

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION
COMMISSION**

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2014

And Reports of Independent Auditor

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
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Report of Independent Auditor

Public Transportation Commission Members
Hillsborough County, Florida, Public Transportation Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Hillsborough County, Florida, Public Transportation Commission (the "PTC"), an independent special district, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the PTC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the PTC, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 19, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of the PTC's internal control over financial reporting and 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* in considering the PTC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
February 18, 2015

HILLSBOROUGH COUNTY, FLORIDA, PUBLIC TRANSPORTATION COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hillsborough County, Florida, Public Transportation Commission (the "PTC"), we offer readers of the PTC's financial statements this narrative overview and analysis of the financial activities of the PTC for the fiscal year ended September 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

- The PTC's assets exceeded its liabilities at September 30, 2014, by \$1,799,742 (net position). Of this amount, \$1,754,067 (unrestricted net position) may be used to meet the PTC's ongoing obligations to its customers and creditors.
- The PTC's total net position increased \$736,680 from the prior year.
- The PTC has outstanding liabilities consisting of accrued compensated absences related to its employees, payroll, and accrued accounts payable. The amount outstanding at September 30, 2014, was \$90,388. The PTC also has \$642,660 of unearned commission fees revenue at September 30, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PTC's basic financial statements. The basic financial statements consist of government-wide financial statements and fund financial statements and notes to the financial statements. The notes explain in more detail some of the information in the financial statements. Since the PTC operations focus on one program/function, regulating the operation of for-hire vehicles, it is considered a special-purpose government for financial reporting purposes pursuant to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

For special-purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined using a columnar format. This format reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements, rather than at the bottom of the statements or in an accompanying schedule, as is required for general governments or those with multiple programs or functions. The PTC has chosen this format for presentation of its financial statements.

Government-wide Financial Statements

The government-wide financial statements of the PTC provide a broad overview of the PTC finances and report information about the PTC using accounting methods similar to those used by private sector companies.

The statement of net position presents the PTC's assets less its liabilities at year-end. The difference between these assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the PTC is improving or deteriorating.

The statement of activities presents information showing how the PTC net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The PTC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The PTC has only one fund, the General Fund, which is a governmental fund type.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, reconciliation is provided on the face of each financial statement between the fund and government-wide statements.

The basic governmental fund financial statements can also be found on pages 9 and 10 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 11 of this report.

Other Information - In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning the PTC's annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on page 19 of this report.

Government-wide Financial Analysis

The accompanying fund financial statements are converted to the statement of net position and statement of activities by posting adjustments for the following:

- Capital assets, net of accumulated depreciation, have been added to the statement of net position. In addition, capital outlay has been taken out of expenses, if applicable, in the statement of activities, and depreciation for the current year has been added.
- The liability for accrued compensated absences has been added to the statement of net position, and the related expense has been included in the statement of activities.
- Accounts receivable has been added to the statement of net position, and the related revenue has been included in the statement of activities.

The following is our analysis of the government-wide financial statements of the PTC. The statement of net position and the statement of activities report the net position of the PTC and changes in it. Over time, increases or decreases in the PTC net position are one indicator of financial position. However, you will need to consider other nonfinancial factors such as changes in economic conditions, regulations, and new or changed government legislation.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Hillsborough County, Florida, Public Transportation Commission Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,487,115	\$ 1,615,566
Capital assets, net	<u>45,675</u>	<u>63,320</u>
Total assets	<u>2,532,790</u>	<u>1,678,886</u>
Total liabilities	<u>733,048</u>	<u>615,824</u>
Net position		
Net investment in capital assets	45,675	63,320
Unrestricted	<u>1,754,067</u>	<u>999,742</u>
Total net position	<u>\$ 1,799,742</u>	<u>\$ 1,063,062</u>

Current assets of the PTC consist of \$2,487,115 cash held by the Board of County Commissioners. Noncurrent assets consist of \$45,675 of capital assets, net of accumulated depreciation.

Liabilities consist of accounts payable, accrued liabilities, and deferred revenue, including \$21,188 of accrued compensated absences, all deemed to be short-term.

Net position amounted to \$1,799,742 at September 30, 2014. A component of this category is the PTC net investment in capital assets of \$45,675 (original cost less accumulated depreciation). The PTC also has unrestricted net position of \$1,754,067, which can be used to fund ongoing operations.

While the statement of net position shows the change in financial position of net position, the statement of activities provides answers as to the nature and source of these changes.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Hillsborough County, Florida, Public Transportation Commission Statement of Activities

	<u>2014</u>	<u>2013</u>
Revenues:		
Licenses and permits	\$ 1,865,658	\$ 1,201,393
Charges for services	74,412	98,884
Fines and forfeitures	41,135	7,820
Interest earned	6,204	5,859
Miscellaneous revenue	-	1,761
Total net revenues	<u>1,987,409</u>	<u>1,315,717</u>
Expenses:		
Current	1,231,840	1,073,870
Depreciation	18,889	34,448
Total expenses	<u>1,250,729</u>	<u>1,108,318</u>
Change in net position	736,680	207,399
Beginning net position	<u>1,063,062</u>	<u>855,663</u>
Ending net position	<u>\$ 1,799,742</u>	<u>\$ 1,063,062</u>

Revenues consist primarily of licenses and permits of \$1,865,658 and charges for services of \$74,412. The decrease in licenses and permits revenue from the prior year is due to a decrease in the number of companies and vehicles regulated.

Current expenses consisted primarily of \$623,703 in personal services, which include salaries, wages and related taxes, and fringe benefits, paid to the PTC personnel during the year ended September 30, 2014.

Analysis of the General Fund

The PTC has one fund, the General Fund, which is reported in the fund financial statement column. The focus of the General Fund is to provide information on near-term inflows and outflows of cash and the balance available. The unassigned fund balance serves as a measure of the resources available for spending for the next fiscal year. The unassigned fund balance was \$1,775,225 at September 30, 2014.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

General Fund Budgetary Highlights

Differences between the final amended budget and actual results are included on page 19 of the accompanying financial statements. Some of the more significant variances are discussed below:

- \$967,378 more in actual license and permit fee revenues than budgeted due to the implementation of an auction system for taxi permits.
- \$187,788 less in charges for services due to fewer review hearings than expected.
- \$25,935 more in fines and forfeitures due to citations issued to operators of illegal transportation network companies.
- \$145,917 less in actual personal services than budgeted due to reduced headcount.

Capital Assets and Compensated Absences

Capital Assets

As of September 30, 2014 and 2013, the PTC had \$45,675 and \$63,320, respectively, invested in net capital assets as reflected in the table below.

	<u>2014</u>	<u>2013</u>
Equipment	\$ 112,370	\$ 112,370
Vehicles	189,726	188,482
Total capital assets	302,096	300,852
Accumulated depreciation	(256,421)	(237,532)
Capital assets, net	<u>\$ 45,675</u>	<u>\$ 63,320</u>

Compensated Absences

The PTC's full-time employees accumulate paid days off. Upon termination of employment, employees can receive a cash benefit for accumulated leave, up to a maximum of 240 hours for non-exempt employees and 320 for exempt employees. The cost of accumulated paid days off, including fringe benefits is accrued only to the extent that the leave will result in cash payments at termination. At September 30, 2014, the PTC had \$21,188 in accrued compensated absences, all of which is considered to be due in the next fiscal year.

For more detailed information regarding the PTC's capital assets and compensated absences, please refer to the notes to the financial statements.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Economic Factors and Next Year's Budget and Rates

Local economic factors influence the PTC's revenues in a variety of ways. Economic growth may be measured by a variety of indicators such as employment growth, unemployment, and new real estate assessment value (comparison based on most recently available financial and other data).

Hillsborough County's annual average unemployment rate in fiscal year 2014 was 6.3%, compared to 7.1% in fiscal year 2013. The rate of unemployment in fiscal year 2014 in the state of Florida was 6.3% compared to 7.5% in fiscal year 2013. The nation's overall rate during fiscal year 2014 was 6.5% compared to 7.6% in fiscal year 2013.

Requests for Information

This financial report is designed to provide a general overview of the PTC's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kyle Cockream, Executive Director, 4148 North Armenia Ave, Tampa, Florida 33607.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION**

SEPTEMBER 30, 2014

	Governmental Fund Balance Sheet – General Fund	Adjustments (Note 1)	Statement of Net Position
Current assets:			
Cash and investments	\$ 2,487,115	\$ -	\$ 2,487,115
Total current assets	<u>2,487,115</u>	<u>-</u>	<u>2,487,115</u>
Noncurrent assets:			
Capital assets, net	-	45,675	45,675
Total assets	<u>\$ 2,487,115</u>	<u>\$ 45,675</u>	<u>2,532,790</u>
Liabilities:			
Accounts payable	\$ 54,444	\$ -	\$ 54,444
Due to other governments	409	-	409
Accrued liabilities	14,347	-	14,347
Compensated absences	-	21,188	21,188
Unearned commission fees revenue	642,660	-	642,660
Total liabilities	<u>711,860</u>	<u>21,188</u>	<u>733,048</u>
Fund balances/net position			
Fund balances:			
Unassigned	1,775,255	(1,775,255)	-
Total fund balances	<u>1,775,255</u>	<u>(1,775,255)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,487,115</u>	<u>(1,754,067)</u>	<u>733,048</u>
Net position:			
Net investment in capital assets		45,675	45,675
Unrestricted net position		1,754,067	1,754,067
Total net position		<u>\$ 1,799,742</u>	<u>\$ 1,799,742</u>

See accompanying notes.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2014

	Governmental Fund Balances General Fund	Adjustments (Note 1)	Statement of Activities
Revenues:			
Licenses and permits	\$ 1,867,678	\$ (2,020)	\$ 1,865,658
Charges for services	74,412	-	74,412
Fines and forfeitures	41,135	-	41,135
Interest earned	6,204	-	6,204
Total revenues	<u>1,989,429</u>	<u>(2,020)</u>	<u>1,987,409</u>
Expenditures/expenses:			
Personal services	630,461	(6,758)	623,703
Operating	608,137	-	608,137
Capital outlay	1,244	(1,244)	-
Depreciation	-	18,889	18,889
Total expenditures/expenses	<u>1,239,842</u>	<u>10,887</u>	<u>1,250,729</u>
Excess of revenues over expenditures/expenses and change in fund balance / net position	749,587	(12,907)	736,680
Fund balance/net position at beginning of year	<u>1,025,668</u>	<u>37,394</u>	<u>1,063,062</u>
Fund balance/net position at end of year	<u>\$ 1,775,255</u>	<u>\$ 24,487</u>	<u>\$ 1,799,742</u>

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 1 – Summary of significant accounting policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Reporting Entity - The Hillsborough County, Florida, Public Transportation Commission (the "PTC") is a legally separate independent special district as provided by Chapter 2001-299 of the Laws of Florida.

The PTC regulates the operation of the for-hire vehicles such as taxicabs, limousines, handicap transportation, ambulances, and wreckers, including vehicle inspection and operator/driver license investigations within Hillsborough County, Florida (the "County").

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (the "GASB"). The PTC utilizes the following fund type:

- *General Fund*, a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the PTC that are not required either legally or by accounting principles generally accepted in the United States of America ("GAAP") to be accounted for in another fund.

Government-wide Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position (statement of activities)) report information on all of the activities of the PTC. Governments typically report activities as either governmental activities, which normally are supported by taxes and intergovernmental revenues, or business-type activities, which rely to a significant extent on fees and charges for support. The PTC reports only governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Since the PTC's primary mission (function) is regulating the operation of for-hire vehicles, all revenues and expenses are considered to be for this purpose, and the accompanying financial statements do not segregate beyond this function.

Because the PTC has only governmental activities and only one program, it is considered to be a special-purpose government for financial reporting purposes under GAAP. As such, the government-wide financial statements are presented together with the governmental fund financial statements with an adjustment column presented to reconcile the two sets of statements. The following reconciliations describe the adjustments in those columns.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 1 – Summary of significant accounting policies (continued)

The following is a reconciliation between the governmental funds balance sheet and the statement of net position at September 30, 2014:

Fund balance	\$ 1,775,255
Add capital assets, net of accumulated depreciation, as they are not financial resources and therefore are not reported in the fund financial statements	45,675
Less compensated absences, as they are not due and payable in the current period and therefore are not reported in the fund financial statements	(21,188)
Net position	<u>\$ 1,799,742</u>

The following is a reconciliation between the statement of governmental fund revenues, expenditures, and changes in fund balances and the statement of activities for the fiscal year ended September 30, 2014:

Excess of revenues over expenditures	\$ 749,587
Less current year depreciation, as the cost of assets is allocated over their useful lives in the statement of activities	(18,889)
Less current year change in compensated absences	6,758
Add capital outlay, reported as expenditures in the governmental fund, are shown as capital assets	1,244
Less prior year accounts receivable, as they were not current financial resources and therefore are not reported in the fund financial statements	(2,020)
Change in net position	<u>\$ 736,680</u>

Governmental Fund Financial Statements - The PTC has one governmental fund type, which is the General Fund. The General Fund is the primary operating fund used to account for all resources and operations. Governmental funds are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 1 – Summary of significant accounting policies (continued)

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Funds - The General Fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; that is, when they are measurable and available. Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the PTC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred. Primary revenues consist of charges for services, licenses, and permits. All of these revenues are susceptible to accrual.

Capital Assets - Currently, capital assets, which include equipment, are recorded as capital outlay expenditures in the governmental fund at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net position. Capital assets are defined by the PTC as assets with an initial cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are depreciated using the straight-line method over five to ten years. The depreciation expense is recorded in the statement of activities. See Note 4, Capital Assets, for more information.

Governmental Fund Balances - In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are classified either as nonspendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The PTC had no nonspendable fund balances at September 30, 2014.

Spendable fund balances are classified based on a hierarchy of the PTC's ability to control the spending of these fund balances.

Restricted fund balances are fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or imposed by law through constitutional provisions or enabling legislation. As of September 30, 2014, the PTC had no restricted fund balances.

Committed fund balances are fund balances constrained for specific purposes imposed by PTC's formal action of highest level of decision-making authority. As of September 30, 2014, the PTC had no committed fund balances.

Assigned fund balances are fund balances intended to be used for specific purposes but which are neither restricted nor committed. As of September 30, 2014, the PTC had no assigned fund balances.

Unassigned fund balances represent the residual positive fund balance within the General Fund which has not been assigned to other funds and has not been restricted, committed, or assigned. The PTC has only unassigned fund balance at September 30, 2014.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 2 – Unearned commission fees revenue

On October 1 of each year, permit fees are due to the PTC; therefore, the PTC sends bills in August for such fees. As a result, the PTC receives monies during the current fiscal year, that relate to the following year. During the current fiscal year, the PTC collected \$642,660, which is recorded as unearned commission fees revenue in the governmental fund balance sheet and statement of net position.

Note 3 – Cash and investments

The PTC does not maintain its own cash accounts except for a petty cash balance of \$200. The remainder of the PTC's cash and investments are included within the County's pooled cash and investment account. As allowed by Florida Statutes, the County performs all cash receipts and cash disbursement functions on behalf of the PTC. Accordingly, as of September 30, 2014, cash held by the County totaling \$2,487,115 represents cash available for use by the PTC as of that date and is considered an uncatagorized investment.

The County deposits cash in qualified public depositories. Bank balances are fully insured in accordance with Florida Statute Chapter 280, which establishes the multiple financial institution collateral pool. In accordance with these statutes, qualified depositories are required to pledge eligible collateral in varying percentages. Any losses to public depositors are covered by applicable deposit insurance, by the sale of pledged securities and, if necessary, by assessments against other qualified public depositories.

Florida Statutes, Section 218.415, authorizes the County to invest in obligations of the U.S. government, its agencies and instrumentalities, and certain other investments. The County follows GASB No. 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, for the disclosure requirements related to deposits and investments.

Note 4 – Capital assets

The tangible personal property used by the PTC is reported as capital assets in the statement of net position. The PTC maintains custodial responsibility for the capital assets used by the PTC. Capital assets held by the PTC totaled \$45,675 at September 30, 2014, which is net of accumulated depreciation of \$256,421.

A summary of changes in capital assets follows:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Vehicles	\$ 188,482	\$ 1,244	\$ -	\$ 189,726
Equipment	112,370	-	-	112,370
Accumulated depreciation	(237,532)	(18,889)	-	(256,421)
Capital assets, net	<u>\$ 63,320</u>	<u>\$ (17,645)</u>	<u>\$ -</u>	<u>\$ 45,675</u>

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 5 – Accumulated compensated absences

The amount of vested accumulated compensated absences payable is based upon the PTC's annual leave and sick leave policy. The balance at September 30, 2014 is \$21,188.

The amount recorded represents vested annual vacation and sick leave to employees in varying amounts. Upon termination of employment, employees with more than six years of service can receive payment for half their accumulated sick leave. In general, accumulated leave is only granted upon retirement and is limited to a maximum of 240 hours for non-exempt employees and 320 for exempt employees. The PTC follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, and, therefore, vested and expected to vest annual vacation and sick leave payments, including the associated Federal Insurance Contributions Act tax (FICA) and retirement contribution amounts, are recorded as a liability at September 30, 2014.

Note 6 – Retirement plan

Substantially all full-time and part-time employees are participants in the Florida Retirement System (the "System"), a multiple-employer cost-sharing public retirement system administered by the state of Florida. The System offers members both a defined benefit plan ("Pension Plan") and/or a defined contribution plan ("Investment Plan") to provide retirement, disability, and death benefits for active members, retirees, surviving beneficiaries, and Deferred Retirement Option Program ("DROP") participants.

DROP is a program that provides for payment of retirement benefits for System members for a maximum of five years. Under this program, an employee may retire and have his or her benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. When the DROP period ends, employment terminates, the employee receives payment of the accumulated DROP benefits, and monthly Pension Plan and/or Investment Plan retirement benefits begin.

Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 making changes to the System. Benefits are computed on the basis of age, average final compensation, and service credit.

Plan members hired prior to July 1, 2011 with 30 years of service regardless of age or at age 62 with 6 years of credited service are entitled to an annual retirement benefit payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Average final compensation is the average of the employee's five highest fiscal years of salary earned during credited service. Vested employees with fewer than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Plan members hired on or after July 1, 2011 with 33 years of service regardless of age or at age 65 with 8 years of credited service are entitled to annual retirement benefits payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Average final compensation will be the average of the employee's eight highest fiscal years earned during credited service. Vested employees with less than 33 years of service may retire before age 65 and receive reduced retirement benefits.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 6 – Retirement plan (continued)

There is no Pension Plan Cost of Living Adjustment (“COLA”) on service earned on or after July 1, 2011. A reduced COLA will be calculated if a member’s retirement or DROP participation date is effective on or after August 1, 2011. The reduced COLA will be calculated by taking the total years of service earned prior to July 1, 2011 and dividing it by the total years of service at retirement, then multiplying it by 3%.

The PTC has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by accessing the following website:

http://dms.myflorida.com/human_resource_support/retirement/publications.

The System Annual Report July 1, 2012 – June 30, 2013 available as mentioned above stated that the System pension plan was 85.44% funded at June 30, 2013 since the actuarial value of assets was \$131.68 billion compared to the actuarial accrued liability of \$154.13 billion.

Effective July 1, 2011, System members are required to contribute 3% of pretax salaries. Participating employer contributions are based upon statewide rates established by the state of Florida. These rates are applied to employee salaries as follows:

Official, 33.03% and 43.24% from October 1, 2013 through June 30, 2014, and July 1, 2014 through September 30, 2014, respectively;

Special risk (e.g. law enforcement personnel), 19.06% and 19.82% from October 1, 2013 through June 30, 2014, and July 1, 2014 through September 30, 2014, respectively;

Special risk administrative support, 35.96% and 42.07% from October 1, 2013 through June 30, 2014, and July 1, 2014 through September 30, 2014, respectively;

Regular, 6.95% and 7.37% from October 1, 2013 through June 30, 2014, and July 1, 2014 through September 30, 2014, respectively;

DROP, 12.84% and 12.28% from October 1, 2013 through June 30, 2014, and July 1, 2014 through September 30, 2014, respectively;

During the fiscal year ended September 30, 2014, the PTC contributed to FRS an amount equal to 7.69% of total covered payroll. The PTC’s contributions to FRS for the years ended September 30, 2014, 2013, and 2012, were \$34,905, \$35,906, and \$31,641, respectively, equal to the actuarially determined contribution requirements for each year.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 7 – Other postemployment benefits (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires public sector employers to expense the cost of postemployment benefits over the active service lives of their employees rather than using a "pay-as-you-go" basis. Expensing the cost of a future benefit over the active work lives of employees is a fiscally sound approach because employees actually earn the future benefits over their working careers. Postemployment benefits include pensions and retiree health care benefits. The PTC provides the following health-related benefits to retirees and certain other employees: (a) the PTC is required by Florida Statute 112.0801 to allow retirees and certain other former employees to buy health care coverage at the same "group insurance rates" that current employees are charged and (b) the PTC offers a small health insurance stipend that retirees under age 65 can use to partially offset the cost of health insurance. Allowing retirees to buy health insurance at group rates is a valuable benefit and represents an "implicit subsidy" because retirees can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket. Although the implicit subsidy is required by law as long as health care is offered as an employee benefit, the stipend may be canceled at any time.

The PTC pays an additional \$25 per active employee per month to the County's Self-Insurance Internal Service Fund to pay for the PTC's share of the County's net OPEB obligation. Total payments to the County for the year ended September 30, 2014, were \$2,350. The County engages an actuary to provide actuarial estimates of the County's OPEB liabilities. The actuary estimated the County's actuarial accrued liability for OPEB, which approximates the present value of all future expected postemployment medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at \$79,965,350 as of September 30, 2013. The annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost (current and future benefits earned) each year and to amortize any unfunded actuarial liabilities over a period of time not to exceed thirty years. The County's estimated ARC for fiscal year 2013 was \$5,968,568. The *net OPEB obligation, at the end of the year*, is the net amount the County was obligated for at year-end and is equivalent to the annual OPEB cost for the fiscal year, plus the net OPEB obligation at the start of the fiscal year less contributions, such as through retiree claims and stipends, paid by the County. The County's net OPEB obligation at September 30, 2013 was \$12.46 million. A separate actuarial calculation for the PTC's OPEB liability is not obtained.

Note 8 – Risk management

The County has established various self-insurance funds in which the PTC participates. These funds are accounted for as internal service funds on the books of the County. There have been no significant reductions in insurance coverage in the last year. Settled claims have not exceeded commercial coverage in any of the last three years. Workers' compensation claims exceeding \$650,000 per claim are covered with specific excess insurance for the life of the claim. The PTC is also self-insured under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the PTC involving negligence. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. Reserves have been established for both claims that have been reported but not paid and claims incurred but not reported. Employee medical benefits claims exceeding \$500,000 per claim are covered with specific excess insurance with no limit. During the year ended September 30, 2014, the PTC paid \$31,709 to the County for insurance coverage.

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 9 – Litigation

From time to time, the PTC is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of management and legal counsel, the range of potential liabilities will not materially affect the financial position or operations of the PTC.

Note 10 – Deferred compensation

The PTC offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time PTC employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the property of the participants.

Note 11 – Lease commitments

During 2009, the PTC leased its office facility under a noncancelable operating lease that expires in 2015. Rental expenditures under this operating lease for the year ended September 30, 2014, amounted to \$40,680.

Subsequent to fiscal year end, the PTC entered in to another non-cancelable operating lease agreement for a new office facility that expires in 2020.

Future minimum lease commitments for all noncancelable operating leases as of September 30, 2014 are as follows:

Year Ending September 30,	
2015	\$ 72,776
2016	80,219
2017	82,621
2018	85,105
2019	87,672
Thereafter	29,512
Total	<u>\$ 437,905</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Licenses and permits	\$ 900,300	\$ 900,300	\$ 1,867,678	\$ 967,378
Charges for services	262,200	262,200	74,412	(187,788)
Fines and forfeitures	15,200	15,200	41,135	25,935
Interest earned	12,500	12,500	6,204	(6,296)
Total revenues	<u>1,190,200</u>	<u>1,190,200</u>	<u>1,989,429</u>	<u>799,229</u>
Expenditures:				
Personal services	776,378	776,378	630,461	145,917
Operating	393,146	603,146	608,137	(4,991)
Capital outlay	31,000	31,000	1,244	29,756
Total expenditures	<u>1,200,524</u>	<u>1,410,524</u>	<u>1,239,842</u>	<u>170,682</u>
Excess (deficiency) of revenues over (under) expenditures	(10,324)	(220,324)	749,587	969,911
Fund balance at beginning of year	<u>1,025,668</u>	<u>1,025,668</u>	<u>1,025,668</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,015,344</u>	<u>\$ 805,344</u>	<u>\$ 1,775,255</u>	<u>\$ 969,911</u>

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION**
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014

Note 1 – Summary of significant accounting policies

Budgetary Requirement - On or before June 1 of each year, the PTC submits a tentative budget for the ensuing fiscal year to the County. The budget is then adopted by the PTC in the same manner as the budget of the County. The budgeted revenues and expenditures in the accompanying financial statements are as originally adopted, except for the automatic rollforward of encumbered amounts, if any, at the end of the prior fiscal year.

A budget is legally adopted for the General Fund and is on a basis consistent with Accounting Principles Generally Accepted in the United States of America (“GAAP”). Budgetary control is at the fund level. Budgetary changes within the expenditure classification are made at the discretion of the PTC. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is utilized in the General Fund. Open encumbrances at year-end carry over to the subsequent year's budget and do not have to be reappropriated. There were no encumbrances outstanding at year-end.

**Report of Independent Auditor 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***

Public Transportation Commission Members
Hillsborough County, Florida, Public Transportation Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Hillsborough County, Florida, Public Transportation Commission (the "PTC"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the PTC's basic financial statements and have issued our report thereon dated February 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PTC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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 PTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the PTC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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, 2014-001, described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PTC'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*.

PTC's Response to Finding

The PTC's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The PTC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
February 18, 2015

**HILLSBOROUGH COUNTY, FLORIDA,
PUBLIC TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED SEPTEMBER 30, 2014

**Finding 2014-001: Material Weakness in Internal Controls over Financial Close and Reporting Process
(Continuation of Finding 2013-01)**

Criteria: The Hillsborough County, Florida, Public Transportation Commission (the "PTC") is responsible for establishing and maintaining internal controls over financial reporting.

Condition/Context: During our audit of the financial close and reporting process, we noted that the PTC did not record transactions that occurred near year end in the proper accounting period (i.e. cutoff) and did not reconcile and review support schedules to the general ledger.

Effect: The effect of insufficient cutoff was an audit adjusting journal entry to correct the understatement of accounts payable and expenses by \$32,523.

Cause: The PTC does not have a key person to coordinate the closing process, including the identification of proper account cutoff; perform the necessary reconciliations and reviews for accurate external financial reporting; and ensure compliance with accounting principles generally accepted in the United States of America ("GAAP").

Recommendation: We recommend that the PTC employ, or otherwise retain the services of, an individual experienced with GAAP to monitor the financial reporting process.

Management's Response (Planned Corrective Action): The PTC experienced two significant events during this FY14 audit which contributed to the weaknesses reported above. One, a permanent executive director was not hired until mid-way through the fiscal year. This caused delays and miscommunication with the County as the executive director is the primary contact between the County and the PTC. Two, the County has continued to implement significant changes in the way County agencies and departments process and report financial transactions. These two events put together proved difficult for the PTC to overcome and resulted in weaknesses and failures in the financial reporting process.

During the January 2015 board meeting the executive director sought and was given permission by the Board to seek proposals for an outside accounting service for the PTC. This action would take the financial reporting responsibility away from the County and allow the PTC to more directly control the process.

The PTC expects to have a new financial reporting process in place during fiscal year 2015 that will be scaled appropriately; as opposed to the County which operates a system that is overly complex for the needs of the commission.

Independent Auditor’s Management Letter

Public Transportation Commission Members
Hillsborough County, Florida, Public Transportation Commission

Report on the Financial Statements

We have audited the financial statements of the Hillsborough County, Florida, Public Transportation Commission, (the “PTC”) as of and for the fiscal year ended September 30, 2014 and have issued our report thereon dated February 18, 2015.

Auditor’s Responsibility

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 Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Report of Independent Auditor 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*, Schedule of Findings and Responses; and Report of Independent Accountant on Compliance with Local Government Investment Policies, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 18, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., 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. Corrective actions were not taken for findings in the prior period.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2012-13 FY Finding #	2011-12 FY Finding #
2014-001	2013-01	Not Applicable

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 PTC has no component units.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the PTC 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, the results of our tests did not indicate that the PTC met any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the PTC'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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the PTC for the fiscal year ended September 30, 2013, 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, 2013. Our comparison of these two reports resulted in no material difference.

Other Matters

Section 10.554(1)(i)2., 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 did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
February 18, 2015

Report of Independent Accountant on Compliance with Local Government Investment Policies

Public Transportation Commission Members
Hillsborough County, Florida, Public Transportation Commission

Report on Compliance

We have examined the Hillsborough County Public Transportation Commissions, (the "PTC"), compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2014. Management is responsible for the PTC's compliance with those requirements. Our responsibility is to express an opinion on the PTC's compliance based on our examination.

Scope

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the PTC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the PTC's compliance with specified requirements.

Opinion

In our opinion, the PTC complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.



Tampa, Florida
February 18, 2015