1.6% and \$13,482,567 or 10.0% at September 30, 2011 and 2010, respectively, represents resources that are designated for the Authority's future operations and capital projects. The remaining portion of the Authority's net assets, \$18,326,804 or 14.4% and \$8,991,685 or 6.7% at September 30, 2011 and 2010, respectively, represents resources that are unrestricted. These funds may be used to meet the ongoing obligations of the Authority.

- Additional information on the Authority's Capital Assets can be found in note 4.

**HILLSBOROUGH TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS**

**Table 1  
Condensed Statement of Net Assets**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>	<u>2009</u>
<b>Assets:</b>					
Current assets	\$ 32,585,352	\$ 37,434,233	\$ (4,848,881)	-13.0%	\$ 39,195,541
Capital assets	106,688,130	112,522,829	(5,834,699)	-5.2%	108,873,525
Total assets	<u>139,273,482</u>	<u>149,957,062</u>	<u>(10,683,580)</u>	<u>-7.1%</u>	<u>148,069,066</u>
<b>Liabilities:</b>					
Current liabilities	6,765,902	9,058,065	(2,292,163)	-25.3%	9,235,855
Non-current liabilities	5,489,904	5,901,916	(412,012)	-7.0%	4,606,502
Total liabilities	<u>12,255,806</u>	<u>14,959,981</u>	<u>(2,704,175)</u>	<u>-18.1%</u>	<u>13,842,357</u>
<b>Net assets:</b>					
Invested in capital assets	106,688,130	112,522,829	(5,834,699)	-5.2%	108,873,525
Unrestricted	20,329,546	22,474,252	(2,144,706)	-9.5%	25,353,184
Total net assets	<u>\$ 127,017,676</u>	<u>\$ 134,997,081</u>	<u>\$ (7,979,405)</u>	<u>-5.9%</u>	<u>\$ 134,226,709</u>

**Statements of Revenues, Expenses and Changes in Net Assets**

The Authority operates as a single enterprise fund providing public transportation to the community. User charges, in the form of passenger fares, represented 22.7% and 21.1% of total operating revenues and non-operating revenues in FY2011 and FY2010, 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 2011 and 2010 tax year was 0.4682 and 0.4682 mill, respectively.

**HILLSBOROUGH TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS**

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

	<u>2011</u>	<u>2010</u>	Increase (Decrease)	Percent Change	<u>2009</u>
Operating revenues	\$ 14,092,897	\$ 13,134,919	\$ 957,978	7.3%	\$ 12,789,432
Operating expenses	(64,027,637)	(65,132,421)	1,104,784	-1.7%	(64,759,488)
Operating loss before depreciation	(49,934,740)	(51,997,502)	2,062,762	-4.0%	(51,970,056)
Depreciation	(12,862,670)	(13,394,583)	531,913	-4.0%	(11,482,036)
Operating loss	(62,797,410)	(65,392,085)	2,594,675	-4.0%	(63,452,092)
Federal, state and local grants	16,661,745	13,870,646	2,791,099	20.1%	13,848,663
Property tax proceeds	27,701,558	31,028,970	(3,327,412)	-10.7%	34,723,204
Other revenues	475,426	867,035	(391,609)	-45.2%	339,546
Total non-operating revenues	44,838,729	45,766,651	(927,922)	-2.0%	48,911,413
Loss before capital grants	(17,958,681)	(19,625,434)	1,666,753	-8.5%	(14,540,679)
Capital grants	9,979,276	20,395,806	(10,416,530)	-51.1%	19,914,170
Increase(decrease) in net assets	\$ (7,979,405)	\$ 770,372	\$ (8,749,777)	-1135.8%	\$ 5,373,491

As noted above, FY2011 operating revenues increased by 7.3%, while operating expenses prior to the recognition of depreciation decreased by 1.7%.

- Passenger fares increased \$964,023 or 7.8% in FY2011, from \$12,409,955 in FY2010 to \$13,373,978 in FY2011. Advertising revenues decreased \$6,045 or .8% in FY2011, from \$724,964 in FY2010 to \$718,919 in FY2011.
- Salaries decreased \$503,321 or 1.7% in FY2011 from FY2010. The decrease was due to staff reductions.
- Fringe benefits decreased \$258,890 or 1.7% in FY2011 from FY2010. The decrease was due to staff reductions.
- Fuel and lubricants increased by \$907,915 or 17.0% in FY2011 over FY2010. This was due to increases in average diesel fuel cost per gallon from \$2.09 in FY2010 to \$2.30 in FY2011.
- Parts and supplies decreased by \$673,334 or 19.0% in FY2011 from FY2010. This decrease is primarily attributed to the addition of fifty-nine new buses during the prior two fiscal years and the disposal of 38 this fiscal year.
- Contract services increased by \$196,463 or 6.0% in FY2011 over FY2010. The majority of this variance is attributed to an increase of \$199,000 in computer service fees, an increase of \$180,000 in extended warranties on IT Equipment and a decrease in

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

professional and consulting fees of \$201,000. All other contract services had a net decrease of \$19,000.

- Operating expenditures reimbursed by grants decreased by \$257,963 in FY2011. These operating costs consist of: financial planning, project administration, design and engineering, purchase of parts to maintain the integrity of the fleet, quality service analysis, and lease expenses. These costs were subsidized by outside agencies.
- Total operating assistance grants increased by \$2,791,099 or 20.1% in FY2011. Most of the increase was due to an increase in funding from Federal Operating Grants for Preventative Maintenance for bus service.
- Ad valorem distributions net of Property Appraiser and Tax Collector commissions decreased \$3,327,412 or 10.7% in FY2011. This decrease is related to an estimated 11% decrease in market value of residential properties in Hillsborough County.
- Other revenues decreased \$391,609 or 45.2% in FY2011. This is due to a decrease in interest income of \$153,271 and a decrease in miscellaneous income of \$125,549 due to less non-recurring reconciliation adjustments which occurred in FY2010 only.
- Capital grants decreased by \$10,416,530 in FY2011. The majority of this decrease was due to the American Recovery and Reinvestment Act (ARRA) grant being expended in FY2010.

### **Capital Assets**

The Authority's investment in capital assets for the fiscal year ending September 30, 2011 included: buildings and improvements, computer software and hardware, revenue and other vehicles, and equipment.

- The Authority's acquisition of revenue vehicles and related equipment included the purchase of nine demand response vehicles and seven administrative vehicles.
- Transit Infrastructure improvements included the placement of 50 bus shelters of which 41 were installed by Signal Outdoor, Inc., 3 were installed by private developers, and 6 were installed by the Authority. Also in FY2011, 13 bus bays were built by Hillsborough County, FDOT and the Authority. 213 landing pads were built throughout the county by various agencies including the Authority.
- The Streetcar Extension phase IIa construction project design specifications were completed in 2009. Construction started in 2009 and became operational on December 19, 2010.

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

- Three ticket vending machines were purchased in August 2011 and installed along the streetcar line.

### On-going Projects

- The organization-wide integrated Enterprise Resource Planning (ERP) System software conversion was partially completed by July 2009. The new software is Microsoft Dynamics (GP), AssetWORKS FASuites, and Paramount which replaces ProActis as the procurement system. New integrations required for the interface between Paramount, GP and FASuite have been commissioned and developed. System testing is scheduled to be completed by the end of the first quarter of FY2012, Final application conversions are now expected to be completed by the end of the third quarter of FY2012.
- Preliminary engineering and traffic analysis for the North-South Metro Rapid Transit were conducted in 2009. Land acquisitions are expected in FY2012 with completion in 2013.
- Major operations analysis started in FY2009 to determine facility needs at 21<sup>st</sup> Avenue. Based on the results of the site analysis, the Authority is moving forward with the renovation and expansion of the existing administration facility. Design of the facility was completed in March 2011. The construction contract was awarded in July of 2011. Construction is expected to be completed in December 2012.
- The Tampa International Airport (TIA) Transfer Center, near Spruce Street and O'Brien Avenue at TIA property was approved for property lease in July 2009. Project design was stopped at 60% by mutual agreement with TIA and the Authority.

### **Long Term Debt Administration**

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

### **REQUESTS FOR INFORMATION**

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. If you have questions concerning information contained within this report, contact Jeffrey C. Seward, Chief Financial Officer, Hillsborough Area Regional Transit Authority, Finance Division, 1201 East 7th Avenue, Tampa, Florida 33605.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets		
Cash, cash equivalents and investments (Note 3)	\$ 17,029,969	\$ 23,982,978
Investments (Note 3)	411,717	484,306
Accounts receivable		
Trade and other, net of allowance for uncollectible accounts of \$23,370 in 2011 and \$25,981 in 2010	857,651	845,932
Federal grants	10,970,747	9,608,332
State grants	144,701	112,192
Local grants	1,005,681	155,133
Inventory of replacement parts and supplies	1,565,934	1,488,164
Prepaid expenses	<u>598,952</u>	<u>757,196</u>
Total current assets	32,585,352	37,434,233
Capital assets		
Land (Note 4)	13,509,257	13,509,257
Construction in progress (Note 4)	3,638,382	4,246,422
Capital assets, net of accumulated depreciation (Note 4)	<u>89,540,491</u>	<u>94,767,150</u>
Total capital assets	106,688,130	112,522,829
 Total assets	 <u><u>139,273,482</u></u>	 <u><u>149,957,062</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,445,335	4,821,432
Accrued expenses	1,426,195	1,654,360
Deferred revenue	946,917	915,457
Self insurance and loss contingencies due within one year (Notes 7, 8 and 11)	1,767,455	1,446,816
Compensated absences due within one year (Note 8)	<u>180,000</u>	<u>220,000</u>
Total current liabilities	6,765,902	9,058,065
Noncurrent liabilities		
Self insurance and loss contingencies (Notes 7, 8 and 11)	3,153,448	3,560,184
Compensated absences (Note 8)	<u>2,336,456</u>	<u>2,341,732</u>
Total noncurrent liabilities	<u>5,489,904</u>	<u>5,901,916</u>
Total liabilities	12,255,806	14,959,981
<b>NET ASSETS</b>		
Invested in capital assets	106,688,130	112,522,829
Unrestricted (Note 9)	<u>20,329,546</u>	<u>22,474,252</u>
Total net assets	<u><u>\$ 127,017,676</u></u>	<u><u>\$ 134,997,081</u></u>

(Continued)

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Passenger fares	\$ 13,373,978	\$ 12,409,955
Advertising	718,919	724,964
Total operating revenues	<u>14,092,897</u>	<u>13,134,919</u>
<b>Operating expenses</b>		
Salaries and wages	28,472,681	28,976,002
Payroll taxes, fringe benefits and workers' compensation	14,616,889	14,875,779
Fuel and lubricants	6,240,003	5,332,088
Parts and supplies	2,870,170	3,543,504
Contracted services	3,492,770	3,296,307
Insurance	2,267,192	2,310,511
Utilities	701,272	756,763
Marketing and promotion	524,863	713,228
Other	1,234,572	1,463,051
Operating expenditures reimbursed by grants	<u>3,607,225</u>	<u>3,865,188</u>
Total operating expenses before depreciation	<u>64,027,637</u>	<u>65,132,421</u>
Operating (loss) before depreciation	<u>(49,934,740)</u>	<u>(51,997,502)</u>
Depreciation	<u>12,862,670</u>	<u>13,394,583</u>
<b>Operating loss</b>	(62,797,410)	(65,392,085)
<b>Nonoperating revenues (expenses)</b>		
Operating assistance grants		
Federal	11,314,093	8,566,909
State	4,065,891	3,937,879
Local	1,281,761	1,365,858
Property tax proceeds, net	27,701,558	31,028,970
Interest income	68,466	91,540
Market Value Adjustment	68,374	198,571
Other income	<u>338,586</u>	<u>576,924</u>
Total nonoperating revenues	44,838,729	45,766,651
<b>Net loss before capital contributions</b>	(17,958,681)	(19,625,434)

(Continued)

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Net loss before capital contributions</b>	(17,958,681)	(19,625,434)
Capital grants		
Federal	7,145,036	19,717,043
State	313,277	38,139
Local	<u>2,520,963</u>	<u>640,624</u>
Total capital grants	<u>9,979,276</u>	<u>20,395,806</u>
 Increase (decrease) in net assets	 (7,979,405)	 770,372
 Net assets at beginning of year	 <u>134,997,081</u>	 <u>134,226,709</u>
 <b>Net assets at end of year</b>	 <u><u>\$ 127,017,676</u></u>	 <u><u>\$ 134,997,081</u></u>

(Continued)  
See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**STATEMENTS OF CASH FLOW**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 14,081,177	\$ 13,060,341
Cash paid to employees	(43,363,012)	(43,576,676)
Cash paid to suppliers	(23,319,785)	(20,558,335)
Other receipts	286,335	409,359
Net cash used in operating activities	<u>(52,315,285)</u>	<u>(50,665,311)</u>
<b>Cash flows from noncapital financing activities</b>		
Operating grants received	13,791,220	9,524,015
Property tax revenues received	<u>27,701,558</u>	<u>31,028,970</u>
Net cash provided by noncapital financing activities	<u>41,492,778</u>	<u>40,552,985</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(7,092,211)	(17,050,151)
Capital assistance grants	10,635,789	20,963,504
Proceeds from the sale of revenue vehicles	<u>116,491</u>	<u>173,829</u>
Net cash provided by capital and related financing activities	<u>3,660,069</u>	<u>4,087,182</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	140,963	200,535
Interest income	<u>68,466</u>	<u>91,540</u>
Net cash provided by investing activities	<u>209,429</u>	<u>292,075</u>
<b>Net increase (decrease) in cash, cash equivalents and investments</b>	(6,953,009)	(5,733,069)
<b>Cash and cash equivalents at beginning of year</b>	<u>23,982,978</u>	<u>29,716,047</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 17,029,969</u>	<u>\$ 23,982,978</u>

(Continued)  
See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY  
STATEMENTS OF CASH FLOW  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Reconciliation of operating expenses in excess of operating revenues to net cash used in operating activities</b>		
Operating loss	\$ (62,797,410)	\$ (65,392,085)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash used in operating activities		
Add back depreciation	12,862,670	13,394,583
Add income from other receipts	286,335	409,359
(Increase) decrease in accounts receivable	(11,719)	(74,579)
(Increase) decrease in inventories	(77,771)	68,188
(Increase) decrease in prepaid expenses	158,244	(146,223)
Increase (decrease) in accounts payable	(2,376,097)	555,341
Increase (decrease) in accrued expenses	(228,164)	120,735
Increase (decrease) in self insurance	(86,097)	245,000
Increase (decrease) in accumulated unused compensated absences	<u>(45,276)</u>	<u>154,370</u>
 Total adjustments	 <u>10,482,125</u>	 <u>14,726,774</u>
 Net cash used in operating activities	 <u>\$ (52,315,285)</u>	 <u>\$ (50,665,311)</u>

See accompanying notes to financial statements.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Cash, Cash Equivalents and Investments: The Authority's cash, cash equivalent and investments include: cash on hand, demand deposits and highly liquid investments which are readily convertible to cash. These are limited to assets with 90 days or less original maturity.

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

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

The Authority invests funds throughout the year with the Local Government Surplus Funds Trust Fund Investment Pool, ("the Pool"), administered by the State Board of Administration (SBA) under the regulatory oversight of State of Florida, Chapter 19-7 of the Florida Administrative Code.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. Pool A, subsequently renamed the LGIP pool, consisted of all money market appropriate assets. The LGIP pool is considered a Securities and Exchange Commission (SEC) “2a7-like” fund, with the fair value of the investment equal to the account balance. A 2a7-like fund is not registered with the SEC as an investment company, but has a policy that it will and does operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, the rules governing money market funds. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

Pool B, referred to as the Fund B Surplus Funds Trust Fund (“Fund B”), consists of securities originally purchased for the LGIP pool that 1) defaulted in the payment of principal and interest; 2) were extended; 3) were restructured or otherwise subject to workout; 4) experienced elevated market illiquidity; or 5) did not meet the criteria of the nationally recognized statistical rating organization that provides the LGIP pool’s AAAM rating. Fund B will be accounted for as a fluctuating net asset value (NAV) pool. These Pool B funds are valued at fair value.

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

Inventory: Inventory, principally consisting of vehicle replacement parts and operating supplies, is stated at average cost. The average cost of inventory is based on recently received inventory as well as older received inventory.

Capital Assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives as follows:

<u>Description</u>	<u>Useful Lives (Years)</u>
Building and improvements	5 to 40
Revenue vehicles (includes Streetcars)	4 to 30
Operating transit and related equipment	3 to 15
Other equipment, fixtures and other vehicles	3 to 7

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

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

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

Deferred Revenue: This is considered a liability until it becomes relevant to the business at hand, such as payment received for work not performed or revenues received which have not been earned.

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

In accordance with GASB Statement No. 16, Accounting for Compensated Absences, the compensated absences liability is calculated based on the pay or salary rates in effect at the balance sheet date. Additionally, accruals have been made for salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

The Authority is liable to pay the employee all accrued liabilities upon termination. Accordingly, the Authority has recognized 7.65% of the compensated absences liability, representing its share of the Social Security and Medicare taxes. An accrual is also made for the pension cost related to the compensated absences amount due to the Authority's employees being covered under the FRS.

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

Invested in Capital Assets: Capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, represents the Authority's investment in capital assets.

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

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

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

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

Property Tax Revenue: The Authority has been determined to be an “Independent Special District” as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (\$.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. Property tax collections are governed by Chapter 197, Florida Statutes. The Hillsborough County Tax Collector bills and collects all property taxes levied within the County. Discounts of 4, 3, 2, and 1% are allowed for early payment in November, December, January, and February, respectively.

The Tax Collector remits collected taxes at least monthly to the Authority. The Authority recognizes property tax revenue on a cash basis as it is received from the Tax Collector 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.

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

Reclassifications: Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Based on these reclassifications there are no changes in prior year net assets or change in net assets.

New Accounting Pronouncements:

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Statement 54 is effective for the Authority’s fiscal year ending September 30, 2011. This statement does not apply to the Authority.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement updates and improves existing standards regarding financial reporting of certain

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010, with earlier application encouraged. This statement does not apply to the Authority.

**NOTE 2 – ORGANIZATION AND REPORTING ENTITY**

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

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

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

The Authority’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The Authority applies all applicable pronouncements of the Financial Accounting Standards Board of the Financial Accounting Foundation (FASB) issued on or before November 30, 1989 which do not contradict GASB pronouncements, and all applicable pronouncements required by the Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB) subsequent to that date.

The accompanying financial statements are reported on the accrual basis of accounting, under which, revenues are recognized when earned and measurable.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

The carrying value of the Authority’s cash, cash equivalents and investments as of September 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Cash, cash equivalents and investments		
Cash on hand	\$ 69,918	\$ 63,994
Demand deposits	461,283	1,374,753
Florida State Board of Administration - Pool A	16,498,768	22,544,231
Total Cash, cash equivalents and investments	17,029,969	23,982,978
Investments		
Florida State Board of Administration - Pool B	411,717	484,306
	\$ 17,441,686	\$ 24,467,284

The Federal Deposit Insurance Corporation (FDIC) insures the balances up to \$250,000 for each banking relationship. The remaining balances are collateralized pursuant to Chapter 280, Florida Statutes. The difference between the Authority’s books and bank balance is due to outstanding checks and deposits in transit in these accounts. The Authority’s procedures have been to replenish the bank accounts with transfers from the interest bearing accounts at the Florida State Board of Administration Local Government Surplus Trust Fund Investment Pool to cover cash needs.

Custodial Risk: This is the risk that the Authority will not be able to recover deposits or the value of investments in the event of the failure of a depository financial institution or a third party holding the investment securities. Demand deposits and SBA investments are fully insured by the FDIC and the multiple financial institution collateral pool, required by Section 280.07 and 280.08, Florida Statutes.

Credit Risk: Credit quality risk results from potential default of investments that are not financially sound. As of September 29, 2011, the Florida Prime was rated by Standard & Poor with an ‘AAAm’ rating. The Florida Prime credit quality is 61.8% for A-1+ and 38.2% for A-1.

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

State Board of Administration (SBA): The SBA manages Florida PRIME, a 2a-7-like pool, carried at an amortized cost. A 2a-7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund and the Authority’s position in Florida PRIME is considered to be equivalent to its fair value.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

Regulatory oversight of the SBA is provided by three state of Florida elected officials designated as trustees: the Governor serves as Chairman of the SBA; the Chief Financial Officer serves as Treasurer of the SBA; and the Attorney General serves as Secretary of the SBA. External oversight of the State Board of Administration is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, provides insight, advice and counsel on these and other matters when appropriate. Audit oversight is also provided by the state of Florida Audit General.

At September 30, 2011, all of the Authority's excess cash was invested with the State Board of Administration Local Government Surplus Trust Funds Investment Pool. Investments in Fund B are only made available to participants as the underlying assets mature, or as interest payments on these assets are made. As of September 30, 2011, the weighted average days to maturity of the LGIP pool was 38 days; the weighted average life (based on expected future cash flows) of Fund B was 4.82 years. Because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity and balance for the years ending September 30, 2011 and 2010 is summarized below.

Description	Balance Oct. 1, 2010	Additions and Reclasses	Deletions	Balance Sep. 30, 2011
Non-depreciable capital assets				
Land	\$ 13,509,257	\$ -	\$ -	\$ 13,509,257
Construction work in progress *	4,246,422	(608,040)	-	3,638,382
Total non-depreciable capital assets	17,755,680	(608,040)	-	17,147,640
Depreciable assets **				
Buildings and improvements	52,421,090	292,966	-	52,714,056
Operating and transit related equipment	22,686,009	463,495	764,191	22,385,312
Other equipment, fixtures, and other vehicles	27,014,683	6,235,077	117,095	33,132,665
Revenue vehicles	73,693,479	708,713	7,781,407	66,620,785
Total depreciable capital assets	175,815,260	7,700,251	8,662,693	174,852,818
Less accumulated depreciation				
Buildings and improvements	22,459,798	2,304,833	-	24,764,631
Operating and transit related equipment	14,472,188	2,322,884	764,191	16,030,881
Other equipment, fixtures, and other vehicles	9,706,959	2,380,686	114,266	11,973,378
Revenue vehicles	34,409,166	5,854,268	7,719,996	32,543,438
Total accumulated depreciation	81,048,111	12,862,670	8,598,453	85,312,328
Total depreciable assets, net	94,767,149	(5,162,419)	64,240	89,540,490
Total capital assets, net	<u>\$ 112,522,829</u>	<u>\$ (5,770,459)</u>	<u>\$ 64,240</u>	<u>\$ 106,688,130</u>

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

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

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 4 – CAPITAL ASSETS (continued)**

Description	Balance Oct. 1, 2009	Additions and Reclasses	Deletions	Balance Sep. 30, 2010
<b>Non-depreciable capital assets</b>				
Land	\$ 13,509,257	\$ -	\$ -	\$ 13,509,257
Construction work in progress *	<u>1,415,649</u>	<u>2,830,773</u>	-	<u>4,246,422</u>
Total non-depreciable capital assets	14,924,906	2,830,773	-	17,755,680
<b>Depreciable assets **</b>				
Buildings and improvements	50,564,692	1,865,615	9,217	52,421,090
Operating and transit related equipment	22,015,311	873,206	202,509	22,686,009
Other equipment, fixtures, and other vehicles	26,921,428	626,511	533,256	27,014,683
Revenue vehicles	<u>67,459,064</u>	<u>10,854,046</u>	<u>4,619,631</u>	<u>73,693,479</u>
Total depreciable capital assets	166,960,496	14,219,378	5,364,614	175,815,260
<b>Less accumulated depreciation</b>				
Buildings and improvements	20,605,564	1,861,708	7,474	22,459,798
Operating and transit related equipment	11,975,706	2,698,926	202,444	14,472,188
Other equipment, fixtures, and other vehicles	8,075,266	2,160,493	528,801	9,706,959
Revenue vehicles	<u>32,355,340</u>	<u>6,673,457</u>	<u>4,619,631</u>	<u>34,409,166</u>
Total accumulated depreciation	<u>73,011,877</u>	<u>13,394,583</u>	<u>5,358,350</u>	<u>81,048,111</u>
Total depreciable assets, net	<u>93,948,619</u>	<u>824,795</u>	<u>6,264</u>	<u>94,767,149</u>
Total capital assets, net	<u>\$ 108,873,525</u>	<u>\$ 3,655,568</u>	<u>\$ 6,264</u>	<u>\$ 112,522,829</u>

\* The construction work in progress at September 30, 2010 is primarily related to the Streetcar extension which went into operation December 19, 2010

\*\* Depreciation expense during the year ended September 30, 2010 was \$13,394,583.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 5 – PENSION PLANS**

Defined Benefit Pension Plan: Substantially, all full-time and part-time employees of the Authority are participants in the FRS, a multiple-employer, cost-sharing public retirement system. FRS is controlled by the State Legislature and covers approximately 665,000 employees of various governmental units within the State of Florida. This retirement plan promises a lifetime benefit at retirement but retirees must meet an age and/or service requirement. The benefit amount is based on the member's earnings, length of service, and service accrual value. Promised benefits are prefunded by contributions made by the employer, employee, or both, plus investment earnings. All promised benefits to current and future retirees and other eligible beneficiaries are guaranteed under the plan.

FRS provides for vesting benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Employees hired after July 1, 2011, are vested after eight years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based on age, average compensation and years-of-service credit where the average compensation is computed as the average of an individual's highest five years of earnings.

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

Participating employer contributions are based upon statewide rates established by the State of Florida. The Authority is required to contribute at an actuarially determined rate. Effective July 1, 2011, the Florida Legislature established the rates for regular employees at 4.91%; senior management at 6.27%; deferred retirement option program (DROP) at 4.42%; and the employee contribution of 3% for all plans and classes except for those employees in the DROP program. The Authority's contributions during the fiscal years ending September 30, 2011, 2010, and 2009 were \$2,872,075, \$3,234,874, and \$2,952,017, respectively, equal to the required contributions for each year which is included as part of payroll taxes, fringe benefits and workers' compensation in the accompanying Statements of Revenues, Expenses and Changes in Net Assets. From July 1, 2011 to September 30, 2011, the Authority collected and remitted to FRS \$205,052 on behalf of the employees.

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

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 5 – PENSION PLANS (continued)**

Defined Contribution Plan: Beginning December 1, 2002, FRS offers a second retirement plan option, the FRS Investment Plan. This retirement plan is an employer-sponsored plan in which contributions are made by both the employer and employee. Funds are generated for future distribution to the member. The benefit amount is the sum that accumulates in the member's account, based on contributions made, plus investment earnings, less fees and expenses. Members may be required to meet certain age and/or service requirements to receive account accumulations. It is the responsibility of the member (employee) to ensure, through investment, that sufficient monies are raised to provide adequate income in retirement. The employee makes investment elections within the investment funds chosen by the Florida State Board of Administration (FSBA). The retirement benefit is based on the account balance, and the benefit is vested after one year of service. The employee in this plan is not eligible for DROP.

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

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

City of Tampa Pension Plan: The Authority is required by the City of Tampa to pay retirement benefits to employees that transitioned from the City to the Authority on March 1, 1980, but chose to remain in the City of Tampa Pension Fund. In FY2011, the Authority contributed \$109,658 for 20 remaining pensioners.

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

The Authority has no OPEB liability as there is no employer contribution or payment to an employee's healthcare once they have retired. As required by Florida Statute 112.0801, the Authority allows retirees to purchase healthcare coverage at the same group insurance rates that current employees are charged, but it is incumbent upon the retiree to pay for this coverage.

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO FINANCIALS**  
**YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 7 – SELF INSURANCE AND LOSS CONTINGENCIES**

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

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

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

General Liability Claims: The Authority's exposure for general liability, including vehicle, property and bodily injury, is subject to the State of Florida sovereign immunity laws, which provide loss limits of \$200,000 per person and \$300,000 per occurrence.

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

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

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

Group Medical: Effective January 1, 2010, employees of the Authority are covered under Cigna Health Care, an independent insurance provider. The Authority is shifting to a self-insured health program on January 1, 2012.

Settled claims have not exceeded commercial coverage in any of the past three years. The liability of \$4,920,903 and \$5,007,000 in self-insurance and loss contingencies reported at September 30, 2011 and 2010, 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 to be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

Changes in the claims liability amount:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at September 30, 2009	\$ 2,176,999	\$ 2,585,001	\$ 4,762,000
Current year claims and changes in estimates	1,529,635	162,181	1,691,816
Claim payments	<u>(911,634)</u>	<u>(535,182)</u>	<u>(1,446,816)</u>
Balance at September 30, 2010	2,795,000	2,212,000	5,007,000
Current year claims and changes in estimates	752,443	928,915	1,681,358
Claim payments	<u>(1,054,222)</u>	<u>(713,233)</u>	<u>(1,767,455)</u>
Balance at September 30, 2011	<u>\$ 2,493,221</u>	<u>\$ 2,427,682</u>	<u>\$ 4,920,903</u>

**NOTE 8 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ending September 30, 2011 and September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>More than One Year</u>
<b><u>Balance at September 30, 2011</u></b>						
Self insurance and loss contingencies	\$ 5,007,000	\$ 1,681,358	\$ 1,767,455	\$ 4,920,903	\$ 1,767,455	\$ 3,153,448
Compensated absences	<u>2,561,732</u>	<u>2,340,971</u>	<u>2,386,247</u>	<u>2,516,456</u>	<u>180,000</u>	<u>2,336,456</u>
Total long-term liabilities	<u>\$ 7,568,732</u>	<u>\$ 4,022,329</u>	<u>\$ 4,153,702</u>	<u>\$ 7,437,359</u>	<u>\$ 1,947,455</u>	<u>\$ 5,489,904</u>
<b><u>Balance at September 30, 2010</u></b>						
Self insurance and loss contingencies	\$ 4,762,000	\$ 1,691,816	\$ 1,446,816	\$ 5,007,000	\$ 1,446,816	\$ 3,560,184
Compensated absences	<u>2,407,362</u>	<u>2,512,023</u>	<u>2,357,653</u>	<u>2,561,732</u>	<u>220,000</u>	<u>2,341,732</u>
Total long-term liabilities	<u>\$ 7,169,362</u>	<u>\$ 4,203,839</u>	<u>\$ 3,804,469</u>	<u>\$ 7,568,732</u>	<u>\$ 1,666,816</u>	<u>\$ 5,901,916</u>

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 9 – UNRESTRICTED NET ASSETS**

Designated Reserves: Unrestricted net assets include reserves which have been designated by the Authority for capital projects and operations in the amounts of \$2,003,242 and \$13,482,567, as of September 30, 2011 and 2010, respectively. These amounts are not externally restricted and do not represent measurable liabilities as of September 30, 2011 and 2010.

**NOTE 10 – OPERATING LEASES**

Lease Commitments: Expense for all operating leases recognized for the year ending September 30, 2011 and 2010 was \$74,772 and \$94,423.

On June 4, 2009, the Authority entered into a land lease agreement with Hillsborough County Aviation Authority (TIA) to operate a Transfer Center for a term of 20 years commencing October 1, 2010. Rent expense related to the TIA land lease for FY2011 totaled \$3,071. Project design was stopped at 60% by mutual agreement with TIA and the Authority.

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 11 – 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, 2011 and 2010 totaled approximately \$971 and \$13,424, respectively. Representatives from the Authority and Environ International Corporation met on August 17, 2011 to discuss the action that was required by the Environmental Protection Commission (EPC). HART was given the direction to complete a remediation of the maintenance facility at the 21<sup>st</sup> Avenue location. HART was requested to complete an assessment plan that dated back to 1988. The cost for the three year compliance project is \$348,887 with a 10% contingency. This cost would occur in FY2012, FY2013, and FY2014. 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 statements of the Authority.

Resolution of Claim by the City of Tampa: The City and the Authority entered into a multi-year Inter-local Agreement dated September 30, 2004, effective through September 30, 2008, (“the Agreement”) whereby the City agrees to construct Pedestrian Access Improvement (“PAI”) projects, which are mutually agreed upon for a total not to exceed \$1,700,000. In the Agreement dated September 23, 2009, the Authority agreed to construct the remaining balance of \$730,638 of the original Agreement. The Authority agreed to pay these PAI projects from available federal and local funds including city impact fees.

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

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

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

The payments stipulated in the Agreement were as follows:

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

Total amount approved through September 30, 2009	<u>\$ 1,700,000</u>
Less: Prior year expenditures	1,039,934
Less: Current year expenditures	-
Amount paid to date	<u>1,039,934</u>
Remaining for future projects yet to be determined	<u>660,066</u>
 Total remaining to be paid	 <u>\$ 660,066</u>

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

The amount remaining to be paid under the Agreement with the City of Tampa is approximately \$660,066 and is summarized below:

- Broadway Sidewalk \$200,000 allocated (currently out to bid for construction)
- 15<sup>th</sup> Street Sidewalk \$150,000 allocated (currently in design)
- Nuccio Parkway Sidewalk \$100,000 allocated (task order to be issued for design)
- Linebaugh Sidewalk \$100,000 allocated (task order to be issued for design)
- Total \$560,000

The remaining \$100,066 has yet to be allocated.

21<sup>st</sup> Avenue Administration Renovation Project: HART is in the process of renovating the 21<sup>st</sup> Avenue Administration building. As of September 30, 2011, HART had the following commitment related to this project.

- Total Contract Value \$3,368,572
- Amount Paid to Contractor \$ 291,749
- Balance Remaining \$3,076,823

**HILLSBOROUGH TRANSIT AUTHORITY  
NOTES TO FINANCIALS  
YEARS ENDING SEPTEMBER 30, 2011 AND 2010**

**NOTE 12 – SUBSEQUENT EVENTS**

The following board authorizations occurred as subsequent to September 30, 2011 (October 1, 2011 – December 5, 2011)

- Contract for construction services for the Yukon Transfer Center for the maximum of \$600,000.
- Reprogram state funding from the TIA Transfer Center to Marion Transit Center Improvement Project for the maximum of \$830,345.
- Execute a joint participation agreement between the Authority and the Florida Department of Transportation to accept State Block Grant funding for Fiscal Year 2012 for \$3,874,386.
- Execute a joint participation agreement between the Authority and the Florida Department of Transportation for Transit Urban Corridor funds to operate Route 200X (Clearwater Express) in Fiscal Years 2012 and 2013 in the amount of \$194,619.
- Execute a joint participation agreement between the Authority and the Florida Department of Transportation for Transit Urban Corridor funds to operate Route 51X (New Tampa/Pasco Express) in Fiscal Years 2012 and 2013 in the amount of \$261,000.
- Execute a joint participation agreement between the Authority and the Florida Department of Transportation for Transit Urban Corridor funds to operate Route 20X (Pasco/Lutz Express) in Fiscal Years 2012 and 2013 in the amount of \$241,000.
- Execute a joint participation agreement between the Authority and the Florida Department of Transportation for Service Development funds to operate Route 61LX (Northwest Limited Express) in Fiscal Years 2012 and 2013 in the amount of \$606,000.
- Execute a joint participation agreement between the Authority and the Florida Department of Transportation for Service Development funds to operate Northdale Flex service in Fiscal Years 2012 and 2013 in the amount of \$375,000.
- Contract to purchase fourteen (14) Forty-Foot (40') Heavy-Duty Transit Buses from Gillig LLC in an amount Not-to-Exceed \$5,509,000.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS**

**HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDING SEPTEMBER 30, 2011**

<u>GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>FY 2011 Program Expenditures</u>
<i>Direct federal grantor awards</i>			
<i>U.S. Department of Transportation - Federal Transit Administration</i>			
<i>Highway Planning</i>			
Ybor Station	20.205	FL-15-X004	\$ 17,008
Bus Tracking and Communication	20.205	FL-26-0006	11,409
Streetcar Extension Phase IIa	20.205	FL-70-X002	643,450
CMAQ	20.205	FL-90-X527	4,078
			<u>675,945</u>
<i>Formula Grant</i>			
Fixed Guideway Funds	20.500	FL-03-0237	6,190
21st Avenue Facility Upgrade	20.500	FL-04-0020	9,596
Bus Purchase	20.500	FL-04-0082	317,505
Purchase Streetcars	20.507	FL-90-X295	182,675
FY99 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X360	82,165
FY00 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X396	34,888
FY02 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X453	190
FY03 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X481	28,513
FY04 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X519	52,429
Bus and Related Equipment Purchase	20.507	FL-90-X521	35,000
FY05 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X538	289,816
FY06 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X584	163,454
STP Funds Facilities and Improvements	20.507	FL-90-X588	43,873
FY07 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X620	299,845
FY08 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X662	543,216
FY09 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X681	814,764
FY10 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X714	1,439,517
FY11 Program of Projects- Urbanized Area Formula Grant	20.507	FL-90-X752	9,658,425
Streetcar Extension Phase IIa	20.507	FL-95-X014	603,189
ARRA Replacement and Expansion Vehicles	20.507	FL-96-X013	2,101,016
			<u>16,706,266</u>
<i>Alternative Analysis</i>			
FY07 Discretionary Alternative Anlalysis Project Funds	20.522	FL-39-0004	<u>27,520</u>
Total direct federal grantor awards			<u>\$ 17,409,731</u>

**HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDING SEPTEMBER 30, 2011**

<u>GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>FY 2011 Program Expenditures</u>
<i>Pinellas County Metropolitan Planning Organization (pass through)</i>			
Job Access and Reverse Commute; HART #A110399	20.516	FL-37-X033	\$ 1,169,147
<b>Total Pass Through Federal Assistance</b>			<u>1,169,147</u>
Total federal grantor awards			<u>\$ 18,578,878</u>

<u>GRANTOR / PROGRAM TITLE</u>	<u>State CSFA Number</u>	<u>State Project Number</u>	<u>FY 2011 Program Expenditures</u>
<i>Direct state financial assistance</i>			
<i>State of Florida Department of Transportation</i>			
State Block Grant FY11	55.010	402251-18411	\$ 3,729,879
			<u>3,729,879</u>
Park & Ride Lots	55.011	420740-19401	39,450
Park & Ride Lots	55.011	422720-19401	18,558
Park & Ride Lots	55.011	422720-19402	<u>8,442</u>
			66,450
Urban Corridor Program (200X)	55.013	410693-18406	128,620
Urban Corridor Program (200X)	55.013	410693-18407	43,235
New Tampa/S.Pasco Cnty Exp (51X)	55.013	420741-18403	64,559
New Tampa/S.Pasco Cnty Exp (51X)	55.013	420741-18404	<u>99,597</u>
			336,011
TIA Transfer Center Project	55.014	414594-19401	166,980
TIA-TEC Transfer Center Project	55.014	416264-19401	<u>79,847</u>
			<u>246,827</u>
Total state grantor awards			<u>\$ 4,379,167</u>

**HILLSBOROUGH TRANSIT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE PROJECTS**  
**YEAR ENDING SEPTEMBER 30, 2011**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – CONTINGENCIES**

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

**SECTION III**  
**STATISTICAL SECTION**

## **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.*

## **Statistical Section**

### **Financial Trends**

- Net Assets by Component (FY2011 - FY2003)
- Changes in Net Assets/Fund Equity (FY2011 - FY2003)
- Revenues by Function/Program (FY2011 – FY2002)
- Expenses by Function/Program (FY2011 – FY2002)
- Farebox Structure (FY2011 – FY2006)
- Property Tax Revenue by Year (FY2011 – FY1999)

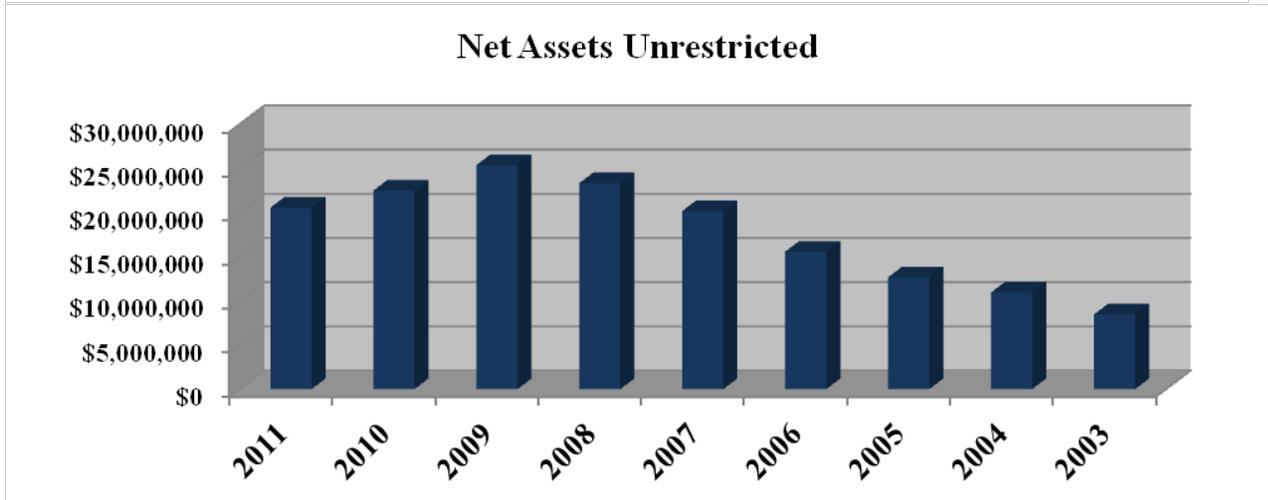
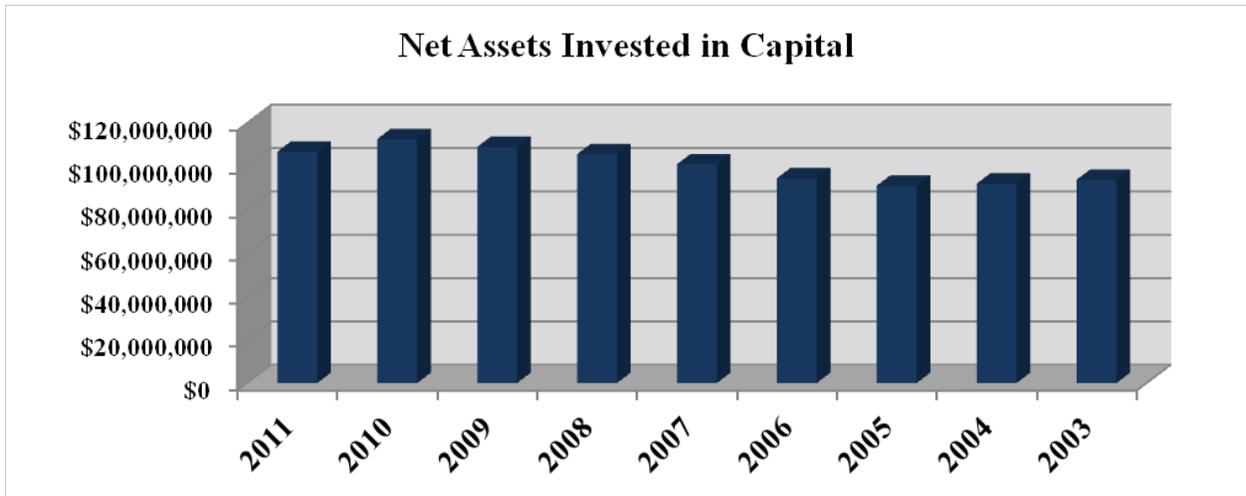
**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**NET ASSETS BY COMPONENT  
FY2011 – FY2003  
(Unaudited)**

	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
<b>Business Type Activities</b>									
Invested in Capital Assets	\$106,688,130	\$112,522,829	\$108,873,525	\$105,544,503	\$100,884,345	\$94,438,179	\$91,029,537	\$91,953,546	\$93,735,491
Unrestricted	\$20,329,546	\$22,474,252	\$25,353,184	\$23,308,715	\$20,158,679	\$15,552,628	\$12,655,313	\$10,939,693	\$8,449,758
Total Net Assets	\$127,017,676	\$134,997,081	\$134,226,709	\$128,853,218	\$121,043,024	\$109,990,807	\$103,684,850	\$102,893,239	\$102,185,249

NOTES:

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



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CHANGES IN NET ASSETS/FUND EQUITY  
FY2011 - FY2003  
(Unaudited)**

	<b>FY2011 Actual</b>	<b>FY2010 Actual</b>	<b>FY2009 Actual</b>	<b>FY2008 Actual</b>	<b>FY2007 Actual</b>	<b>FY2006 Actual</b>	<b>FY2005 Actual</b>	<b>FY2004 Actual</b>	<b>FY2003 Actual</b>
<b>Operating revenues:</b>									
Passenger fares	\$13,373,978	\$12,409,955	\$12,197,462	\$12,127,912	\$10,759,422	\$10,348,320	\$9,054,930	\$8,080,287	\$7,167,522
Advertising	\$718,919	\$724,964	\$591,970	\$554,270	\$532,250	\$482,917	\$463,110	\$343,821	\$242,167
Total Operating Revenues	\$14,092,897	\$13,134,919	\$12,789,432	\$12,682,182	\$11,291,672	\$10,831,237	\$9,518,040	\$8,424,108	\$7,409,689
<b>Operating expenses:</b>									
Salaries	\$28,472,681	\$28,976,002	\$27,331,650	\$25,831,068	\$26,048,272	\$23,631,683	\$22,092,721	\$18,140,615	\$16,563,410
Payroll Taxes, Fringes & Work Comp	\$14,616,889	\$14,875,779	\$14,150,767	\$11,961,942	\$11,149,153	\$10,941,290	\$9,442,857	\$6,899,164	\$4,815,278
Fuel and Lubricants	\$6,240,003	\$5,332,088	\$6,422,888	\$5,294,121	\$4,875,594	\$4,200,877	\$3,515,541	\$2,022,337	\$1,627,750
Parts and Supplies	\$2,870,170	\$3,543,504	\$3,638,090	\$3,532,298	\$3,594,222	\$3,031,564	\$2,805,589	\$1,819,765	\$1,645,891
Contracted services	\$3,492,770	\$3,296,307	\$3,174,271	\$2,851,526	\$2,953,046	\$2,673,728	\$2,279,214	\$4,483,635	\$4,354,562
Insurance	\$2,267,192	\$2,310,511	\$1,958,376	\$3,136,144	\$2,319,310	\$1,225,591	\$1,949,227	\$2,663,215	\$1,374,196
Utilities	\$701,272	\$756,763	\$1,027,030	\$887,666	\$732,533	\$674,603	\$601,353	\$570,692	\$546,780
Marketing and Promotions	\$524,863	\$713,228	\$1,027,373	\$666,462	\$841,890	\$735,051	\$843,638	\$642,438	\$868,880
Other Expenses	\$1,234,572	\$1,463,051	\$2,291,431	\$1,727,176	\$1,982,014	\$1,747,392	\$1,628,148	\$1,537,634	\$1,131,925
Operating Expenditures Reimbursed by Grants	\$3,607,225	\$3,865,188	\$3,737,612	\$1,079,616	\$1,505,948	\$2,473,473	\$1,414,518	\$3,211,740	\$3,344,976
Total Operating Expenses	\$64,027,637	\$65,132,421	\$64,759,488	\$56,968,019	\$56,001,982	\$51,335,252	\$46,572,806	\$41,991,235	\$36,273,648
Operating (Loss) Before Depreciation	(\$49,934,740)	(\$51,997,502)	(\$51,970,056)	(\$44,285,837)	(\$44,710,310)	(\$40,504,015)	(\$37,054,766)	(\$33,567,127)	(\$28,863,959)
Depreciation	\$12,862,670	\$13,394,583	\$11,482,036	\$9,335,084	\$8,144,251	\$7,791,245	\$7,400,882	\$7,641,164	\$7,741,655
Operating (Loss)	(\$62,797,410)	(\$65,392,085)	(\$63,452,092)	(\$53,620,921)	(\$52,854,561)	(\$48,295,260)	(\$44,455,648)	(\$41,208,291)	(\$36,605,614)
<b>Non-Operating Revenues:</b>									
Federal	\$11,314,093	\$8,566,909	\$8,922,111	\$4,445,445	\$4,226,858	\$4,564,443	\$5,385,927	\$2,694,133	\$3,569,651
State	\$4,065,891	\$3,937,879	\$3,669,407	\$3,694,543	\$3,569,393	\$3,455,026	\$3,574,740	\$3,600,063	\$3,523,230
Local	\$1,281,761	\$1,365,858	\$1,257,145	\$1,475,375	\$1,784,338	\$1,509,868	\$2,924,821	\$1,832,989	\$1,059,157
Property Tax Proceeds, Net	\$27,701,558	\$31,028,970	\$34,723,204	\$36,586,961	\$36,423,195	\$29,813,313	\$25,740,799	\$23,180,746	\$21,124,567
Interest Income	\$136,840	\$290,111	\$86,189	\$736,964	\$1,588,849	\$1,161,011	\$498,345	\$171,635	\$153,425
Other Income	\$338,586	\$576,924	\$253,357	\$583,170	\$596,645	\$431,255	\$286,833	\$324,389	\$398,378
Sale of Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Revenues	\$44,838,729	\$45,766,651	\$48,911,413	\$47,522,458	\$48,189,278	\$40,934,916	\$38,411,465	\$31,803,955	\$29,828,408
(Loss) Before Capital Grants	(\$17,958,681)	(\$19,625,434)	(\$14,540,679)	(\$6,098,463)	(\$4,665,283)	(\$7,360,344)	(\$6,044,183)	(\$9,404,336)	(\$6,777,206)
<b>Capital Grant Revenues:</b>									
Federal	\$7,145,036	\$19,717,043	\$16,746,036	\$13,486,392	\$14,479,395	\$12,515,084	\$5,116,600	\$9,618,018	\$19,957,940
State	\$313,277	\$38,139	\$170	\$424,348	\$276,133	\$226,236	\$968,857	\$193,503	\$3,103,855
Local	\$2,520,963	\$640,624	\$3,167,964	(\$2,083)	\$961,972	\$924,981	\$750,337	\$300,805	\$511,265
Total Capital Grants	\$9,979,276	\$20,395,806	\$19,914,170	\$13,908,657	\$15,717,500	\$13,666,301	\$6,835,794	\$10,112,326	\$23,573,060
Increase (Decrease) in Net Assets	(\$7,979,405)	\$770,372	\$5,373,491	\$7,810,194	\$11,052,217	\$6,305,957	\$791,611	\$707,990	\$16,795,854
Net Assets, Beginning of the Year	\$134,997,081	\$134,226,709	\$128,853,218	\$121,043,024	\$109,990,807	\$103,684,850	\$102,893,239	\$102,185,249	\$85,389,395
Net Assets, End of the Year	\$127,017,676	\$134,997,081	\$134,226,709	\$128,853,218	\$121,043,024	\$109,990,807	\$103,684,850	\$102,893,239	\$102,185,249

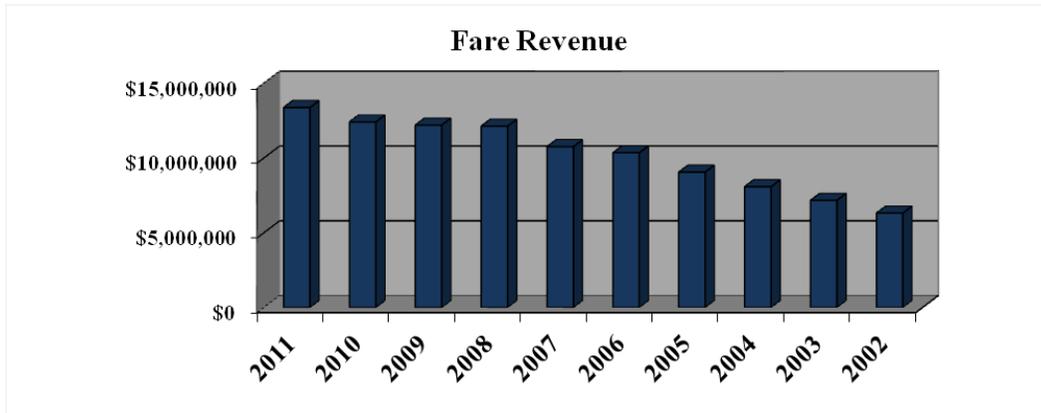
**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**REVENUES BY FUNCTION/PROGRAM  
(BUS, PARATRANSIT, STREETCAR)  
FY2011 – FY2002  
(Unaudited)**

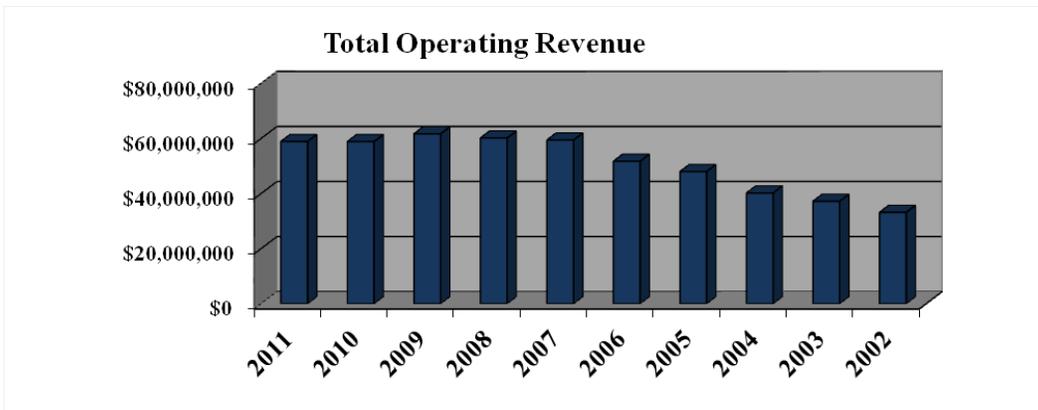
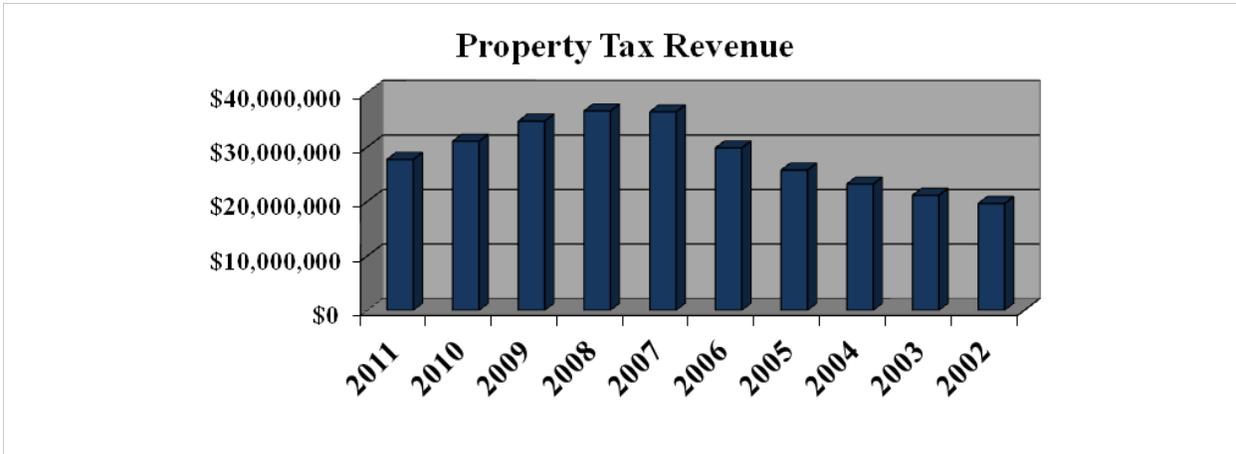
	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual	2002 Actual
<b>FARES</b>	\$13,373,978	\$12,409,955	\$12,197,462	\$12,127,912	\$10,759,422	\$10,348,320	\$9,054,930	\$8,080,287	\$7,167,522	\$6,308,685
<b>PROPERTY TAX</b>	\$27,701,558	\$31,028,970	\$34,723,204	\$36,586,961	\$36,423,195	\$29,813,313	\$25,740,799	\$23,180,746	\$21,124,567	\$19,604,163
<b>FEDERAL ASSISTANCE</b>	\$11,314,093	\$8,566,909	\$8,922,111	\$4,445,445	\$4,226,858	\$4,564,443	\$5,385,927	\$2,694,133	\$3,569,651	\$1,142,205
<b>STATE ASSISTANCE</b>	\$4,065,891	\$3,937,879	\$3,669,407	\$3,694,543	\$3,569,393	\$3,455,026	\$3,574,740	\$3,600,063	\$3,523,230	\$3,505,580
<b>LOCAL ASSISTANCE</b>	\$1,281,761	\$1,365,858	\$1,257,145	\$1,475,375	\$1,784,338	\$1,509,868	\$2,992,352	\$1,832,989	\$1,059,157	\$761,197
<b>ADVERTISING</b>	\$718,919	\$724,964	\$591,970	\$554,270	\$532,250	\$482,917	\$463,110	\$343,821	\$242,167	\$170,833
<b>INTEREST INCOME</b>	\$136,840	\$290,111	\$86,189	\$736,964	\$1,588,849	\$1,161,011	\$498,345	\$112,909	\$75,878	\$149,751
<b>OTHER INCOME</b>	\$338,586	\$576,924	\$253,357	\$583,170	\$596,646	\$431,255	\$286,833	\$383,115	\$475,925	\$1,556,506
<b>SUBTOTAL OPERATING</b>	\$58,931,626	\$58,901,570	\$61,700,845	\$60,204,640	\$59,480,951	\$51,766,153	\$47,997,036	\$40,228,063	\$37,238,097	\$33,198,920
<b>FEDERAL CAPITAL</b>	\$7,145,036	\$19,717,043	\$16,746,036	\$13,486,392	\$14,479,394	\$12,515,084	\$5,116,600	\$9,618,018	\$19,957,940	\$20,930,833
<b>STATE CAPITAL</b>	\$313,277	\$38,139	\$170	\$424,348	\$276,133	\$226,236	\$968,857	\$193,503	\$3,103,855	\$3,211,733
<b>LOCAL CAPITAL</b>	2,520,963	\$640,624	\$3,167,964	(\$2,083)	\$961,972	\$924,981	\$682,806	\$300,805	\$511,265	\$881,100
<b>OTHER CAPITAL</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>SUBTOTAL CAPITAL</b>	\$9,979,276	\$20,395,806	\$19,914,170	\$13,908,657	\$15,717,499	\$13,666,301	\$6,768,263	\$10,112,326	\$23,573,060	\$25,023,666
<b>GRAND TOTAL</b>	\$68,910,902	\$79,297,376	\$81,615,015	\$74,113,297	\$75,198,450	\$65,432,454	\$54,765,299	\$50,340,389	\$60,811,157	\$58,222,586

NOTES:

- (1) FY2001 through FY2002 -- 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**  
**FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
(Unaudited)



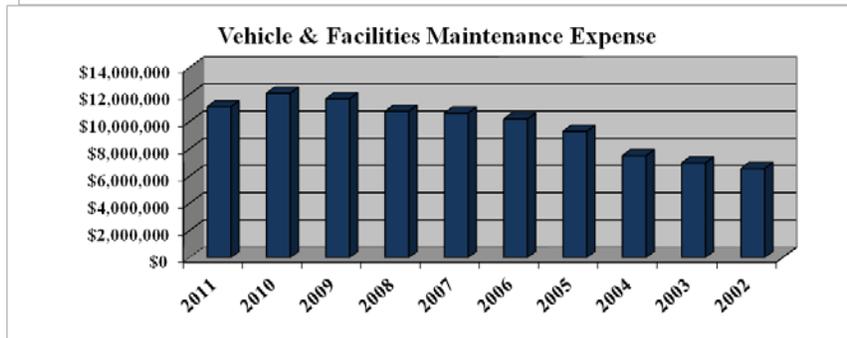
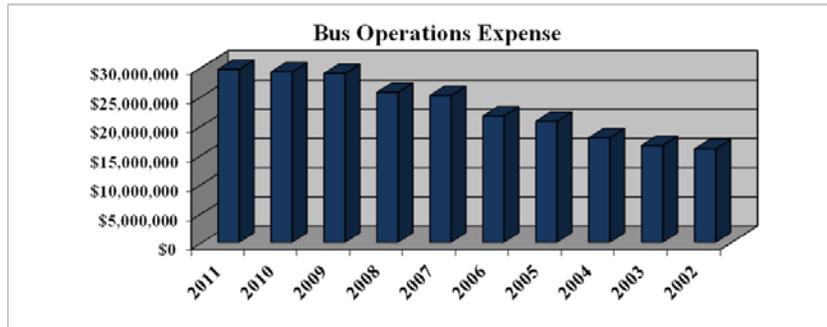
**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**EXPENSES BY FUNCTION/PROGRAM  
(BUS, PARATRANSIT, STREETCAR)  
FY2011 – FY2002  
(Unaudited)**

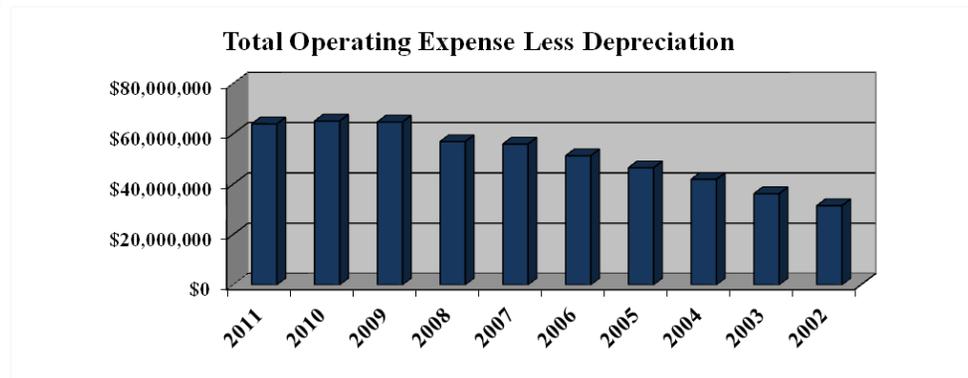
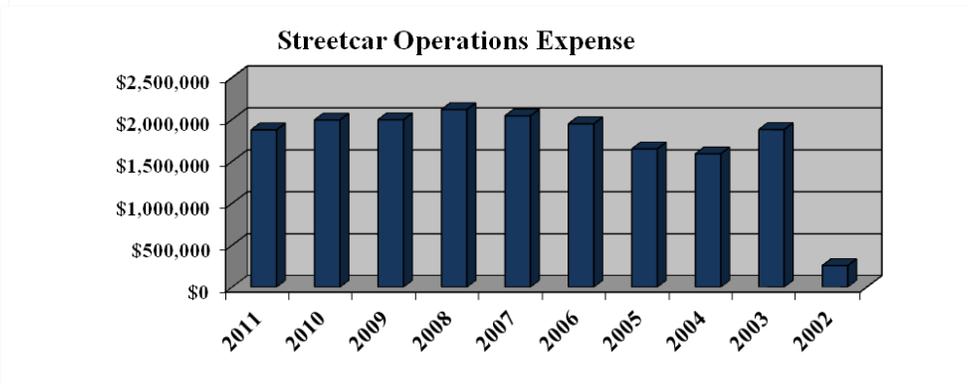
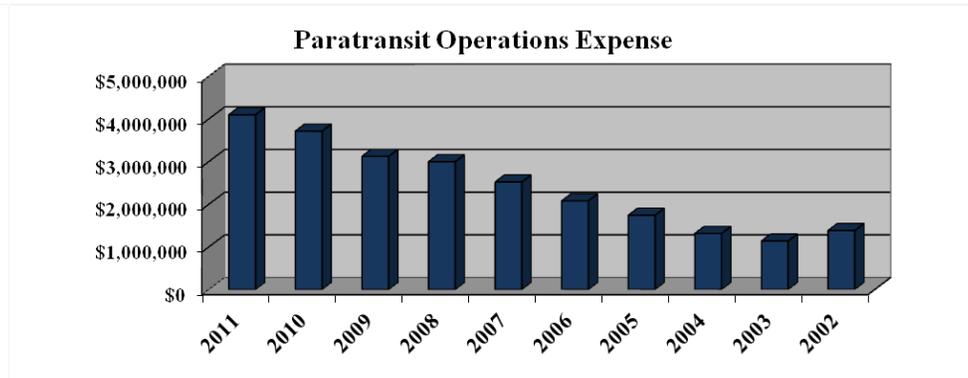
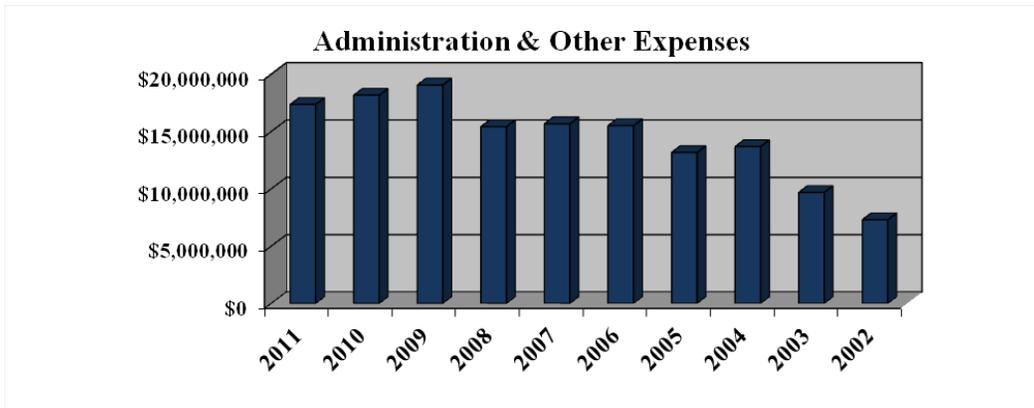
	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual	2002 Actual
BUS OPERATIONS	\$29,595,223	\$29,165,160	\$28,894,300	\$25,674,967	\$25,124,269	\$21,600,223	\$20,714,748	\$17,895,403	\$16,608,159	\$15,992,088
VEHICLE & FACILITIES MAINTENANCE	\$11,089,853	\$12,090,460	\$11,675,250	\$10,756,591	\$10,633,951	\$10,192,485	\$9,294,416	\$7,499,606	\$6,958,330	\$6,556,789
ADMINISTRATION & OTHER	\$17,370,967	\$18,170,684	\$19,060,693	\$15,421,448	\$15,681,101	\$15,517,268	\$13,173,813	\$13,691,923	\$9,690,729	\$7,301,639
PARATRANSIT OPERATIONS	\$4,096,453	\$3,712,329	\$3,121,805	\$2,996,917	\$2,520,759	\$2,077,806	\$1,741,080	\$1,314,344	\$1,137,757	\$1,383,336
STREETCAR OPERATIONS	\$1,875,141	\$1,993,429	\$1,996,185	\$2,118,096	\$2,041,902	\$1,947,470	\$1,648,749	\$1,589,960	\$1,878,672	\$256,463
OPERATING EXPENSE BEFORE DEPRECIATION	\$64,027,637	\$65,132,061	\$64,748,233	\$56,968,019	\$56,001,982	\$51,335,252	\$46,572,806	\$41,991,235	\$36,273,647	\$31,490,315
DEPRECIATION	\$12,862,670	\$13,394,943	\$11,493,291	\$9,335,084	\$8,144,251	\$7,791,245	\$7,400,882	\$7,641,164	\$7,741,655	\$6,597,718
TOTAL OPERATING EXPENSE	\$76,890,307	\$78,527,004	\$76,241,524	\$66,303,103	\$64,146,233	\$59,126,497	\$53,973,688	\$49,632,399	\$44,015,302	\$38,088,033

NOTES:

- (1) FY2001 through FY2002 -- Reported as Governmental Fund types.
- (2) In FY2003, the Authority adopted GASB Statement No. 34 as a single Enterprise Fund.
- (3) Other Expenses includes FTA Ineligibles, Risk Management Funds and Operating Expenses reimbursed by Capital Grants.
- (4) In FY2005, the Authority changed its accounting practice of recording operating expenditures reimbursed by grants as a contra-account to expense. The impact of this change is reflected in Other Expenses.



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
(Unaudited)**



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

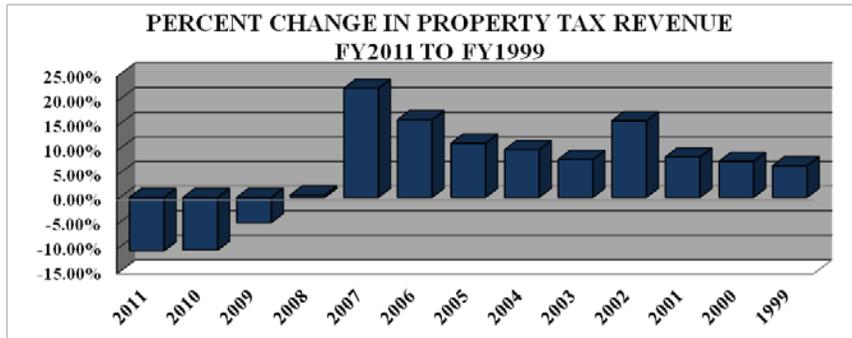
**FAREBOX STRUCTURE  
FY2011 – FY2006  
(Unaudited)**

	<b>Effective Jan. 2006</b>	<b>Effective Nov. 2006</b>	<b>Effective Oct. 2007</b>	<b>Effective Nov. 2008</b>
<b>Bus Mode - Cash Fares</b>				
1-Way Full Fare	\$1.50	\$1.50	\$1.50	\$1.75
1-Way Discount	\$0.75	\$0.75	\$0.75	\$0.85
1-Way Connector	\$0.50	\$0.50	\$0.50	\$0.50
1-Way Connector Discounted		\$0.25	\$0.25	\$0.25
USF Employee Area		\$0.25	\$0.25	\$0.25
1-Way Express	\$2.50	\$2.50	\$2.50	\$2.75
1-Way Express Discounted		\$1.25	\$1.25	\$1.35
<b>Bus Mode - Pass Fares</b>				
1-Day Pass Full Fare	\$3.25	\$3.25	\$3.25	\$3.75
1-Day Pass Express	\$1.60	\$1.60	\$1.60	\$1.85
3 Day Pass	\$9.75	\$9.75	\$9.75	\$11.00
3 Day Pass Visitor/Group	\$8.00	\$8.00	\$8.00	\$9.00
31 Day Pass Full Fare	\$50.00	\$50.00	\$50.00	\$60.00
31 Day Pass Discount	\$25.00	\$25.00	\$25.00	\$30.00
Day Pass Discount	\$2.50	\$2.50	\$2.50	\$5.50
Day Pass Discount Express		\$1.25	\$1.25	\$2.75
31 Day Pass Express	\$80.00	\$80.00	\$80.00	\$90.00
31 Day Pass Discount Express	\$40.00	\$40.00	\$40.00	\$45.00
Passport	\$85.00	\$85.00	\$85.00	\$85.00
<b>Paratransit Cash or Pass Fares</b>				
Paratransit 1-Way	\$1.75	\$1.75	\$2.00	\$2.00
Paratransit Round Trip	\$3.50	\$3.50	\$4.00	\$4.00
Paratransit One Bus	\$2.60	\$2.60	\$3.00	\$3.50
<b>Streetcar - Cash Fares</b>				
Cash Fare	\$2.00	\$2.00	\$2.00	\$2.50
Discount Cash Fare	\$1.00	\$1.00	\$1.00	\$1.25
<b>Streetcar - Pass Fares</b>				
1-Day Unlimited Ride	\$4.00	\$4.00	\$4.00	\$5.00
1-Day Unlimited Ride Discount	\$2.00	\$2.00	\$2.00	\$2.50
3-Day Unlimited Ride (Visitors Pass)	\$9.75	\$9.75	\$9.75	\$11.00
3-Day Unlimited Ride (Sale > 200 passes)	\$8.00	\$8.00	\$8.00	\$9.00
Annual Pass				\$200.00

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PROPERTY TAX REVENUE BY YEAR  
BUS AND PARATRANSIT ONLY  
FY2011 – FY1999  
(Unaudited)**

<b>Year</b>	<b>Property Tax Dollar</b>	<b>Percent Change</b>	<b>Total Revenue</b>	<b>Percent of Total</b>
FY2011	\$27,701,558	-10.72%	\$58,931,626	47.01%
FY2010	\$31,028,970	-10.64%	\$56,893,123	54.54%
FY2009	\$34,723,204	-5.09%	\$59,680,633	58.18%
FY2008	\$36,586,961	0.45%	\$57,861,450	63.23%
FY2007	\$36,423,195	22.17%	\$57,028,316	63.87%
FY2006	\$29,813,313	15.82%	\$49,433,021	60.31%
FY2005	\$25,740,799	11.04%	\$44,895,524	57.33%
FY2004	\$23,180,746	9.73%	\$36,060,733	64.28%
FY2003	\$21,124,567	7.76%	\$29,456,061	71.72%
FY2002	\$19,604,163	15.60%	\$27,729,743	70.70%
FY2001	\$16,958,159	8.26%	\$26,929,041	62.97%
FY2000	\$15,664,986	7.36%	\$25,429,977	61.60%
FY1999	\$14,590,656	6.49%	\$22,834,802	63.90%



## **Statistical Section**

### **Revenue Capacity**

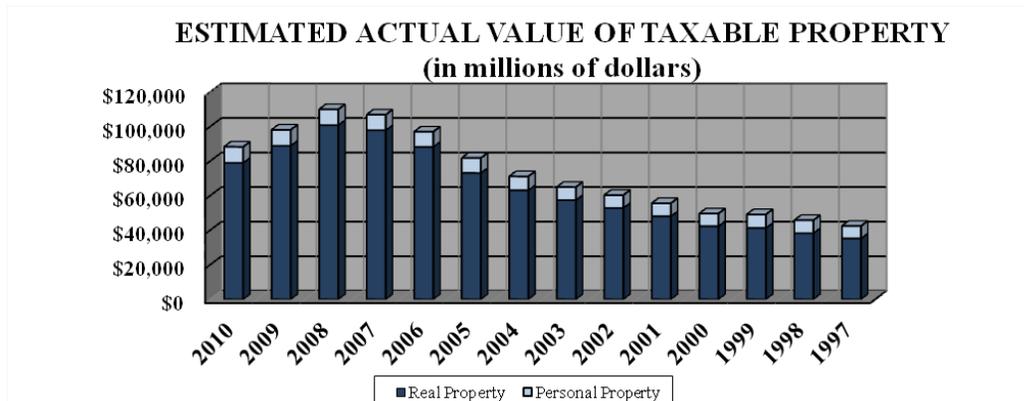
- Taxable Assessed Value and Actual Value of Property (FY2010 - FY1997)
- Principal Taxpayers (2010)
- Property Tax Levies and Collections (FY2010 - FY1998)

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

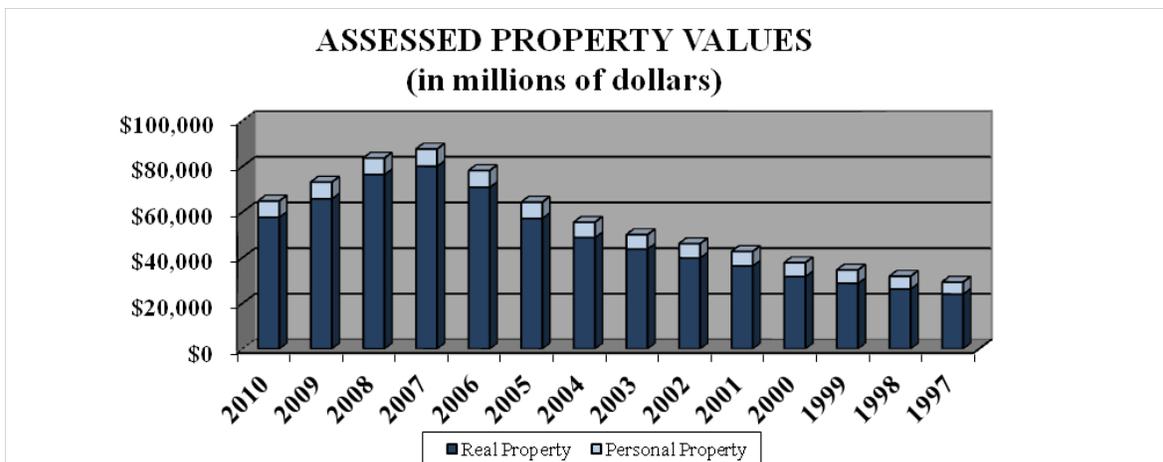
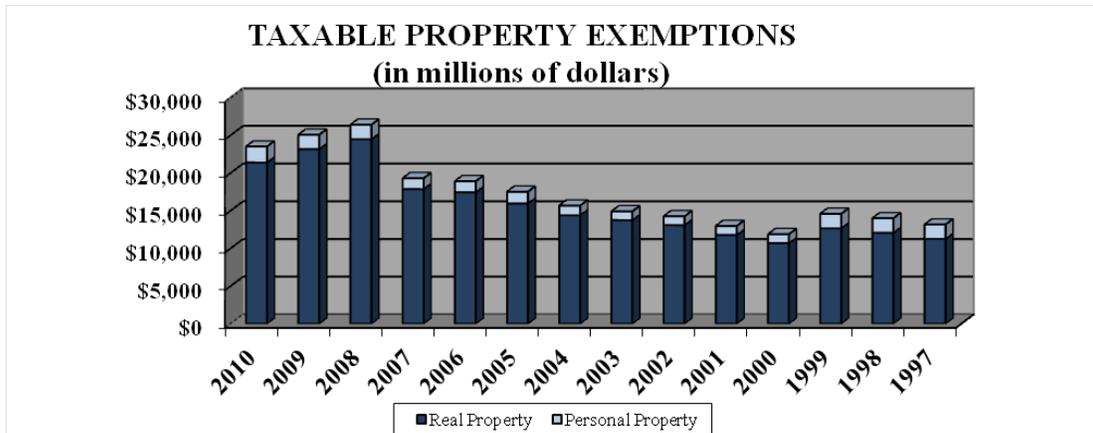
**TAXABLE ASSESSED VALUE AND ACTUAL VALUE OF PROPERTY  
HILLSBOROUGH COUNTY, FLORIDA  
FY2010 - FY1997  
(in millions of dollars)  
(Unaudited)**

Year	Estimated Actual Value		Exemptions		Assessed Value	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2010	\$79,080	\$9,230	\$21,400	\$2,110	\$57,680	\$7,120
2009	\$88,960	\$9,200	\$23,170	\$1,900	\$65,790	\$7,300
2008	\$100,900	\$9,120	\$24,490	\$1,910	\$76,410	\$7,220
2007	\$97,920	\$8,990	\$17,870	\$1,430	\$80,050	\$7,560
2006	\$88,280	\$8,770	\$17,450	\$1,460	\$70,840	\$7,320
2005	\$73,190	\$8,640	\$15,970	\$1,550	\$57,220	\$7,090
2004	\$63,180	\$8,010	\$14,400	\$1,280	\$48,780	\$6,730
2003	\$57,520	\$7,480	\$13,760	\$1,150	\$43,760	\$6,330
2002	\$52,950	\$7,440	\$13,090	\$1,170	\$39,860	\$6,270
2001	\$48,160	\$7,530	\$11,790	\$1,190	\$36,370	\$6,330
2000	\$42,400	\$7,280	\$10,700	\$1,180	\$31,700	\$6,090
1999	\$41,380	\$7,810	\$12,660	\$1,930	\$28,720	\$5,880
1998	\$38,340	\$7,480	\$12,080	\$1,920	\$26,260	\$5,570
1997	\$35,280	\$7,160	\$11,260	\$1,910	\$24,020	\$5,260

SOURCE: Hillsborough County Tax Collector



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
(Unaudited)**



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**HILLSBOROUGH COUNTY, FLORIDA  
PRINCIPAL TAXPAYERS  
(Unaudited)**

<u>Taxpayer</u>	<u>FY2010 Taxes Levied</u>	<u>Rank</u>	<u>Percent of Total Taxes Levied</u>	<u>FY2010 Taxable Value</u>
Tampa Electric Company	\$34,683,077	1	2.24%	\$1,581,026,099
Verizon Florida Inc.	\$17,657,168	2	1.14%	\$804,901,002
Hillsborough County Aviation Authority	\$9,854,734	3	0.64%	\$449,227,491
Mosaic Company	\$6,459,284	4	0.42%	\$294,446,095
Camden Operating LP	\$5,538,778	5	0.36%	\$252,484,881
Liberty Property	\$4,607,390	6	0.30%	\$210,027,612
Post Apartment Homes LP	\$4,288,007	7	0.28%	\$195,468,556
Wal-Mart	\$4,274,665	8	0.28%	\$194,860,362
Highwoods/Florida Holdings LP	\$4,155,711	9	0.27%	\$189,437,850
Brighthouse Networks	\$3,771,219	10	0.24%	\$171,910,804
<b>Total</b>	<u>\$95,290,033</u>		<u>6.17%</u>	<u>\$4,343,790,752</u>

SOURCE: Hillsborough County Tax Collector

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PROPERTY TAX LEVIES AND COLLECTIONS  
HILLSBOROUGH COUNTY, FLORIDA  
FY2010 - FY1998  
(in millions of dollars)  
(Unaudited)**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected with in the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
2010	2009	\$660,228	\$648,894	98.3%	\$1,529	\$650,423	98.5%
2009	2008	\$757,541	\$745,239	98.4%	\$1,483	\$746,722	98.6%
2008	2007	\$801,724	\$795,084	99.2%	\$1,321	\$796,405	99.3%
2007	2006	\$814,609	\$808,864	99.3%	\$618	\$809,482	99.4%
2006	2005	\$701,730	\$696,591	99.3%	\$802	\$697,393	99.4%
2005	2004	\$614,133	\$608,746	99.1%	\$2,232	\$610,978	99.5%
2004	2003	\$553,131	\$547,054	98.9%	\$1,227	\$548,281	99.1%
2003	2002	\$508,616	\$500,980	98.5%	\$644	\$501,624	98.6%
2002	2001	\$482,663	\$474,844	98.4%	\$2,797	\$477,641	99.0%
2001	2000	\$429,559	\$422,776	98.4%	\$2,887	\$425,663	99.1%
2000	1999	\$396,193	\$388,930	98.2%	\$980	\$389,910	98.4%
1999	1998	\$370,500	\$365,501	98.7%	\$1,060	\$366,561	98.9%
1998	1997	\$342,837	\$338,329	98.7%	\$935	\$339,264	99.0%

**SOURCES:**

- (b) U.S. Department of Commerce, Bureau of Economic Analysis
- (c) U.S Bureau of Statistics
- (d) Florida Department of Education
- (e) U.S. Census Bureau

## **Statistical Section**

### **Demographic and Economic Information**

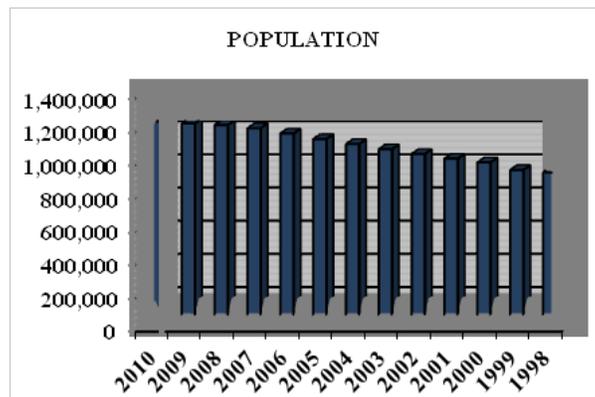
- Demographic and Economic Statistics (FY2010 – FY1998)
- Principal Employers (2010)
- Employment Indicators – Hillsborough County, FL
- Population – Hillsborough County, FL

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

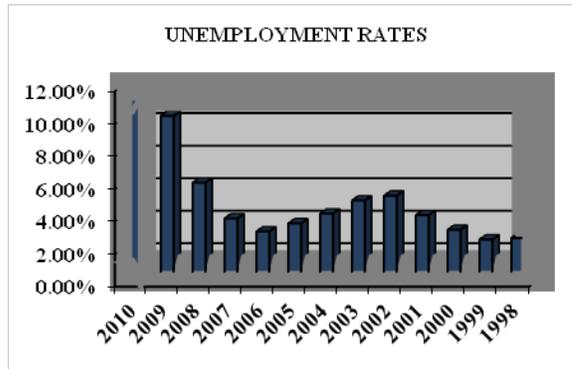
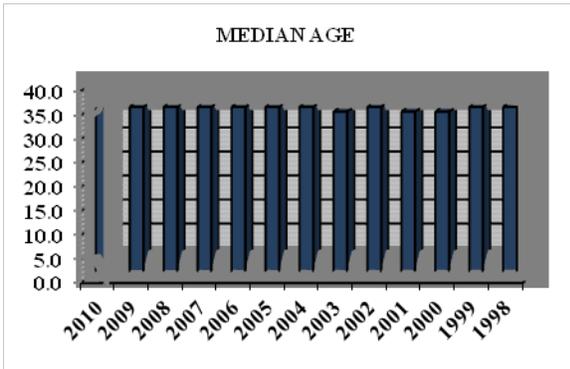
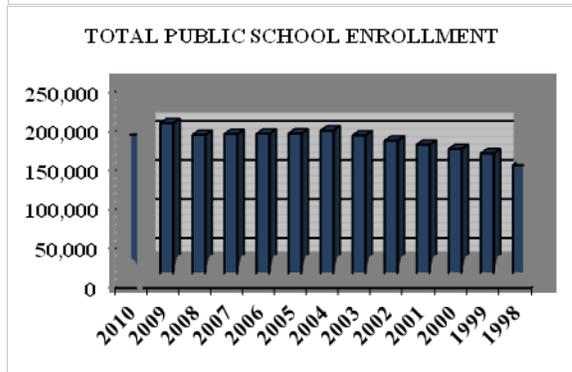
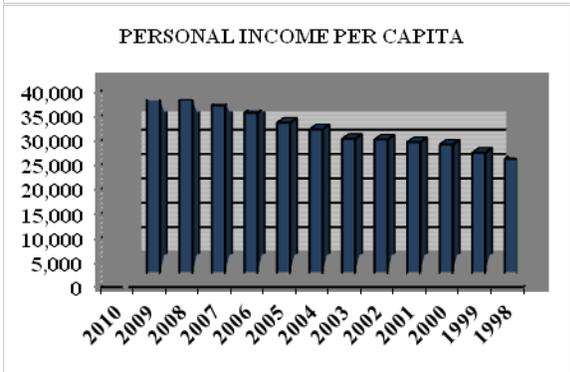
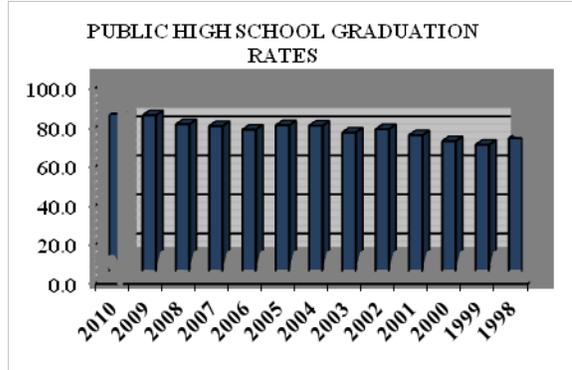
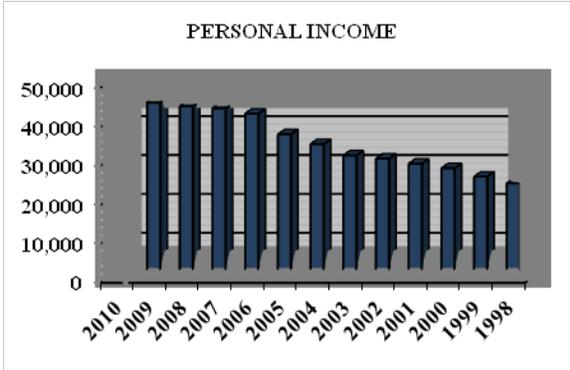
**DEMOGRAPHIC AND ECONOMIC STATISTICS  
HILLSBOROUGH COUNTY, FLORIDA  
FY2010 - FY1998  
(Unaudited)**

<b>Year</b>	<b>Population</b>	<b>Personal Income (millions)</b>	<b>Personal Income (per capita)</b>	<b>Median Age</b>	<b>Public High School Graduation Rate</b>	<b>Total Public School Enrollment</b>	<b>Unemployment Rate</b>
2010	1,245,870	\$0	\$0	-	-	-	
2009	1,234,010	\$0	\$0	36	84.6	207,000	10.7%
2008	1,224,520	\$44,583	\$0	36	80.0	191,965	6.3%
2007	1,204,750	\$44,020	\$36,616	36	79.1	193,180	4.0%
2006	1,172,970	\$42,675	\$35,079	36	77.3	193,480	3.3%
2005	1,139,510	\$37,379	\$33,034	36	79.5	193,669	3.6%
2004	1,109,680	\$34,849	\$31,671	36	79.3	197,500	4.3%
2003	1,078,600	\$31,933	\$29,748	35	75.8	191,186	5.1%
2002	1,049,740	\$31,151	\$29,602	36	77.5	184,483	5.3%
2001	1,021,720	\$29,829	\$29,055	35	74.4	179,362	4.2%
2000	998,948	\$28,646	\$28,558	35	71.4	173,953	3.3%
1999	953,500	\$26,483	\$26,889	36	69.5	168,360	2.7%
1998	939,070	\$24,754	\$25,648	36	72.9	153,351	2.8%

SOURCE: Hillsborough County, FL. Comprehensive Annual Financial Report (CAFR) for FY2010



**HILLSBOROUGH TRANSIT AUTHORITY**  
**FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
(Unaudited)



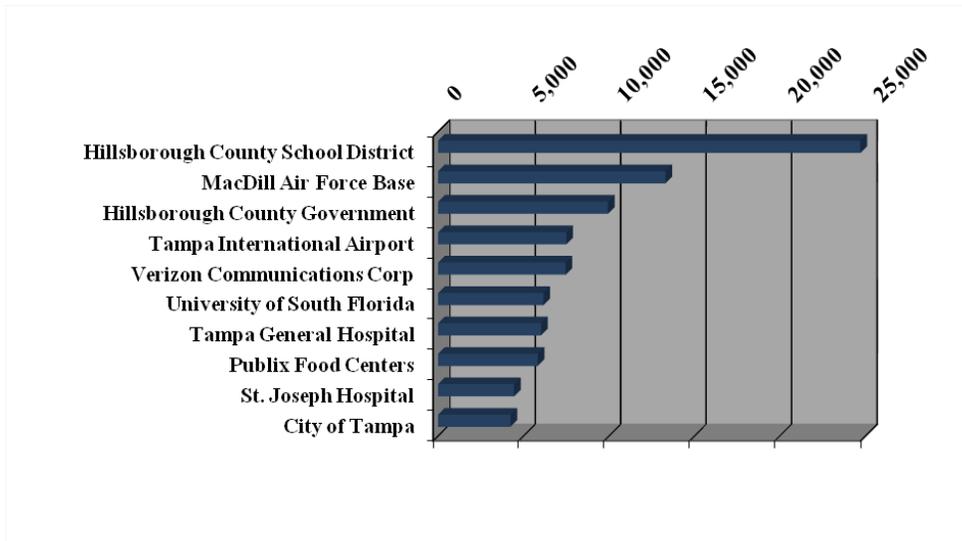
**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PRINCIPAL EMPLOYERS  
(Unaudited)**

<b>Employer</b>	<b>2010</b>	
	<b>Employees</b>	<b>Ranking</b>
Hillsborough County School District	24,700	1
MacDill Air Force Base	13,300	2
Hillsborough County Government	9,930	3
Tampa International Airport	7,500	4
Verizon Communications Corp	7,458	5
University of South Florida	6,151	6
Tampa General Hospital	6,020	7
Publix Food Centers	5,823	8
St. Joseph Hospital	4,437	9
City of Tampa	4,240	10

Source:

Hillsborough County City-County Planning Commission via Hillsborough FY2010 Comprehensive Annual Financial Report (CAFR)



**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**EMPLOYMENT INDICATORS – HILLSBOROUGH COUNTY, FL  
(Unaudited)**

Hillsborough County has a diversified economic base, including large service, manufacturing and retail trade sectors. Hillsborough County's largest industrial sectors include the Administration/Support/Waste Management and Remediation Services, Retail Trade, and the Health Care and Social Assistance sectors. The three top employers serving the county are: (1) Hillsborough County School Board; (2) MacDill Air Force Base; and (3) Hillsborough County Government. The vast majority of the county's labor force was employed in non-agricultural jobs in 2009.

<b>Employment by Industry</b>	<b>Employees</b>
Agriculture/Forestry/Fishing/Hunting & Mining	12,513
Construction	30,025
Manufacturing	24,679
Transportation, Utilities & Trade	112,653
Leisure and Hospitality	61,313
Education and Health Services	114,910
Information	18,353
Finance, Insurance and Real Estate	55,693
Professional and Business Services	100,094
Other Services	15,281
Public Administration	<u>26,868</u>
<b>Total</b>	<b>572,382</b>

Source:

2010 Hillsborough County Planning Commission via 2010  
Hillsborough County Comprehensive Annual Financial Report (CAFR)

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**POPULATION – HILLSBOROUGH COUNTY, FL  
(Unaudited)**

Hillsborough County is the fourth most populous county in the state of Florida. As of April 2010, the County's population was estimated at 1,245,870, an increase of 1.0% from 2010. Between 2000 and 2010, the County's population increased by 24.7%. Hillsborough County's population is projected to be 1,386,100 by the year 2020.

A majority of the County's year 2010 population (832,340 or 66.8%) lives in the unincorporated part of the county. Population grew at an average annual percentage rate of 29.1% between year 2000 and 2010 in the unincorporated Hillsborough County. Communities in the unincorporated Hillsborough County with increasing population growth were Balm/Wimauma, Ruskin/Greater Sun City Center, Thonotosassa, and Tampa Palms/Hunter's Green. The median age for Hillsborough County in 2009 was 36 years.

<b>Year</b>	<b>Population</b>	<b>% Increase</b>
2010	1,245,870	1.0%
2009	1,234,010	0.8%
2008	1,224,520	1.6%
2007	1,204,750	2.7%
2006	1,172,970	2.9%
2005	1,139,510	2.7%
2004	1,109,680	2.9%
2003	1,078,600	2.7%
2002	1,049,740	2.7%
2001	1,021,720	2.3%
2000	998,948	19.8%
1990	834,054	28.9%
1980	646,960	32.0%
1970	490,265	23.2%
1960	397,788	59.2%
1950	249,894	0.0%

Source:

Hillsborough County Florida, Comprehensive Annual Financial Report, FY2010

(a) US Census Bureau

(b) Hillsborough County City-County Planning Commission, estimate

## **Statistical Section**

### **Operating Information**

- Miscellaneous Statistics - HART
- Full Time Equivalent Employees by Function/Program (FY2011 – FY2004)
- Multi-Year Comparison of Key Operating Statistics (FY2011 – FY2002)

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**MISCELLANEOUS STATISTICS – HART  
(Unaudited)**

Date Authority Created	October 3, 1979
Date Authority Began Operations	1980
Form of Government	Board of Directors, Chief Executive Officer
Board of Directors	12
Total Square Miles	1,266 square miles
Type of Tax Support	Property Tax
Property Tax (Millage/Rate) (2011 Adopted Budget)	.5 mil (0.5)
Services	Fixed Route = 27 local routes, 7 express routes, 5 connector routes, 5 limited express routes. 100% wheelchair/bicycle accessible buses and vans. Flex Service = 5 Flex service areas. Paratransit = Door-to-door van services for disabled persons. Streetcar = Streetcar service operated and maintained under contract to Tampa Historic Streetcar, Inc. (THS).
Bus Stops / Shelters	3,406 bus stops; 217 shelters maintained by the Authority; 308 shelters maintained by a vendor.
Number of Buses in Peak Service	152 (plus 30 Paratransit vans)
Facilities	<ul style="list-style-type: none"> <li>◦ 21st Avenue Operations and Maintenance Facility</li> <li>◦ 22 park-and-ride lots</li> <li>◦ 2 transit centers (Marion Transit Center and University Area Transit Center)</li> <li>◦ 9 transfer centers (Britton Plaza, Westshore Plaza, Northwest Hillsborough, West Tampa, Netp@rk, Yukon, Westfield Shoppingtown Brandon, University Mall, Southshore Regional Service Center)</li> <li>◦ Marion Street Transit Parkway</li> <li>◦ HART on Franklin</li> <li>◦ Ybor Station (streetcar operations, streetcar maintenance facility, and administrative staff)</li> <li>◦ Dick Greco/Southern Transportation Plaza</li> </ul>

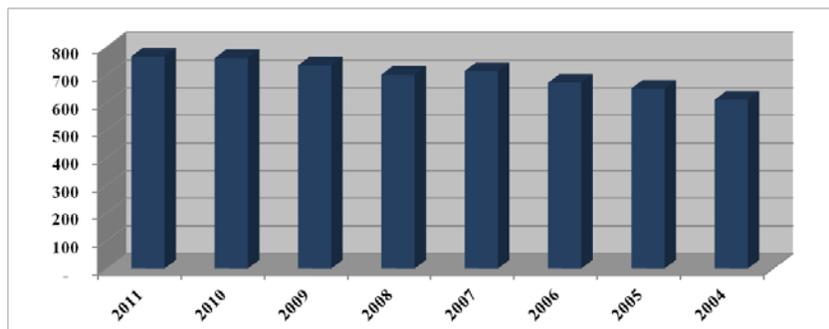
**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM  
STAFFING SCHEDULE -- FY2011 TO FY2004  
(Unaudited)**

Function/Program	Budgeted Full-time Equivalent Employees							
	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004
General Administration								
Executive Office	7.0	5.0	5.0	5.0	4.0	4.0	4.0	6.0
Planning	21.5	19.5	17.5	16.5	19.0	17.0	37.0	36.0
Administration	45.0	38.0	38.0	34.5	36.0	36.0	29.0	8.0
Finance	16.5	21.5	21.5	20.5	20.0	19.0	31.0	42.0
Bus Operations								
Administration	35.0	35.0	36.0	36.0	37.0	39.0	34.0	36.0
Bus Operators	389.0	389.0	365.0	347.0	362.0	330.0	317.0	296.0
Customer Service	16.0	15.0	15.0	19.0	20.3	20.3	12.3	12.0
Safety, Security & Training	3.0	3.0	3.0	3.5	4.0	3.0	0.0	0.0
Marketing & Communications	7.0	6.0	6.0	8.0	8.0	8.0	0.0	0.0
Maintenance								
Administration & Engineering	23.0	24.0	24.0	19.0	20.0	18.0	15.0	13.0
Vehicle	84.5	85.5	85.5	80.5	78.5	78.5	79.0	71.5
Facilities	35.5	35.5	35.5	32.5	33.5	33.5	31.0	31.5
Paratransit Operations								
Administration	15.0	15.0	13.0	7.0	6.7	6.7	4.7	3.0
Paratransit Operators	45.0	45.0	45.0	43.0	36.0	30.0	28.0	30.0
Streetcar Operations								
Administration	5.0	5.0	5.0	6.0	6.0	6.0	6.0	3.0
Conductors	9.0	9.0	10.0	14.0	14.0	14.0	14.0	14.0
Maintenance	10.0	10.0	10.0	9.0	9.0	9.0	9.0	8.5
<b>Total</b>	<b>767.0</b>	<b>761.0</b>	<b>735.0</b>	<b>701.0</b>	<b>714.0</b>	<b>672.0</b>	<b>651.0</b>	<b>610.5</b>

**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.



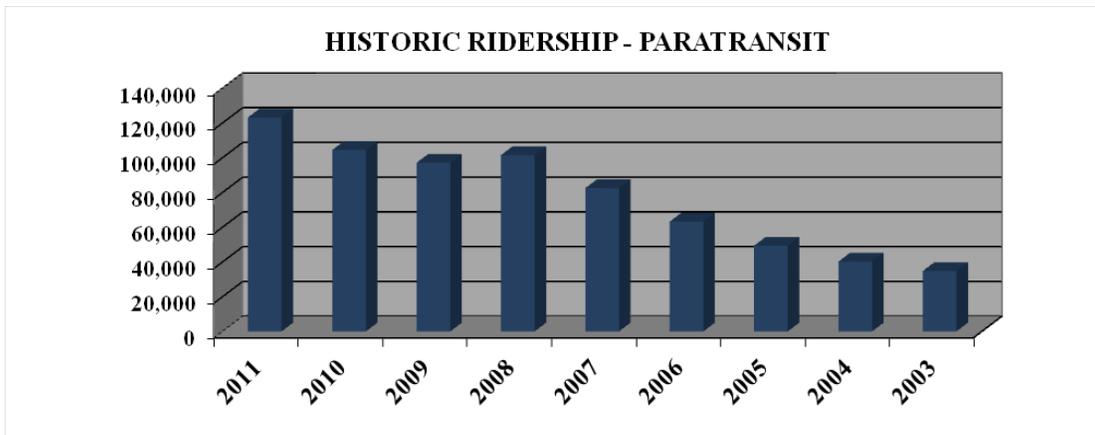
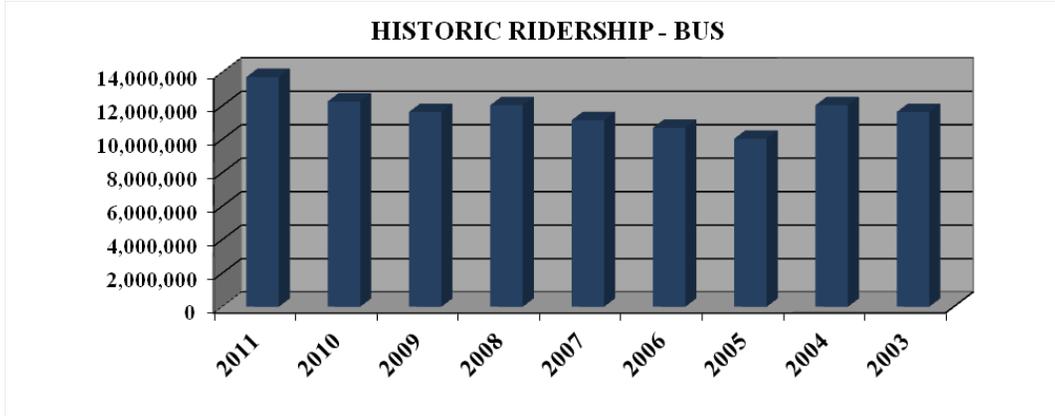
**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**MULTI-YEAR COMPARISON OF KEY OPERATING STATISTICS  
FY2011 - FY2002  
(Unaudited)**

Statistics	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
<b>BUS - Fixed Route</b>										
Total Miles	8,519,860	8,695,084	8,449,218	8,037,598	8,333,516	7,897,748	7,463,093	7,151,387	7,032,594	-
Revenue Miles	7,544,429	7,668,118	7,421,599	7,108,885	7,393,632	6,875,484	6,716,394	6,396,669	6,236,420	-
Total Hours	631,341	642,432	622,366	606,240	628,452	608,430	574,587	550,509	546,825	569,404
Revenue Hours	591,412	600,907	581,600	568,232	588,622	556,007	542,002	514,872	510,698	531,776
Vehicle Trips	539,085	547,591	532,415	514,979	566,398	539,897	532,296	514,978	475,928	515,491
Ridership	13,702,653	12,264,357	11,638,548	12,044,758	11,147,660	10,697,621	10,040,492	12,044,758	11,638,548	12,267,284
% Change	11.7%	5.4%	-3.4%	8.0%	4.2%	6.5%	-16.6%	3.5%	-5.1%	0.0%
<b>BUS - Flex Service</b>										
Total Miles	153,449	39,231	-	-	-	-	-	-	-	-
Revenue Miles	116,312	34,761	-	-	-	-	-	-	-	-
Total Hours	11,782	4,559	-	-	-	-	-	-	-	-
Revenue Hours	9,502	3,592	-	-	-	-	-	-	-	-
Vehicle Trips	12,301	2,302	-	-	-	-	-	-	-	-
Ridership	28,052	2,927	-	-	-	-	-	-	-	-
% Change	858.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Bus Mode</b>										
Total Miles	8,673,309	8,734,315	8,449,218	8,037,598	8,333,516	7,897,748	7,463,093	7,151,387	7,032,594	-
Revenue Miles	7,660,741	7,702,879	7,421,599	7,108,885	7,393,632	6,875,484	6,716,394	6,396,669	6,236,420	-
Total Hours	643,123	646,991	622,366	606,240	628,452	608,430	574,587	550,509	546,825	569,404
Revenue Hours	600,914	604,499	581,600	568,232	588,622	556,007	542,002	514,872	510,698	531,776
Vehicle Trips	551,386	549,893	532,415	514,979	566,398	539,897	532,296	514,978	475,928	515,491
Ridership	13,730,705	12,267,284	11,638,548	12,044,758	11,147,660	10,697,621	10,040,492	12,044,758	11,638,548	8,113,483
% Change	11.9%	5.4%	-3.4%	8.0%	4.2%	6.5%	-16.6%	3.5%	43.4%	0.0%
<b>Paratransit</b>										
Total Miles	1,418,398	1,299,813	1,217,037	1,235,785	996,038	867,042	704,632	625,856	571,505	-
Revenue Miles	1,223,844	1,104,180	1,003,087	1,063,657	876,853	724,452	588,732	519,612	464,095	-
Total Hours	96,829	88,070	80,837	77,484	62,475	53,060	48,060	40,246	39,875	41,864
Revenue Hours	78,332	69,837	66,180	64,182	55,957	46,345	41,190	33,052	30,200	34,103
Vehicle Trips	106,800	92,907	88,788	92,363	75,063	58,101	-	-	-	-
Ridership	123,112	104,378	97,044	101,426	82,439	63,165	49,277	40,158	34,745	35,500
% Change	17.9%	7.6%	-4.3%	23.0%	30.5%	28.2%	22.7%	15.6%	-2.1%	0.0%
<b>Streetcar</b>										
Total Miles	76,644	71,411	74,913	82,032	88,663	88,334	84,944	84,146	-	-
Revenue Miles	76,588	71,395	74,604	81,856	87,147	87,496	83,709	82,931	-	-
Total Hours	14,461	13,919	14,650	16,209	18,252	18,290	17,833	17,731	17,519	-
Revenue Hours	14,384	13,845	14,572	16,090	17,985	18,016	17,580	17,481	17,329	-
Vehicle Trips	30,921	31,570	33,053	36,445	37,296	37,430	36,928	36,586	34,976	-
Ridership	366,808	407,011	462,704	440,738	437,612	389,785	434,498	425,614	421,764	-
% Change	-9.9%	-12.0%	5.0%	0.7%	12.3%	-10.3%	2.1%	0.9%	#DIV/0!	0.0%
<b>Grand Totals</b>										
Total Miles	10,168,351	10,105,539	9,741,168	9,355,415	9,418,217	8,853,124	8,252,669	7,861,389	7,604,099	-
Revenue Miles	8,961,173	8,878,454	8,499,290	8,254,398	8,357,632	7,687,432	7,388,835	6,999,212	6,700,515	-
Total Hours	754,413	748,980	717,853	699,933	709,179	679,780	640,480	608,486	604,219	611,268
Revenue Hours	693,630	688,181	662,352	648,504	662,564	620,368	600,772	565,405	558,227	565,879
Vehicle Trips	689,107	674,370	654,256	643,787	678,757	635,428	569,224	551,564	510,904	515,491
Ridership	14,220,625	12,778,673	12,198,296	12,586,922	11,667,711	11,150,571	10,524,267	12,510,530	12,095,057	8,148,983
% Change	11.3%	4.8%	-3.1%	7.9%	4.6%	6.0%	-15.9%	3.4%	48.4%	0.0%
<b>Bus + Paratransit Modes</b>										
Total Miles	10,091,707	10,034,128	9,666,255	9,273,383	9,329,554	8,764,790	8,167,725	7,777,243	7,604,099	-
Revenue Miles	8,884,585	8,807,059	8,424,686	8,172,542	8,270,485	7,599,936	7,305,126	6,916,281	6,700,515	-
Total Hours	739,952	735,061	703,203	683,724	690,927	661,490	622,647	590,755	586,700	611,268
Revenue Hours	679,246	674,336	647,780	632,414	644,579	602,352	583,192	547,924	540,898	565,879
Vehicle Trips	658,186	642,800	621,203	607,342	641,461	597,998	532,296	514,978	475,928	515,491
Ridership	13,853,817	12,371,662	11,735,592	12,146,184	11,230,099	10,760,786	10,089,769	12,084,916	11,673,293	8,148,983
% Change	12.0%	5.4%	-3.4%	8.2%	4.4%	6.7%	-16.5%	3.5%	43.2%	0.0%

**HILLSBOROUGH TRANSIT AUTHORITY  
FY2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**MULTI-YEAR COMPARISON OF KEY OPERATING STATISTICS**



**SECTION IV**

**SUPPLEMENTAL SECTION**

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

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

We have audited the accompanying financial statements of the Hillsborough Transit Authority, a/k/a Hillsborough Area Regional Transit, HART (the "Authority"), as of and for the year ended September 30, 2011, and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

---

(Continued)

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-2, 11-3 and 11-4 to be significant deficiencies.

The Authority's responses to the material weaknesses and significant deficiencies identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's responses and accordingly, we express no opinion on them.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the Authority in a separate letter dated March 19, 2012.

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

  
Crowe Horwath LLP

Tampa, Florida  
March 19, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR FEDERAL AWARD PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECTS AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited Hillsborough Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs and state financial assistance projects for the year ended September 30, 2011. The Authority's major federal programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state financial assistance projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended September 30, 2011.

---

(Continued)

## Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state financial assistance project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-5 and 11-7 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-6 to be a significant deficiency.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

We noted certain other matters that we have reported to management of the Authority in a separate letter dated March 19, 2012.

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

  
Crowe Horwath LLP

Tampa, Florida  
March 19, 2012

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2011

---

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

**Financial Statements**

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	Yes
Noncompliance material to financial statements noted	No

**Federal Awards and State Financial Assistance**

Internal control over major programs	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section.510(a), and Chapter 10.550, Rules of the Auditor General	Yes
Identification of Major Programs:	

**CFDA/CSFA Number**

**Name of Program**

**Federal:**

20.205	Highway Planning
20.500, 20.507	Federal Transit Cluster - ARRA
20.516, 20.521	Transit Services Programs Cluster

**State:**

55.010	State of Florida Department of Transportation: Public Transit Block Grant
--------	---

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$557,366
State	\$300,000

Auditee qualified as low-risk No

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2011

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Material Weaknesses**

**11-1 Payroll Policies and Procedures**

**Condition:** A) Voluntary Payroll Deduction Authorizations

During our testing of employee payroll files, we observed 6 out of 60 files tested did not contain the benefit authorization form to support the amounts withheld from payroll for various benefit deductions.

B) Interim Pay Rates

During our testing of employee master file documentation, we observed for 1 of 60 files tested, where an employee was still receiving an interim position pay increase when the vacant position has been filled by another individual in the previous fiscal year. This resulted in the employee being over compensated during the year by approximately \$10,000.

C) Time Card Approval Documentation

During our testing of employee time approvals, we observed 7 of 60 items testing time cards were not documented as approved.

**Criteria:** The following are the specific criteria for the conditions noted above:

A) Management is responsible for maintaining and verifying records of authorization of all voluntary employee payroll deductions.

B) Interim position pay adjustments should be terminated when position vacant position is filled.

C) All time cards should be reviewed and marked approved before being paid.

**Effect:** A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2011

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Material Weaknesses**

**11-1 Payroll Policies and Procedures (Continued)**

**Cause:** The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, the payroll system does not prevent payroll checks to be cut without time card approval.

**Recommendation:** The Authority should:

- A) Consider developing and implementing policies and procedures to insure authorization of employee voluntary deduction is documented and maintained and added to the employee's master file.
- B) Develop procedures to insure that interim pay increases are properly adjusted when the vacant position is filled.
- C) Develop procedures to insure that all time cards are reviewed and marked approved before payroll is processed.

**Management's Response:**

- A) HART will review current policies and processes within Finance and Human Resources to develop the best approach for ensuring voluntary employee pay reductions are maintained in the proper fashion.
- B) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.
- C) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
a/k/a HILLSBOROUGH AREA REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended September 30, 2011

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**11-2 Inventory Count Procedures**

**Condition:** During the year end inventory count, we observed that there were 4 errors out of 54 sampled a result of the test count procedures. As a result, the year end inventory had to be recounted.

**Criteria:** Policies and procedures should be in place to ensure accurate periodic inventory counts to support the inventory valuation on the financial statements.

**Effect:** Ineffective inventory count procedures could adversely affect the Authority's ability to value inventory in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

**Cause:** Inventory count procedures were ineffective.

**Recommendation:** We recommend the controls over inventory counts be reviewed and revised or implemented as necessary to ensure accurate counts at year end for the proper recording of inventory.

**Management's Response:** Documented procedures are in place and will be adjusted as needed. Testing and training with staff will be done in advance of the actual inventory

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2011

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**11-3                      Deferred Revenue**

**Condition:**            The Authority has numerous deferred revenue balances recorded on the general ledger that are not periodically compared and reconciled to contractual agreements to determine if periods earned have expired and return of fund requirements are in place. In one instance we noted that the Authority did not have a supporting agreement for one of the deferred revenue accounts.

**Criteria:**              Deferred revenue obligations have earning periods and return of fund requirements that need to be monitored.

**Effect:**                The Authority could have deferred revenue recorded that contractually needs to be returned to funding source as the period earned as lapsed.

**Cause:**                 Periodic deferred revenue procedures are not in place.

**Recommendation:** The Authority should develop and implement procedures to periodically, and at least annually, review deferred revenue balances to identify funds that need to be returned to funding sources. Also, the contractual terms related to the deferred revenue should be reviewed for applicability to any projects that the Authority has upcoming.

**Management's  
Response:**

Management concurs. A thorough review of the current deferred revenues and their supporting documentation is under review now; a process and plan will be development for those funds identified needing to be returned to its funding source. A process will be developed to ensure annual review of deferred revenue balances.

**11-4                      Inadequate Controls over the Accrual of Grant Expenses**

**Condition:**            During our review of grant expenses we noted there were invoices included in the current year expenses that were incurred in the prior year. The related expenses had not been accrued in the prior year and were treated as current year expenses instead.

**Criteria:**              Expenditures should be recognized in the period they were incurred.

**Effect:**                Changes in net assets were overstated in the prior year and understated in the current year by \$66,000.

**Cause:**                 The following are the specific causes for the conditions noted above:

Invoices are not returned to accounts payable department with approved account coding in a timely manner.

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2011

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**11-4                      Inadequate Controls over the Accrual of Grant Expenses (Continued)**

**Recommendation:** The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors.

**Management's Response:** Post cards are mailed each year in mid-July to vendors requesting all invoices be submitted to A/P no later than October 5<sup>th</sup>. A/P will send e-mails to HART Project Managers requesting estimates to accrue for their vendors which have performed work in the fiscal year but have not billed HART as of October 5<sup>th</sup>. Follow-up will be done with Project Mangers throughout the fiscal year-end close to ensure that all expenses are getting accrued.

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2011

---

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

**Material Weakness**

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

Department of Transportation/Federal Transit Administration  
CFDA #20.516  
Transit Services Program Cluster

**11-5 Payroll Policies and Procedures**

**Condition:** A) Interim Pay Rates

During our testing of employee master file documentation, we observed for 1 of 60 files tested, where an employee was still receiving an interim position pay increase when the vacation position has been filled by another individual in the previous fiscal year.

B) Time Card Approval Documentation

During our testing of employee time approvals, we observed 7 of 60 items testing time cards were not documented as approved.

**Criteria:** The following are the specific criteria for the conditions noted above:

A) Interim position pay adjustments should be terminated when position vacant position is filled.

B) All time cards should be reviewed and marked approved before being paid.

**Effect:** A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

**Cause:** The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, the payroll system does not prevent payroll checks to be cut without time card approval.

**Recommendation:** The Authority should:

A) Develop procedures to insure that interim pay increases are properly adjusted when the vacant position is filled.

B) Develop procedures to insure that all time cards are reviewed and marked approved before payroll is processed.

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2011

---

**Material Weakness**

**11-5 Payroll Policies and Procedures (continued)**

**Management's  
Response:**

- A) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.
- B) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.

**Significant Deficiency**

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

**11-6 Inadequate Controls over the Accrual of Grant Expenses**

**Condition:** Grant Expenses Reported in the Wrong Fiscal Year

During our review of grant expenses reported on the Schedule of Federal Expenditures and State Financial Assistance Projects for the current year we noted there were a numerous invoices included in the Schedule as current year expenses that were actually incurred in the prior year. The expenses had not been accrued in the prior year and were allowable costs in the current year. The Authority, however, has not developed a consistent methodology or procedure to insure that grant expenses are accrued and reported on the Schedule in the correct fiscal year.

**Criteria:** Expenses should be recognized in the period they were incurred.

**Effect:** Changes in net assets was overstated in the prior year and understated in the current year by \$66,000.

**Cause:** Invoices are not returned to accounts payable department with approved account coding in a timely manner.

**Recommendation:** The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors.

**Views of  
Responsible  
Officials:**

Concur, however the \$66,000 relates to FY10 expenses. At FY11 year-end corrective processes were in place, as described in Section II, and all expenses were captured in the correct fiscal year.

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year ended September 30, 2011

---

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

**Material Weakness**

Florida Department of Transportation  
CSFA #55.010  
Public Transit Block Grant

**11-7 Payroll Policies and Procedures**

**Condition:**

A) Interim Pay Rates

During our testing of employee master file documentation, we observed for 1 of 60 files tested, where an employee was still receiving an interim position pay increase when the vacation position has been filled by another individual in the previous fiscal year.

B) Time Card Approval Documentation

During our testing of employee time approvals, we observed 7 of 60 items testing time cards were not documented as approved.

**Criteria:**

The following are the specific criteria for the conditions noted above:

A) Interim position pay adjustments should be terminated when position vacant position is filled.

B) All time cards should be reviewed and marked approved before being paid.

**Effect:**

A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

**Cause:**

The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, the payroll system does not prevent payroll checks to be cut without time card approval.

**Recommendation:**

The Authority should:

A) Develop procedures to insure that interim pay increases are properly adjusted when the vacant position is filled.

B) Develop procedures to insure that all time cards are reviewed and marked approved before payroll is processed.

**Management's Response:**

A) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.

B) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.

HILLSBOROUGH TRANSIT AUTHORITY  
SUMMARY OF PRIOR AUDIT FINDINGS  
Year ended September 30, 2011

---

**AUDIT REFERENCE**

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

**Status:** A) This finding is still outstanding as of September 30, 2011, see current year finding 11-1.  
B) This finding is still outstanding as of September 30, 2011, see current year finding 11-1.

**Finding 10-2: Accrual for Self-Insurance Claims Reserves**

**Status:** This finding was implemented as of September 30, 2011.

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

**Status:** This finding is still outstanding as of September 30, 2011, see current year finding 11-2.

**Finding 10-4: Valuation Adjustment of Investment Accounts**

**Status:** This finding was implemented as of September 30, 2011.

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

**Status:** This finding is still outstanding as of September 30, 2011, see current year finding 11-4.

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

**Status:** A) This finding is still outstanding as of September 30, 2011, see current year finding 11-6.  
B) This finding was implemented as of September 30, 2011.

**Finding 10-7: Costs Charged to Federal Program were Based on Budget instead of Based on Actual Costs**

**Status:** This finding was implemented as of September 30, 2011.

**Finding 10-8: Direct Identification of Costs Related to Grants - JARC**

**Status:** This finding was implemented as of September 30, 2011.

**Finding 10-9: Direct Identification of Costs Related to Grants - CMAQ**

**Status:** This finding was implemented as of September 30, 2011.

**Finding 10-10: Documentation of Requirements related to Davis Bacon**

**Status:** This finding was implemented as of September 30, 2011.

**Finding 10-11: Direct Identification of Costs Related to Grants**

**Status:** This finding was implemented as of September 30, 2011.

HILLSBOROUGH TRANSIT AUTHORITY  
CORRECTIVE ACTION PLAN  
Year ended September 30, 2011

---

**AUDIT REFERENCE**

**Finding 11-1: Payroll Policies and Procedures**

- A) HART will review current policies and processes within Finance and Human Resources to develop the best approach for ensuring voluntary employee pay reductions are maintained in the proper fashion.
- B) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.
- C) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.

**Finding 11-2: Inventory Count Procedures**

Documented procedures are in place and will be adjusted as needed. Testing and training with staff will be done in advance of the actual inventory.

**Finding 11-3: Deferred Revenue**

Management concurs. A thorough review of the current deferred revenues and their supporting documentation is under review now; a process and plan will be development for those funds identified needing to be returned to its funding source. A process will be developed to ensure annual review of deferred revenue balances

**Finding 11-4: Inadequate Controls over the Accrual of Grant Expenses**

Post cards are mailed each year in mid-July to vendors requesting all invoices be submitted to A/P no later than October 5<sup>th</sup>. A/P will send e-mails to HART Project Managers requesting estimates to accrue for their vendors which have performed work in the fiscal year but have not billed HART as of October 5<sup>th</sup>. Follow-up will be done with Project Mangers throughout the fiscal year-end close to ensure that all expenses are getting accrued.

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

- A) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.
- B) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.

**Finding 11-6: Inadequate Controls over the Accrual of Grant Expenses**

See response to Finding 11-4

---

(Continued)

HILLSBOROUGH TRANSIT AUTHORITY  
CORRECTIVE ACTION PLAN  
Year ended September 30, 2011

---

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

- A) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.
- B) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.

---

(Continued)

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

In planning and performing our audit of the financial statements of the Hillsborough Transit Authority (the Authority) as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control. Matters communicated in this letter are classified based on Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, as follows.

- Best Practice – A matter which you may find of interest.
- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- Significant Deficiency – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- Material Weakness – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

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

---

(Continued)

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Report of Independent Auditors on Internal Control over Financial Reporting and Compliance and Other Matters, Report of Independent Auditors on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 19, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(l)(i)l., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Our comments are included in the section, Comments on the Prior Year.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have noted our findings and recommendations under the heading Comments in the Current Year.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we have noted our findings and recommendations under the heading Comments in the Current Year.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. The Authority was established under Chapter 163, Part V, Section 163.567, et seq., Florida Statutes, on October 3, 1979. The Authority does not have component units.

---

(Continued)

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

- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503 (1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(l), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2011 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this "Management Letter" is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, Board of Directors, and applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

<b><u>COMMENTS ON PRIOR YEAR</u></b>	<b><u>LEVEL</u></b>	<b><u>STATUS</u></b>
Payroll Policies and Procedures	Material Weakness	Partial Implemented – See current year comment
Self-Insurance Claims Reserves	Material Weakness	Implemented
Inventory Count Procedures	Significant Deficiency	Partial Implemented – See current year comment
Valuation Adjustment of Investment Account	Significant Deficiency	Implemented
Inadequate Controls Over the Accrual of Grant Expenses	Significant Deficiency	Partial Implemented – See current year comment
Inadequate Controls Over the Accrual of Grant Expenses	Material Weakness – Federal Programs	Partial Implemented – See current year comment
Costs Charged to Federal Program were Based on Budget Instead of Based Upon Actual Costs	Material Weakness – Federal Programs	Implemented
Direct Identification of Costs Related to Grants - JARC	Material Weakness and Noncompliance – Federal Programs	Implemented
Direct Identification of Costs Related to Grants - CMAQ	Material Weakness and Noncompliance – Federal Programs	Implemented

(Continued)

<u>COMMENTS ON PRIOR YEAR</u>	<u>LEVEL</u>	<u>STATUS</u>
Documentation Requirements Related to Davis Bacon	Material Weakness – Federal Programs	Implemented
Calculation of Accrued Wages Payable	Deficiency	Implemented
Calculation of Retirement Contribution	Deficiency	Implemented
Procedures for Review of Allowance for Doubtful Accounts	Deficiency	Not Implemented – See current year comment
Review of Third Party Administrator Controls	Deficiency	Implemented

**CURRENT YEAR COMMENTS**

<b>11-1 PAYROLL POLICIES AND PROCEDURES</b>	<b>Material Weakness</b>
<b>Observation:</b>	<p>A) Voluntary Payroll Deduction Authorizations:</p> <p>During our testing of employee payroll files, we observed 6 out of 60 files tested did not contain the benefit authorization form to support the amounts withheld from payroll for various benefit deductions.</p> <p>B) Approved Pay Rates</p> <p>During our testing of employee master file documentation, we observed for 1 of 60 files tested, where an employee was still receiving an interim position pay increase when the vacation position has been filled by another individual in the previous fiscal year.</p> <p>C) Time Card Approval Documentation</p> <p>During our testing of employee time approvals, we observed 7 of 60 items testing time cards were not documented as approved.</p> <p>Management is responsible for maintaining and verifying records of authorization of all voluntary employee payroll deductions. Interim position pay adjustments should be terminated when position vacant position is filled. All time cards should be reviewed and marked approved before being paid.</p> <p>A combination of control deficiencies could adversely affect the Authority’s ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected.</p> <p>The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, employee evaluation and pay rate authorization forms are not filed in a timely manner.</p>

(Continued)

11-1 PAYROLL POLICIES AND PROCEDURES (Continued)	Material Weakness
<b>Observation:</b>	
<b>Recommendation:</b>	<p>The Authority should:</p> <ul style="list-style-type: none"> <li>A) Consider developing and implementing policies and procedures to insure authorization of employee voluntary deduction is documented and maintained and added to the employee's master file.</li> <li>B) Develop procedures to insure that interim pay increases are properly adjusted when the vacant position is filled.</li> <li>C) Develop procedures to insure that all time cards are reviewed and marked approved before payroll is processed.</li> </ul>
<b>Management's Response:</b>	<ul style="list-style-type: none"> <li>A) HART will review current policies and processes within Finance and Human Resources to develop the best approach for ensuring voluntary employee pay reductions are maintained in the proper fashion.</li> <li>B) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.</li> <li>C) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process</li> </ul>

11-2 INVENTORY COUNT PROCEDURES	Significant Deficiency
<b>Observation:</b>	<p>During the year end inventory count, we observed that there were numerous errors as a result of the test count procedures. As a result, the year end inventory had to be recounted.</p> <p>Policies and procedures should be in place to ensure accurate periodic inventory counts to support the inventory valuation on the financial statements.</p> <p>Ineffective inventory count procedures could adversely affect the Authority's ability to value inventory in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.</p> <p>Inventory count procedures were ineffective.</p>
<b>Recommendation:</b>	<p>We recommend the controls over inventory counts be reviewed and revised or implemented as necessary to ensure accurate r counts at year end for the proper recording of inventory.</p>
<b>Management's Response:</b>	<p>After FY2010 audit, HART did review controls. Detailed procedures were documented and training was held with staff in advance of FY2011 inventory count. This was all implemented during FY2011. Management will discuss how the actual count process can be improved upon to prevent errors.</p>

(Continued)

<b>11-3 DEFERRED REVENUE</b>		<b>Significant Deficiency</b>
<b>Observation:</b>	The Authority has numerous deferred revenue balances recorded on the general ledger that are not periodically compared and reconciled to contractual agreements to determine if periods earned have expired and return of fund requirements are in place. Consequently, deferred revenue accounts could be overstated. In one instance; we noted that the Authority did not have a supporting agreement for one of the deferred revenue accounts.	
<b>Recommendation:</b>	The Authority should develop and implement procedures to periodically, and at least annually, review deferred revenue balances to identify funds that need to be returned to funding sources. Also, the contractual terms related to the deferred revenue should be reviewed for applicability to any projects that the Authority has upcoming.	
<b>Management's Response:</b>	Management concurs. A thorough review of the current deferred revenues and their supporting documentation is under review now; a process and plan will be developed for those funds identified needing to be returned to its funding source. A process will be developed to ensure annual review of deferred revenue balances	

<b>11-4 INADEQUATE CONTROLS OVER THE ACCRUAL OF GRANT EXPENSES</b>		<b>Significant Deficiency</b>
<b>Observation:</b>	<p>During our review of grant expenditures for the current year we noted there were invoices included in current year expenses that were incurred in the prior year. The related expenses had not been accrued in the prior year and were treated as current year expenses instead.</p> <p>Expenses should be recognized in the period they were incurred.</p> <p>Changes in net assets were overstated in the prior year and understated in the current year by \$66,000.</p> <p>Invoices are not returned to accounts payable department with approved account coding in a timely manner.</p>	
<b>Recommendation:</b>	The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors.	
<b>Management's Response:</b>	Concur, however the \$66,000 relates to FY10 expenses. At FY11 year-end corrective processes were in place, as described in Section II, and all expenses were captured in the correct fiscal year.	

(Continued)

11-5 PAYROLL POLICIES AND PROCEDURES	Material Weakness – Federal Programs
<p><b>Observation:</b></p>	<p>A) Approved Pay Rates</p> <p>During our testing of employee master file documentation, we observed for 1 of 60 files tested, where an employee was still receiving an interim position pay increase when the vacation position has been filled by another individual in the previous fiscal year.</p> <p>B) Time Card Approval Documentation</p> <p>During our testing of employee time approvals, we observed 7 of 60 items testing time cards were not documented as approved.</p> <p>Management is responsible for maintaining and verifying records of authorization of all voluntary employee payroll deductions. Interim position pay adjustments should be terminated when position vacant position is filled. All time cards should be reviewed and marked approved before being paid.</p> <p>A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.</p> <p>The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, employee evaluation and pay rate authorization forms are not filed in a timely manner.</p>
<p><b>Recommendation:</b></p>	<p>The Authority should:</p> <p>A) Develop procedures to insure that interim pay increases are properly adjusted when the vacant position is filled.</p> <p>B) Develop procedures to insure that all time cards are reviewed and marked approved before payroll is processed.</p>
<p><b>Management's Response:</b></p>	<p>A) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.</p> <p>B) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.</p>

(Continued)

<b>11-6 INADEQUATE CONTROLS OVER THE ACCRUAL OF GRANT EXPENSES</b>	<b>Significant Deficiency- Federal Programs</b>
<b>Observation:</b>	<p>Grant Expenses Reported in the Wrong Fiscal Year</p> <p>During our procedures related to grant expenses reported on the Schedule of Federal Expenditures and State Financial Assistance Projects for the current year we noted there were a numerous invoices that were included in the schedule as current year expenses that were actually incurred in the prior year. The expenses had not been accrued in the prior year and were allowable costs in the current year. The Authority, however, has not developed a consistent methodology or procedure to insure that grant expenses are accrued and reported on the Schedule in the correct fiscal year.</p> <p>The following are the specific criteria for the conditions noted above:</p> <p>Expenses should be recognized in the period they were incurred.</p> <p>Federal and State awards on the Schedule of Federal Expenditures and State Financial Assistance Projects could be misstated.</p> <p>Invoices are not returned to accounts payable department with approved account coding in a timely manner.</p>
<b>Recommendation:</b>	<p>The Authority should review the current procedures and internal controls regarding the accruals of grant expenses to insure amounts are recorded in the proper period. In addition, a process could be developed to identify invoices received by the Authority that have not been approved and returned to the accounts payable department in a timely manner to prevent future errors</p>
<b>Management's Response:</b>	<p>Concur, however the \$66,000 relates to FY10 expenses. At FY11 year-end corrective processes were in place, as described in Section II, and all expenses were captured in the correct fiscal year.</p>

11-7 PAYROLL POLICIES AND PROCEDURES	Material Weakness – Federal Programs
<p><b>Observation:</b></p>	<p>A) Approved Pay Rates</p> <p>During our testing of employee master file documentation, we observed for 1 of 60 files tested, where an employee was still receiving an interim position pay increase when the vacation position has been filled by another individual in the previous fiscal year.</p> <p>B) Time Card Approval Documentation</p> <p>During our testing of employee time approvals, we observed 7 of 60 items testing time cards were not documented as approved.</p> <p>Management is responsible for maintaining and verifying records of authorization of all voluntary employee payroll deductions. Interim position pay adjustments should be terminated when position vacant position is filled. All time cards should be reviewed and marked approved before being paid.</p> <p>A combination of control deficiencies could adversely affect the Authority's ability to record and process payroll data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.</p> <p>The Authority does not have a policy to retain certain voluntary payroll deduction authorization forms. In addition, employee evaluation and pay rate authorization forms are not filed in a timely manner.</p>
<p><b>Recommendation:</b></p>	<p>The Authority should:</p> <p>A) Develop procedures to insure that interim pay increases are properly adjusted when the vacant position is filled.</p> <p>B) Develop procedures to insure that all time cards are reviewed and marked approved before payroll is processed.</p>
<p><b>Management's Response:</b></p>	<p>A) HART will review current policies and processes within Finance and Human Resources to ensure interim pay increases are managed with time specific parameters.</p> <p>B) Management concurs. HART will review current policies and procedures and revise as necessary to ensure the proper documentation, review and signature authority is maintained in the time card approval process.</p>

(Continued)

<b>DOCUMENTATION OF REVIEW OF REVENUE RECONCILIATION</b>		<b>Deficiency</b>
<b>Observation:</b>	During our documentation of controls over the revenue process, we noted that a daily reconciliation of cash receipts to the GFI system is performed. The reconciliation is emailed to the Director of Finance and the Accounting Manager. However, during our discussions of the process it was noted that there is no formal documentation of the review of the daily reconciliation of cash receipts to the GFI system.	
<b>Recommendation:</b>	We recommend that the review for the reconciliation of cash receipts to the GFI system should be formally documented.	
<b>Management's Response:</b>	Process has been implemented whereby the month-end reconciliation is printed and signed by the Director of Finance then filed in the monthly reconciliation binder.	

<b>TIMELINESS OF CAPITAL ASSET INVENTORY</b>		<b>Deficiency</b>
<b>Observation:</b>	We observed that while the Authority performs an annual capital asset inventory, the inventory is generally not completed in a timely manner within the fiscal year end closing process. We noted that outstanding variance resolutions often remain open and outstanding for several months after the inventory process and after the year end closing process is completed.	
<b>Recommendation:</b>	We recommend that the Authority institute policies and procedures to ensure a more timely completion of the capital asset inventory, including variance resolutions.	
<b>Management's Response:</b>	Policies and procedures are in place for completion of the capital asset inventory. A time line is followed to ensure all inventory is counted according to dates established in the procedures manual. According to HART's established time line, capital inventory was completed and all variances had been resolved.	

<b>PROCEDURES FOR REVIEW OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS</b>		<b>Deficiency</b>
<b>Observation:</b>	Per our review of the allowance for doubtful accounts, we discovered that the Authority does not have a formalized methodology for annually reviewing and documenting the reasonableness of the allowance for doubtful accounts.	
<b>Recommendation:</b>	We recommend that the Authority consider formalizing policies and procedures for reviewing the allowance for doubtful accounts. The Authority should review the allowance annually for accuracy and reasonableness.	
<b>Management's Response:</b>	Policy has been documented and implemented. A review will be done annually by the Director of Finance and the Manager of Accounting & Financial Reporting.	

(Continued)

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

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

The above comments and recommendations do not include all possible matters which a detailed review directed exclusively to such purposes might develop. Also, the comments and recommendations are for the purposes previously mentioned and in no way are intended to reflect upon the integrity of any employee. We have discussed the above comments and recommendations with the Authority as required by the Rules of the Auditor General. Management's written responses to the matters identified in our audit have not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on those responses. This management letter is intended solely for the information of the Authority and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to thank the Authority for the many courtesies and cooperation extended to our representatives during the course of our audit.

  
Crowe Horwath LLP

Tampa, Florida  
March 19, 2012



Hillsborough Area Regional Transit Authority

Tampa, Florida

HARTinfo Line 813-254-4278 • TDD 813-626-9158  
[www.goHART.org](http://www.goHART.org)