



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

FINANCIAL STATEMENTS

*As of and for the Year Ended September 30, 2015*

*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, 2015, 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, 2015, 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.

**Emphasis of Matter**

As discussed in Note 12 to the basic financial statements the PTC adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, during the year ended September 30, 2015. Our opinion is not modified with respect to these matters.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplementary information as listed in the table contents, 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 May 3, 2016, 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.

Handwritten signature in cursive script that reads "Cherry Bekant LLP".

Tampa, Florida  
May 11, 2016

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

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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, 2015. 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 and deferred outflow of resources exceeded its liabilities and deferred inflow of resources at September 30, 2015, by \$1,515,586 (net position). Of this amount, \$1,454,351 (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 \$39,777 from the prior year.
- The PTC has outstanding current liabilities consisting of accrued compensated absences related to its employees, payroll, and accrued accounts payable. The amount outstanding at September 30, 2015, was \$231,647. The PTC also recognized a net pension liability of \$289,734.

## 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)**

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**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>2015</u>	<u>2014 - restated</u>
Current assets	\$ 1,993,985	\$ 2,487,115
Capital assets, net	61,235	45,675
Total assets	<u>2,055,220</u>	<u>2,532,790</u>
Deferred outflows of resources	<u>56,782</u>	<u>25,897</u>
Current liabilities	231,647	733,048
Long-term liabilities	289,734	205,899
Total liabilities	<u>521,381</u>	<u>938,947</u>
Deferred inflows of resources	<u>75,035</u>	<u>143,931</u>
Net position :		
Net investment in capital assets	61,235	45,675
Unrestricted	1,454,351	1,430,134
Total net position	<u>\$ 1,515,586</u>	<u>\$ 1,475,809</u>

The majority of current assets of the PTC consist of \$1,993,540 cash held by the Board of County Commissioners. Noncurrent assets consist of \$61,235 of capital assets, net of accumulated depreciation.

Liabilities consist of accounts payable, accrued liabilities, and deferred revenue, including \$21,807 of accrued compensated absences, which are deemed to be short-term. Long-term liabilities consist of net pension liability of \$289,734 resulting from the implementation of new accounting standards in the current year.

Net position amounted to \$1,515,586 at September 30, 2015. A component of this category is the PTC net investment in capital assets of \$61,235 (original cost less accumulated depreciation). The PTC also has unrestricted net position of \$1,454,351, 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)**

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**Hillsborough County, Florida, Public Transportation Commission Statement of Activities**

	<u>2015</u>	<u>2014*</u>
Revenues:		
Licenses and permits	\$ 1,425,527	\$ 1,865,658
Charges for services	134,490	74,412
Fines and forfeitures	131,680	41,135
Interest earned	18,138	6,204
Total net revenues	<u>1,709,835</u>	<u>1,987,409</u>
Expenses:		
Current	1,650,280	1,231,840
Depreciation	19,778	18,889
Total expenses	<u>1,670,058</u>	<u>1,250,729</u>
Change in net position	<u>\$ 39,777</u>	<u>\$ 736,680</u>

\* Fiscal year 2014 has not been restated for the adoption of GASB 68 and 71.

Revenues consist primarily of licenses and permits of \$1,425,527 and charges for services of \$134,490. 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 \$605,344 in personal services, which include salaries, wages, and related taxes, and fringe benefits, paid to the PTC personnel during the year ended September 30, 2015.

**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 \$1,724,145 at September 30, 2015.

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

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**General Fund Budgetary Highlights**

Differences between the final amended budget and actual results are included on page 27 of the accompanying financial statements. Some of the more significant variances are discussed below:

- \$525,527 more in actual license and permit fee revenues than budgeted due to the implementation of an auction system for taxi permits.
- \$154,210 less in charges for services due to fewer review hearings than expected.
- \$131,680 more in fines and forfeitures due to citations issued to operators of illegal transportation network companies.
- \$212,759 less in actual personal services than budgeted due to reduced headcount.
- \$246,736 more in operating due to increased expenses related to new offices and additional legal fees.

**Capital Assets and Compensated Absences**

**Capital Assets**

As of September 30, 2015 and 2014, the PTC had \$61,235 and \$45,675, respectively, invested in net capital assets as reflected in the table below.

	<u>2015</u>	<u>2014</u>
Equipment	\$ 129,660	\$ 112,370
Vehicles	206,678	189,726
Total capital assets	336,338	302,096
Accumulated depreciation	(275,103)	(256,421)
Capital assets, net	<u>\$ 61,235</u>	<u>\$ 45,675</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, 2015, the PTC had \$21,807 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)**

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**Economic Factors and Next Year's 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 2015 was 5.2%, compared to 6.3% in fiscal year 2014. The rate of unemployment in fiscal year 2015 in the state of Florida was 5.6% compared to 6.3% in fiscal year 2014. The nation's overall rate during fiscal year 2015 was 5.5% compared to 6.5% in fiscal year 2014.

**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**

YEAR ENDED SEPTEMBER 30, 2015

	<b>Governmental Fund Balance Sheet – General Fund</b>	<b>Adjustments (Note 1)</b>	<b>Statement of Net Position</b>
<b>Current assets:</b>			
Cash and investments	\$ 1,993,540	\$ -	\$ 1,993,540
Accounts receivable	445	-	445
Total current assets	<u>1,993,985</u>	<u>-</u>	<u>1,993,985</u>
<b>Noncurrent assets:</b>			
Capital assets, net	-	61,235	61,235
Total assets	<u>\$ 1,993,985</u>	<u>\$ 61,235</u>	<u>\$ 2,055,220</u>
<b>Deferred outflows of resources:</b>			
Pension	-	56,782	56,782
Total deferred outflows of resources	<u>-</u>	<u>56,782</u>	<u>56,782</u>
<b>Current liabilities:</b>			
Accounts payable	\$ 148,530	\$ -	\$ 148,530
Accrued liabilities	17,860	-	17,860
Compensated absences	-	21,807	21,807
Unearned commission fees revenue	43,450	-	43,450
Total current liabilities	<u>209,840</u>	<u>21,807</u>	<u>231,647</u>
<b>Noncurrent liabilities:</b>			
Net pension liability	-	289,734	289,734
Total liabilities	<u>209,840</u>	<u>311,541</u>	<u>521,381</u>
<b>Deferred inflows of resources:</b>			
Pension	-	75,035	75,035
Total deferred inflows of resources	<u>-</u>	<u>75,035</u>	<u>75,035</u>
<b>Fund balances/net position</b>			
<b>Fund balances:</b>			
Unassigned	<u>1,784,145</u>	<u>(1,784,145)</u>	<u>-</u>
Total fund balances	<u>1,784,145</u>	<u>(1,784,145)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,993,985</u>		
<b>Net position:</b>			
Net investment in capital assets		61,235	61,235
Unrestricted net position		1,454,351	1,454,351
Total net position		<u>\$ 1,515,586</u>	<u>\$ 1,515,586</u>

See accompanying notes.

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

YEAR ENDED SEPTEMBER 30, 2015

	<b>Governmental Fund Balances General Fund</b>	<b>Adjustments (Note 1)</b>	<b>Statement of Activities</b>
<b>Revenues:</b>			
Licenses and permits	\$ 1,425,527	\$ -	\$ 1,425,527
Charges for services	134,490	-	134,490
Fines and forfeitures	131,680	-	131,680
Interest earned	18,138	-	18,138
Total revenues	<u>1,709,835</u>	<u>-</u>	<u>1,709,835</u>
<b>Expenditures/expenses:</b>			
Personal services	620,671	(15,327)	605,344
Operating	1,044,936	-	1,044,936
Capital outlay	35,338	(35,338)	-
Depreciation	-	19,778	19,778
Total expenditures/expenses	<u>1,700,945</u>	<u>(30,887)</u>	<u>1,670,058</u>
<b>Excess of revenues over expenditures/expenses and change in fund balance / net position</b>	8,890	30,887	39,777
<b>Fund balance/net position at beginning of year - restated</b>	<u>1,775,255</u>	<u>(299,446)</u>	<u>1,475,809</u>
<b>Fund balance/net position at end of year</b>	<u>\$ 1,784,145</u>	<u>\$ (268,559)</u>	<u>\$ 1,515,586</u>

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

SEPTEMBER 30, 2015

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**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 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, 2015

**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, 2015:

Fund balance	\$ 1,784,145
Add capital assets, net of accumulated depreciation, as they are not financial resources and therefore are not reported in the fund financial statements	61,235
Less long-term liabilities as they are not due and payable in the current period and therefore are not reported in the fund financial statements	
Compensated absences	(21,807)
Net pension liability	(289,734)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.	
Deferred outflows of resources related to pensions	56,782
Deferred inflows of resources related to pensions	(75,035)
Net position	<u>\$ 1,515,586</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, 2015:

Excess of revenues over expenditures	\$ 8,890
Less current year depreciation, as the cost of assets is allocated over their useful lives in the statement of activities	(19,778)
Less current year change in compensated absences and pension	(619)
Add capital outlay, reported as expenditures in the governmental fund, are shown as capital assets	35,338
In the statement of activities, cost of pension benefits is measured by the decrease in the net pension liability during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for the pension expense. This is the amount of the decrease in the net pension liability in excess of the amount paid in the current period.	15,946
Change in net position	<u>\$ 39,777</u>

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

SEPTEMBER 30, 2015

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**Note 1 – Summary of significant accounting policies (continued)**

*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.

*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, 2015.

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, 2015, the PTC had no restricted fund balances.

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

SEPTEMBER 30, 2015

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**Note 1 – Summary of significant accounting policies (continued)**

*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, 2015, 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, 2015, 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, 2015.

*Pensions* - In the government-wide statement of net position, pension liabilities are recognized for the PTC's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Florida Retirement System ("FRS") defined benefit plan and the Health Insurance Subsidy ("HIS") defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

*Subsequent Events* - Management has evaluated subsequent events through May 11, 2016 in connection with the preparation of these financial statements, which the date the financial statements were available to be issued.

**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 \$43,450, 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, 2015, cash held by the County totaling \$1,993,340 represents cash available for use by the PTC as of that date and is considered an uncategorized 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.

**HILLSBOROUGH COUNTY, FLORIDA,  
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SEPTEMBER 30, 2015

**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 \$61,235 at September 30, 2015, which is net of accumulated depreciation of \$275,103.

A summary of changes in capital assets follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Vehicles	\$ 189,726	\$ 18,048	\$ (1,096)	\$ 206,678
Equipment	112,370	17,290	-	129,660
Accumulated depreciation	(256,421)	(19,778)	1,096	(275,103)
Capital assets, net	<u>\$ 45,675</u>	<u>\$ 15,560</u>	<u>\$ -</u>	<u>\$ 61,235</u>

**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, 2015 is \$21,807.

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, 2015.

**Note 6—Employee retirement plans**

*Florida Retirement System*

General Information - All of the PTC's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available 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 from the Web site: [www.dms.myflorida.com/workforce operations/retirement/publications](http://www.dms.myflorida.com/workforce%20operations/retirement/publications).

**Pension Plan**

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular--7.37% and 7.26%; Special Risk Administrative Support--42.07% and 32.95%; Special Risk--19.82% and 22.04%; Senior Management Service--21.14% and 21.43%; Elected Officers--43.24% and 42.27%; and DROP participants--12.28% and 18.75%. These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The PTC's contributions to the Pension Plan totaled \$26,214 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The PTC reported a liability of \$138,880 for its proportionate share of the Board's Pension Plan's net pension liability as of September 30, 2015. The net pension liability for each fiscal year was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation in each year as of July 1. The PTC's proportionate share of the net pension liability was based on the PTC's fiscal year contributions relative to the same fiscal year contributions of all participating members of the PTC. At September 30, 2015, the PTC's proportionate share was 0.0011% which was an increase of 0.0001% from its proportionate share of 0.001% measured as of September 30, 2014.

For the fiscal year ended September 30, 2015, the PTC recognized pension benefit of \$20,343 related to the Plan. In addition, the PTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,662	\$ 3,294
Change of assumptions	9,218	-
Net difference between projected and actual earnings on FRS pension plan investments	-	33,162
Changes in proportion and differences between PTC FRS contributions and proportionate share of contributions	11,786	32,381
PTC FRS contributions subsequent to the measurement date (fiscal year 2015 contributions)	6,378	-
<b>Total</b>	<b>\$ 42,044</b>	<b>\$ 68,837</b>

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

The deferred outflows of resources related to pensions, totaling \$6,378, resulting from PTC contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending</b>	<b>Amount</b>
<b>September 30</b>	
2016	\$ (14,548)
2017	(14,548)
2018	(14,548)
2019	10,526
2020	(1,579)
Thereafter	1,526
	<u>\$ (33,171)</u>

*Actuarial Assumptions* - The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, tables.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed income	18.0%	4.8%	4.7%	4.7%
Global equity	53.0%	8.5%	7.2%	17.7%
Real estate (property)	10.0%	6.8%	6.2%	12.0%
Private equity	6.0%	11.9%	8.2%	30.0%
Strategic investments	12.0%	6.7%	6.1%	11.4%
Total	100.0%			
Assumed inflation - Mean		2.6%		1.9%

Note: (1) As outlined in the Plan's investment policy

*Discount Rate* - The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

*Sensitivity of the PTC's Proportionate Share of the Net Position Liability to Changes in the Discount Rate* - The following presents the PTC's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the PTC's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
PTC's proportionate share of the net pension (asset) liability	<u>\$ 359,869</u>	<u>\$ 138,880</u>	<u>\$ (45,019)</u>

*Pension Plan Fiduciary Net Position* - Detailed information about the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan* - At September 30, 2015, the PTC reported no payables for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2015.

**HIS Pension Plan**

*Plan Description* - The HIS Pension Plan ("HIS Plan") is a cost-sharing, multiple-employer defined benefit pension plan established under section 112.363, *Florida Statutes*, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services, Division of Retirement.

*Benefits Provided* - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, *Florida Statutes*. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions* - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. HIS contributions for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The PTC contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The PTC's contributions to the HIS Plan totaled \$5,654 for the fiscal year ended September 30, 2015.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2015, the PTC reported a net pension liability of \$150,854 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the PTC's proportionate share of benefit payments expected to be paid within one year, net of the PTC's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The PTC's proportionate share of the net pension liability was based on the PTC's 2013/14 fiscal year contributions relative to the total 2013/14 fiscal year contributions of all participating members. At June 30, 2015, the PTC's proportionate share was 0.0015%, which was a decrease of 0.0001% from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the PTC recognized pension expense of \$4,397 related to the HIS Plan. In addition, the PTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 11,868	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	82	-
Changes in proportion and differences between the PTC HIS contributions and proportionate share of contributions	833	6,198
The PTC HIS contributions subsequent to the measurement date (fiscal year 2015 contributions)	1,955	-
<b>Total</b>	<u>\$ 14,738</u>	<u>\$ 6,198</u>

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

The deferred outflows of resources related to the HIS Plan, totaling \$1,955, resulting from PTC contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending September 30</b>	<b>Amount</b>
2016	\$ 1,210
2017	1,210
2018	1,208
2019	1,190
2020	1,184
Thereafter	583
	<u>\$ 6,585</u>

*Actuarial Assumptions* - The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment rate of return	3.80%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB tables.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

*Discount Rate* - The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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**Note 6—Employee retirement plans (continued)**

*Sensitivity of the PTC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the PTC's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the PTC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

	<b>1% Decrease (2.80%)</b>	<b>Current Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
PTC's proportionate share of the net pension liability	<u>\$ 171,891</u>	<u>\$ 150,854</u>	<u>\$ 133,312</u>

*Pension Plan Fiduciary Net Position* - Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan* - At September 30, 2015, the PTC reported no payables for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

**Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. PTC employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class--6.30%, Special Risk Administrative Support class--7.95%, Special Risk class--14.00%, Senior Management Service class--7.67% and County Elected Officers class--11.34%.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 6—Employee retirement plans (continued)**

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Board.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The PTC's Investment Plan pension expense totaled \$13,220 for the fiscal year ended September 30, 2015.

**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 \$20 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, 2015, were \$1,648. 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 \$83,267,811 as of September 30, 2015. The annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45.

**HILLSBOROUGH COUNTY, FLORIDA,  
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**Note 7 – Other postemployment benefits (“OPEB”)**

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 2015 was \$5,843,504. 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, 2015 was \$13,333,151. 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 \$550,000 per claim are covered with specific excess insurance with no limit. During the year ended September 30, 2015, the PTC paid \$28,470 to the County for insurance coverage.

**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.

**HILLSBOROUGH COUNTY, FLORIDA,  
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SEPTEMBER 30, 2015

**Note 11 – Lease commitments**

During 2015, the PTC leased its office facility under a noncancelable operating lease that expires in 2020. Rental expenditures under this operating lease for the year ended September 30, 2015, amounted to \$43,168.

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, 2015 are as follows:

<u>Year Ending September 30,</u>		
2016	\$	80,219
2017		82,621
2018		85,105
2019		87,672
2020		29,512
Total	<u>\$</u>	<u>365,129</u>

**Note 12 – Restatement**

As described in Note 6, the PTC participates in the Florida Retirement System. In accordance with the implementation of GASB Statements No. 68 and No. 71, the PTC is required to report its proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans in which it participates. The beginning net position of the PTC was decreased by \$323,933. The PTC's proportionate share of the net pension liability at October 1, 2014 totaled \$205,899.

	<u>Net Position October 1, 2014</u>
Beginning net position, as previously reported	\$ 1,799,742
Deferred outflow	25,897
Deferred inflow	(143,931)
Net pension liability	(205,899)
Beginning net position, as restated	<u>\$ 1,475,809</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Licenses and permits	\$ 900,000	\$ 900,000	\$ 1,425,527	\$ 525,527
Charges for services	288,700	288,700	134,490	(154,210)
Fines and forfeitures	-	-	131,680	131,680
Interest earned	10,000	10,000	18,138	8,138
Total revenues	<u>1,198,700</u>	<u>1,198,700</u>	<u>1,709,835</u>	<u>511,135</u>
<b>Expenditures:</b>				
Personal services	833,430	833,430	620,671	212,759
Operating	798,200	798,200	1,044,936	(246,736)
Capital outlay	28,500	28,500	35,338	(6,838)
Total expenditures	<u>1,660,130</u>	<u>1,660,130</u>	<u>1,700,945</u>	<u>(40,815)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(461,430)	(461,430)	8,890	470,320
<b>Fund balance at beginning of year</b>	<u>1,775,255</u>	<u>1,775,255</u>	<u>1,775,255</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 1,313,825</u>	<u>\$ 1,313,825</u>	<u>\$ 1,784,145</u>	<u>\$ 470,320</u>

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

YEAR ENDED SEPTEMBER 30, 2015

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**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. 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.

**HILLSBOROUGH COUNTY, FLORIDA,  
PUBLIC TRANSPORTATION COMMISSION**  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY –  
FLORIDA RETIREMENT SYSTEM PENSION PLAN

*LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014*</u>
PTC's proportion of the net pension liability	0.001075225%	0.000985420%
PTC's proportionate share of the net pension liability	\$ 138,880	\$ 60,125
PTC's covered-employee payroll	\$ 246,272	\$ 225,034
PTC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56%	27%
FRS Plan fiduciary net position as a percentage of the total pension liability	92%	92%

\* Represents the measurement date, period applied in PTC's following fiscal year.

*Note: Data was unavailable prior to 2014.*

**HILLSBOROUGH COUNTY, FLORIDA,  
PUBLIC TRANSPORTATION COMMISSION**  
SCHEDULE OF CONTRIBUTIONS –  
FLORIDA RETIREMENT SYSTEM PENSION PLAN

*LAST 10 FISCAL YEARS*

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	<u>2015</u>	<u>2014*</u>
Contractually required contribution	\$ 24,965	\$ 21,585
Contributions in relation to the contractually required contribution	<u>24,965</u>	<u>21,585</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
PTC's covered-employee payroll	\$258,992	\$253,836
Contributions as a percentage of covered-employee payroll	9.64%	8.50%

*Note: Data was unavailable prior to 2014.*

**HILLSBOROUGH COUNTY, FLORIDA,  
PUBLIC TRANSPORTATION COMMISSION**  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY –  
HEALTH INSURANCE SUBSIDY PENSION PLAN

*LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014*</u>
PTC's proportion of the net pension liability	0.001479186%	0.001559042%
PTC's proportionate share of the net pension liability	\$ 150,854	\$ 145,774
PTC's covered-employee payroll	\$ 246,272	\$ 225,034
PTC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61%	65%
FRS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.50%

\* Represents the measurement date, period applied in PTC's following fiscal year.

*Note: Data was unavailable prior to 2014.*

**HILLSBOROUGH COUNTY, FLORIDA,  
PUBLIC TRANSPORTATION COMMISSION  
SCHEDULE OF CONTRIBUTIONS –  
HEALTH INSURANCE SUBSIDY PENSION PLAN**

*LAST 10 FISCAL YEARS*

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	<u>2015</u>	<u>2014*</u>
Contractually required contribution	\$ 6,002	\$ 5,341
Contributions in relation to the contractually required contribution	6,002	5,341
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
PTC's covered-employee payroll	\$ 258,992	\$ 253,836
Contributions as a percentage of covered-employee payroll	2.32%	2.10%

*Note: Data was unavailable prior to 2014.*

**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, 2015, and the related notes to the financial statements, which collectively comprise the PTC's basic financial statements and have issued our report thereon dated May 11, 2016. That report recognizes that the PTC implemented new accounting standards effective October 1, 2014.

**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. A significant deficiency is a deficiency or a 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 deficiency, 2015-001, 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 PTC's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PTC'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 style with a long, sweeping underline.

Tampa, Florida  
May 11, 2016

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

*YEAR ENDED SEPTEMBER 30, 2015*

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**Finding 2015-001: Material Weakness in Internal Controls over Financial Close and Reporting Process**

**Criteria:** The Hillsborough County, Florida, Public Transportation Commission (the “PTC”) is responsible for establishing and maintaining internal controls over financial reporting that allow management or employees, in the normal course of performing their assigned functions, to prevent or correct and detect misstatements on a timely basis.

**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 approximately \$138,000.

**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):** During fiscal year 2015 the PTC explored hiring additional personnel or services that would improve financial reporting; however, the PTC determined that it would not be cost effective to move away from relying on the County for financial reporting. Further, the County has continued to implement significant changes in the way County agencies and departments process and report financial transactions. As such, it proved difficult for the PTC to overcome and resulted in weaknesses and failures in the financial reporting process.

The PTC expects to have a new financial reporting process in place during fiscal year 2016 that will be scaled appropriately; as opposed to the County which operates a system that is overly complex for the needs of the PTC.

## 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, 2015 and have issued our report thereon dated May 11, 2016.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the PTC are described in the notes to the financial statements. As described in Note 12 to the financial statements the PTC adopted and implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective October 1, 2014. In addition the PTC adopted Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective October 1, 2014. We have included an emphasis of matter paragraph in our report of independent auditor concerning these matters. We noted no transactions entered into by the PTC during the year for which there is a lack of authoritative guidance or consensus. All Significant transactions have been recognized in the financial statements in the proper period.

### 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 May 3, 2016, 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 periods.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2013-14 FY Finding #	2012-13 FY Finding #
2015-001	2014-001	2013-001

**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 was established by Chapter 2001-299 of the Laws of Florida. The PTC has no component units.

**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination 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, we determined that the PTC did not meet 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 and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the PTC for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

**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  
May 11, 2016

## **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 local government investment policies requirements of Section 218.415, *Florida Statutes*, during the year ended September 30, 2015. 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, 2015.



Tampa, Florida  
May 11, 2016