

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORTS

TAMPA-HILLSBOROUGH COUNTY EXPRESSWAY AUTHORITY

June 30, 2012 and 2011

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TAMPA-HILLSBOROUGH COUNTY EXPRESSWAY AUTHORITY

MEMBERS OF THE AUTHORITY

June 30, 2012

GUBERNATORIAL APPOINTEES

Stephen Diaco, Chairman

Curtis Stokes, Vice-Chairman

Rebecca J. Smith, Secretary

Donald Phillips, Member

EX-OFFICIO

Mayor Bob Buckhorn, Member, City of Tampa, Florida

Honorable Lesley "Les" Miller, Member, Board of County Commissioners,  
Hillsborough County, Florida

Donald Skelton, Member, District Secretary,  
Florida Department of Transportation

STAFF

Joseph Waggoner, Executive Director

Patrick Maguire, Esquire, General Counsel

Lynne M. Paul, Chief Financial Officer

Robert Reardon, Chief Operations Officer

Robert Frey, AICP, Planning Director

Susan Chrzan, Communications Director

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Tampa-Hillsborough County Expressway Authority's ("Authority") annual report presents our discussion and analysis of its financial performance during the fiscal year ended June 30, 2012.

### **FINANCIAL HIGHLIGHTS**

The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$154,213,581.

Change in net assets for fiscal year ended June 30, 2012 totaled \$12,827,336.

Construction work in progress increased by \$23,576,685 from the prior year.

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

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information contained therein.

### **REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Authority's trend data on infrastructure condition.

### **FINANCIAL ANALYSIS OF THE AUTHORITY**

The Statement of Net Assets, and the Statement of Revenues, Expenses and Changes in Net Assets report the net assets of the Authority and changes in them. The net assets, the difference between assets and liabilities, is one way to measure the financial health or financial position.

Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors should be considered, such as economic conditions, population growth, and changing government legislation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### NET ASSETS

The following table summarizes the Authority's Statement of Net Assets (in millions):

	2012	2011	Dollar Change
Current assets	\$ 9.90	\$ 10.52	\$ (0.62)
Restricted current assets	9.66	14.12	(4.46)
Restricted assets			
Cash and investments	8.02	4.26	3.76
Receivables and other	7.72	12.86	(5.14)
Property and equipment - net	633.85	613.33	20.52
Construction in progress	38.51	14.94	23.57
Total assets	\$ 707.66	\$670.03	\$ 37.63
Current liabilities	\$ 0.72	\$ 0.65	\$ 0.07
Restricted current liabilities	9.66	14.12	(4.46)
Long-term debt			
Bonds payable	313.92	317.31	(3.39)
Due to other governments	223.60	196.56	27.04
Settlement payable	5.55	-	5.55
Total liabilities	553.45	528.64	24.81
Net assets			
Invested in capital assets, net of related debt	89.57	93.08	(3.51)
Restricted	51.85	23.75	28.10
Unrestricted	12.79	24.56	(11.77)
Total net assets	154.21	141.39	12.82
Total liabilities and net assets	\$ 707.66	\$670.03	\$ 37.63

As can be seen from the above table, total assets increased by \$37.63 due to the Viaduct deck replacement and widening project and other various projects. Due to other governments increased \$27.04 primarily as a result of the Viaduct deck replacement and widening project.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### NET ASSETS - Continued

The following table summarizes the Authority's Statement of Revenues, Expenses, and Changes in Net Assets (in millions):

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>
Toll revenues	\$ 42.96	\$ 40.47	\$ 2.49
Expenses			
Operating expenses	11.05	11.87	(0.82)
General and administrative	2.71	2.36	0.35
Total expenses	<u>13.76</u>	<u>14.23</u>	<u>(0.47)</u>
Operating net income	29.20	26.24	2.96
Net non-operating expenses	<u>(16.75)</u>	<u>(18.28)</u>	1.53
Income before capital grants	12.45	7.96	4.49
Capital grants	<u>0.37</u>	<u>-</u>	<u>0.37</u>
Increase in net assets	12.82	7.96	4.86
Net assets at beginning of year	<u>141.39</u>	<u>133.43</u>	<u>7.96</u>
Net assets at end of year	<u>\$ 154.21</u>	<u>\$ 141.39</u>	<u>\$ 12.82</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets, provides answers to the nature and source of these changes. As can be seen from the above table, there was no significant change in revenue and operating expenses over fiscal year 2012.

### BUDGETARY PROCESS

The Authority's Operating Budget is recommended by the Finance and Budget Committee of the Authority's governing board. The budget is typically based on the previous year's budget plus an adjustment for inflation. The budget is then approved by the Authority's governing board.

Any operations and maintenance costs, and renewal and replacement costs of the Expressway System, paid by the Florida Department of Transportation ("the Department") under the Lease Purchase Agreement (LPA), are budgeted through the State of Florida planning and budgeting process in accordance with Chapter 216, Florida Statutes. Annually, by September 1<sup>st</sup>, the Department submits a legislative budget request for the upcoming fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### BUDGETARY PROCESS - Continued

Additionally, the Department submits a five-year tentative work program no later than 14 days after the regular legislative session begins, in accordance with Section 339.135, Florida Statutes. Such department costs associated with the Expressway System are reimbursable by the Authority, subordinate to the debt service on the Bonds under the Resolution and the LPA.

The Authority's capital improvement projects budget is recommended by the Finance and Budget Committee of the Authority's governing board, based on the first year of the submitted five-year capital projects program.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets consist of the following:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Assets subject to depreciation				
Buildings and improvements	\$ 10,038,723	\$ -	\$ -	\$ 10,038,723
Furniture and equipment	22,885,831	960,008	-	23,845,839
Vehicle	44,472	-	-	44,472
	<u>32,969,026</u>	<u>960,008</u>	<u>-</u>	<u>33,929,034</u>
Less accumulated depreciation	<u>(20,716,808)</u>	<u>(2,191,992)</u>	<u>-</u>	<u>(22,908,800)</u>
	12,252,218	(1,231,984)	-	11,020,234
Assets not subject to depreciation				
Infrastructure	<u>601,097,285</u>	<u>22,132,330</u>	<u>(402,769)</u>	<u>622,826,846</u>
Total property and equipment	<u>\$ 613,349,503</u>	<u>\$ 20,900,346</u>	<u>\$ (402,769)</u>	<u>\$633,847,080</u>
Construction in progress	<u>\$ 14,935,469</u>	<u>\$ 30,798,893</u>	<u>\$ (7,222,208)</u>	<u>\$ 38,512,154</u>

The Authority's investment in capital assets includes buildings, improvements, furniture and equipment and roads. The Authority added approximately \$0.96 million of equipment additions and approximately \$6.7 million of infrastructure improvements related to the Authority's all electronic tolling system. The authority also added approximately \$15.45 million of infrastructure improvements due to final construction payments related to Reversible Express Lanes Project.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

### **INFRASTRUCTURE PRESERVATION**

It is the policy of the Authority that it will take all necessary actions to ensure that infrastructure assets are maintained, repaired, renewed and, when needed, replaced, so as to last indefinitely. Depreciation is not recorded as long as the infrastructure assets are maintained at the level established by the Authority. Routine maintenance and renewal and replacement costs are expensed annually. Pursuant to the Lease Purchase Agreement between the Authority and the Florida Department of Transportation, the Department agrees to pay from sources other than toll revenues, (to be reimbursed later by the Authority) the costs of renewals, replacements, and extraordinary repairs to the Expressway System facilities. The Authority's policy is to maintain the roadway condition and a Maintenance Rating Program rating 80 or better. The Consulting Engineer for the Authority has determined that the overall rating of the Expressway System in the Florida Department of Transportation's Maintenance Rating Program exceeds minimum standards. For fiscal year 2012, projected expenses for preservation were \$3,438,094.

Department funds and the respective Authority reimbursements have been identified in future years to pay for anticipated major renewal and replacement activities such as bridge deck replacement and resurfacing, based upon estimates of the Department and the Authority's Consulting Engineer.

### **SIGNIFICANT EVENTS**

On May 26, 2011, Governor Scott vetoed Specific Appropriation 1972 in the General Appropriations Act for fiscal year 2012. Specific Appropriations 1972 appropriated moneys to fund the Department's payment obligations under LPA to certain expressway authorities, including the amount of \$6,145,188 which was appropriated for operation and maintenance payment obligations to the Authority. However, pursuant to a series of reassignments of operation and maintenance to the Authority, the Department was not required to make any payment obligations under the LPA, so there was no adverse impact to the Authority. Also, pursuant to Section 4.03(7)(a)(i) and (7)(b)(i) of the Bond Master Resolution, if the Department is not paying for operation and maintenance then the Authority will receive monthly, 1/12<sup>th</sup> of the Authority's annual operation and maintenance budget from the State Board of Administration.

On October 26, 2010, the Authority entered into a Memorandum of Understanding (MOU) with the Department revising the parties responsibilities under the LPA. This MOU transferred all responsibility for the operation and maintenance of the Expressway System to the Authority, including renewal and replacement; and a repayment schedule was established to repay all loans to the Department.

During the year ended June 30, 2012 the Authority and PCL settled a dispute arising from the Reversible Express Lanes Project. The parties settled in January of 2012, with a final agreement that the Authority would pay \$11 million between March 2012 and December 2016 to PCL. As of June 30, 2012, \$3 million has been paid leaving \$8,000,000 owed less a present value discount of \$1,032,560.

## MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

### LONG TERM DEBT

The Florida Division of Bond Finance issued \$88,075,000 on March 14, 2002, State of Florida, Tampa-Hillsborough County Expressway Authority Revenue Bonds on behalf of the Authority.

The Authority has also issued approximately \$327 million of additional bonds in July 2005 to refund bonds issued in 1997, maturing in the years 2008 through 2027. During January 2011, the Authority entered into an escrow deposit agreement to defease all of the 2002 bonds maturing in the year 2011 and a portion of the 2005 bonds maturing in the years 2012 through 2019. The amount of the 2002 bonds and 2005 bonds which were defeased were \$3,450,000 and \$50,480,000, respectively.

The Authority's Series 2002 and Series 2005 bond are rated as follows:

	<u>Ratings</u>
Standard & Poor's	A-
FitchRatings	A-
Moody's Investor Services	A3

The Authority has received funding from the State Infrastructure Bank ("SIB Loans"). The loan balance including accrued interest at June 30, 2012 was approximately \$53 million including accrued interest. Repayment of these loans began in fiscal year 2005 and will continue through 2026.

The Authority has also received interest free loans from the Toll Facilities Revolving Trust Fund. The proceeds of such loans are specified for preliminary and final engineering and design phases, environmental impact studies, and right-of-way acquisition for the Brandon Feeder Roads Project and the Reversible Express Lanes Project. These loans are repaid from General Reserve Funds. Approximately \$7.4 million remains outstanding at June 30, 2012, and repayments will continue through fiscal year 2019.

Pursuant to the Authority's Resolution 590 and the Division of Bond Finance Master Resolution for THCEA Bonds, the Traffic Engineer is required to, and has, certified that pledge funds estimated for fiscal year 2013 and fiscal year 2014 will be sufficient to comply with estimated payments as required by the terms of the Master Resolution.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The U.S. economy has suffered several severe economic and financial crises since 2008. The effect of this crisis has impacted the toll industry with many toll facilities seeing year-on-year reductions in traffic and revenues. Analysis by the Authority's Traffic and Revenue Engineer shows that there is a correlation between population growth of west-central Florida and traffic on the Selmon Expressway. Historically, the population of the area grew 2% annually from 1999–2007. In recent years, growth has decelerated: .09% in 2008; 1.3% in 2009; and 1% in 2010. It is expected that population will begin to grow an average of 1.9% from 2012 through 2020. When preparing the 2013 fiscal year budget, population growth and its correlation to traffic was taken into consideration.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

### **CONTACTING THE AUTHORITY'S MANAGEMENT**

The financial report is designated to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives.

If you have questions about this report or need additional information, contact the Tampa-Hillsborough County Expressway Authority's Chief Financial Officer at 1104 East Twiggs Street, Suite 300, Tampa, Florida 33602, phone number 813-272-6740.



We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 prove any assurance.

Our audit was made for the purpose of forming an opinion on the financial statements of the Tampa-Hillsborough County Expressway Authority taken as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Buico, Jordanier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida  
November 5, 2012

Tampa-Hillsborough County Expressway Authority

STATEMENTS OF NET ASSETS

June 30,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (notes B2 and C)	\$ 1,189,513	\$ 2,545,329
Restricted cash and investments to meet current liabilities	9,659,340	14,122,831
Investments (notes B3 and C)	<u>8,712,132</u>	<u>7,974,488</u>
Total current assets	<u>19,560,985</u>	<u>24,642,648</u>
<b>RESTRICTED ASSETS</b>		
Investments (notes B3 and C)	8,018,911	4,259,865
Accrued interest receivable (note B4)	7,749	7,988
Accounts receivable - tolls (note B4)	4,081,756	2,609,447
Due from governmental agencies (note B4)	1,507,577	8,271,083
Grant receivable	244,312	-
Bond issue costs - net	<u>1,873,442</u>	<u>1,954,740</u>
Total restricted assets	<u>15,733,747</u>	<u>17,103,123</u>
<b>OTHER RECEIVABLE</b>	<u>623</u>	<u>-</u>
<b>PROPERTY AND EQUIPMENT - net of accumulated depreciation (notes B9, B10 and D)</b>		
Capital assets not being depreciated:		
Infrastructure	622,826,846	601,097,285
Capital assets net of accumulated depreciation:		
Buildings and improvements	6,747,698	6,986,576
Furniture and equipment	4,251,182	5,238,593
Vehicles	<u>21,354</u>	<u>27,049</u>
Total property and equipment	<u>633,847,080</u>	<u>613,349,503</u>
<b>CONSTRUCTION IN PROGRESS</b> (notes B8, B11, D, and I)	<u>38,512,154</u>	<u>14,935,469</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 707,654,589</u></u>	<u><u>\$ 670,030,743</u></u>

	<u>2012</u>	<u>2011</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES FROM UNRESTRICTED ASSETS</b>		
Accounts payable	\$ 528,262	\$ 467,050
Accrued expenses	<u>188,087</u>	<u>189,021</u>
Total current liabilities	<u>716,349</u>	<u>656,071</u>
<b>CURRENT LIABILITIES FROM RESTRICTED ASSETS</b>		
Accounts, contracts and retainage payable (note B6)	725,007	7,186,994
Settlement payable (note K)	1,419,937	-
Current portion of revenue bonds payable (note E)	3,725,000	2,310,000
Current portion of governmental agencies payable (note E)	3,560,229	4,396,670
Deferred revenue	<u>229,167</u>	<u>229,167</u>
Total current liabilities payable from restricted assets	<u>9,659,340</u>	<u>14,122,831</u>
<b>LONG-TERM DEBT due after one year (note E)</b>		
Revenue bonds payable	313,915,362	317,307,715
Due to governmental agencies	223,602,454	196,557,881
Settlement payable - net of discount (note K)	<u>5,547,503</u>	<u>-</u>
Total long-term debt	<u>543,065,319</u>	<u>513,865,596</u>
Total liabilities	<u>553,441,008</u>	<u>528,644,498</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	89,574,116	93,077,307
Restricted - capital projects	36,298,369	23,747,066
Restricted - operation, maintenance and administrative reserve	15,555,407	-
Unrestricted	<u>12,785,689</u>	<u>24,561,872</u>
Total net assets	<u>154,213,581</u>	<u>141,386,245</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 707,654,589</u></u>	<u><u>\$ 670,030,743</u></u>

The accompanying notes are an integral part of these general purpose financial statements.

Tampa-Hillsborough County Expressway Authority

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30,

	<u>2012</u>	<u>2011</u>
Toll revenues	<u>\$ 42,968,161</u>	<u>\$ 40,467,072</u>
Operating expenses		
Operations	4,336,193	4,000,149
Maintenance	3,430,376	3,264,975
Renewal and replacement	581,568	-
Depreciation	2,191,992	4,390,983
Other expenses	<u>513,769</u>	<u>218,436</u>
Total operating expenses	<u>11,053,898</u>	<u>11,874,543</u>
General and administrative expenses		
Payroll expense	1,720,076	1,465,042
Outside services	604,531	613,811
Occupancy and office expense	<u>383,736</u>	<u>285,276</u>
Total general and administrative expenses	<u>2,708,343</u>	<u>2,364,129</u>
Income from operations	<u>29,205,920</u>	<u>26,228,400</u>
Non-operating revenues (expenses)		
Investment income	54,888	181,006
Net increase (decrease) in the fair value of investments	38,132	(18,149)
Miscellaneous revenue	572,088	429,881
Interest expense (note B10)	<u>(17,413,695)</u>	<u>(18,863,344)</u>
Total non-operating expenses	<u>(16,748,587)</u>	<u>(18,270,606)</u>
Income before capital grants	12,457,333	7,957,794
Capital grants	<u>370,003</u>	<u>-</u>
Increase in net assets	12,827,336	7,957,794
Net assets at beginning of year	<u>141,386,245</u>	<u>133,428,451</u>
Net assets at end of year	<u>\$ 154,213,581</u>	<u>\$ 141,386,245</u>

The accompanying notes are an integral part of these general purpose financial statements.

Tampa-Hillsborough County Expressway Authority

STATEMENTS OF CASH FLOWS

For the year ended June 30,

	<u>2012</u>	<u>2011</u>
Operating activities		
Receipts from customers	\$ 41,495,882	\$ 37,857,625
Payments to suppliers	(2,794,448)	(10,000,209)
Payments to employees	<u>(1,721,010)</u>	<u>(1,473,665)</u>
Net cash provided by operating activities	<u>36,980,424</u>	<u>26,383,751</u>
Non-capital financing activities		
Miscellaneous non-operating revenue	<u>572,088</u>	<u>876,309</u>
Capital and related financing activities		
Acquisition and construction of capital assets	(42,911,163)	(12,856,115)
Proceeds from governmental advances	31,785,596	-
Repayment of governmental advances	(7,406,669)	(5,150,711)
Interest paid on revenue bonds	(15,251,843)	(16,589,750)
Payments on revenue bonds	(2,310,000)	(59,977,635)
Cash proceeds from grant	125,691	-
Payments on settlement payable	(3,000,000)	-
Proceeds from insurance settlement	<u>-</u>	<u>5,000,000</u>
Net cash used by capital and related financing activities	<u>(38,968,388)</u>	<u>(89,574,211)</u>
Investing activities		
(Purchase) sale of investments, net	(3,839,101)	63,394,580
Interest received on investments	<u>55,127</u>	<u>186,083</u>
Net cash (used) provided by investing activities	<u>(3,783,974)</u>	<u>63,580,663</u>
Net (decrease) increase in cash	(5,199,850)	1,266,512
Cash and cash equivalents at beginning of year	<u>9,608,175</u>	<u>8,341,663</u>
Cash and cash equivalents at end of year	<u>\$ 4,408,325</u>	<u>\$ 9,608,175</u>
Cash and cash equivalents - unrestricted	\$ 1,189,513	\$ 2,545,329
Cash and cash equivalents - restricted for current liabilities	<u>3,218,812</u>	<u>7,062,846</u>
Cash and cash equivalents at end of year	<u>\$ 4,408,325</u>	<u>\$ 9,608,175</u>

Tampa-Hillsborough County Expressway Authority

STATEMENTS OF CASH FLOWS - CONTINUED

For the year ended June 30,

Reconciliation of operating income to net cash provided by operating activities		
Income from operations	<u>\$ 29,205,920</u>	<u>\$ 26,228,400</u>
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	2,191,992	4,390,983
Loss on disposal of assets	-	2,036
Changes in assets and liabilities		
Accounts receivable - tolls	(1,472,309)	(2,609,447)
Other receivables	(623)	-
Due from governmental agencies	6,763,506	(1,586,917)
Accounts payable	292,872	(32,681)
Other liabilities	(934)	(8,623)
Total adjustments	<u>7,774,504</u>	<u>155,351</u>
Net cash provided by operating activities	<u>\$ 36,980,424</u>	<u>\$ 26,383,751</u>

Supplemental disclosure of non-cash capital and related financing activities

The Authority settled a dispute with a construction company during the year ended June 30, 2012. This settlement increased fixed assets and settlement payable by \$11,000,000.

The accompanying notes are an integral part of these general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A - ORGANIZATION AND REPORTING ENTITY

Tampa-Hillsborough County Expressway Authority (the "Authority") was created as a body politic, corporate, and an agency of the State of Florida, under Chapter 348, Part IV, Sections 348.50, et seq., Florida Statutes, effective July 1, 1974; it was created for the purposes of and having the power to construct, reconstruct, improve, extend, repair, maintain and operate the expressway system within Hillsborough County, Florida.

The Authority's governing body consists of a board of seven members (the "Board"). Four members are appointed by the Governor of the State of Florida, subject to confirmation by the State Senate. Serving as ex-officio members are: the Mayor of the City of Tampa, Florida (the "City"), or his/her designee; one member of the Board of County Commissioners of Hillsborough County, Florida (the "County"), selected by such board; and, the District Secretary of the Florida Department of Transportation ("FDOT") serving the district that contains the County, currently District Seven.

The Authority has been determined to be an "Independent Special District", as described in Section 189.403, Florida Statutes, and is a "Related Organization" of the State of Florida, which is referred to as the "Primary Government." The State of Florida appoints a voting majority of the board but does not have financial accountability.

The Authority is a stand-alone entity for financial reporting purposes; there are no component units included in the accompanying financial statements and the Authority is not considered a component unit of another entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Authority's significant accounting policies consistently applied in the preparation of the accompanying general purpose financial statements follows:

1. Basis of Accounting

The Authority prepares its financial statements on a Proprietary Fund basis using an Enterprise Fund to account for all activities of the Authority. An Enterprise Fund is used to account for operations that are similar to a private business enterprise in that revenues, expenses including depreciation, and changed in net assets are reported. The Authority's revenues and expenses are recognized on the accrual basis of accounting, i.e., revenues are recorded when earned and expenses are recorded when incurred.

The Authority has elected under Governmental Accounting Standards Board (GASB) Statement No. 20 to follow GASB pronouncements and non-conflicting Financial Accounting Standards Board (FASB) statements and interpretations issued prior to November 30, 1989.

2. Cash and Cash Equivalents

Cash and investments with a maturity of three months or less when purchased are considered cash equivalents.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Investments

Investments consist of deposits in investment pools and specific accounts maintained by the Florida State Board of Administration, Treasurer of the State of Florida and commercial banks.

4. Accounts Receivable

On September 17, 2010 the Authority converted the Selmon Expressway to all electronic tolling. Tolls are collected through the use of either SunPass or Video Toll Collection (VTC). VTC utilizes cameras to record license plate images and a bill for the tolls is sent to the registered owner of the vehicle. The unpaid tolls are recorded as an accounts receivable.

The Authority records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at June 30, 2012 and 2011 are shown net of allowances for doubtful accounts. The Authority has set their allowance for doubtful accounts at approximately \$2,613,000 and \$1,118,000 at June 30, 2012 and 2011, respectively.

5. Debt Service Payments

Debt service payments, principal and interest, are recorded at the time funds are disbursed to the paying agent. Funds disbursed to the paying agent are no longer under the control of the Authority and cannot be retrieved by the Authority. Principal payments are due on July 1 of each year. Interest payments are due on each January 1 and July 1. In effect, debt service payments of principal and interest due on July 1 are recorded at the end of the fiscal period, payment of the principal and interest by the paying agent takes place on the first day of the next fiscal period.

6. Retainage Payable

Retainage payable represents amounts billed to the Authority by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by the Authority.

7. Bond Discount and Cost of Issuance

Bond discounts are recorded as a reduction of bonds payable and amortized over the life of the related bond issued, which approximates the effective interest method. The cost of issuance was recorded on the statement of net assets, and will be amortized over the life of the related bond.

8. Construction in Progress

Costs associated with the construction of new infrastructure assets or betterments of existing infrastructure assets are recorded as construction in progress. Upon completion of construction or betterment of an asset, the construction in progress account is closed to the infrastructure asset account.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Property and Equipment

Infrastructure assets, roadways and bridges, are recorded at historical cost, including the costs of right of way, engineering fees, and construction cost. Furniture and equipment, including toll collection equipment, are recorded at historical cost plus the cost of installation for toll collection equipment. The Authority capitalizes asset acquisitions over \$5,000.

10. Depreciation

Depreciation of toll equipment, buildings, toll facilities, and furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	36 years
Electronic toll collection equipment	5 - 10 years
Furniture and equipment	5 years
Computers and software	3 years

The preservation method of accounting is used for infrastructure assets; roads, bridges and other highway improvements with indefinite lives. It is the policy of the Authority that all necessary actions will be taken to ensure that its infrastructure assets will be maintained, repaired, renewed and, when needed, replaced so as to last indefinitely. Depreciation is not recorded as long as the infrastructure assets are maintained at the level established by the Authority. In the event the infrastructure assets of the expressway system fall below acceptable standards of condition established by the policy, a special "contra asset" account will be established against the capital asset that was determined to be deficient in an amount equal to the cost required to restore the asset to an acceptable standard. The Authority's consulting engineer is required to provide a cost estimate of the amount required to bring the asset up to the established standard. Routine maintenance costs and renewal and replacement costs, since they are needed to preserve the value of existing infrastructure assets, are expensed annually. This treatment is consistent with practices of other similar entities within the toll bridge, turnpike and tunnel industry.

11. Capitalized Interest

Interest costs on funds borrowed to finance the construction of property and equipment during the period of construction, net of interest income, are capitalized and, if the related asset is a depreciable asset, depreciated over the life of the asset. There were no interest costs capitalized for the years ended June 30, 2012 and 2011, respectively.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Deferred Losses on Refunding of Debt

In accordance with GAAP, losses incurred on proprietary fund debt refunding are deferred and amortized. The amount deferred is reported as a component of the debt liability and is deducted from long-term bonds payable. The amount amortized, using the effective interest method, is reported as a component of interest expense.

The amortization period of deferred refunding losses, is the remaining life of the old debt or the life of the new debt, whichever is shorter.

13. Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources when they are needed.

14. Estimates

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

15. Operating Revenues and Expenses

The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operations and maintenance of the Expressway System. All other revenues and expenses are reported as non-operating revenues and expenses.

16. Budgets and Budgetary Accounting

The Authority follows the following procedures in establishing budgetary data:

The Authority's operating budget is recommended by the Finance and Budget Committee of the Authority's governing board. The budget is typically based on the previous year's budget plus an adjustment for inflation. The budget is then approved by the Authority's governing board.

Any operations and maintenance costs, and renewal and replacement costs of the Expressway System, paid by the Florida Department of Transportation ( the "Department") under the LPA, are budgeted through the State of Florida planning and budgeting process in accordance with Chapter 216, Florida Statutes. Annually, by September 1<sup>st</sup>, the Department submits a legislative budget request for the upcoming fiscal year.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the Department submits a five-year tentative work program no later than 14 days after the regular legislative session begins, in accordance with Section 339.135, Florida Statutes. Such department costs associated with the Expressway System are reimbursable by the Authority, subordinate to the debt service on the Bonds under the Resolution and the Agreement.

The Authority's capital improvement projects budget is recommended by the Finance and Budget Committee of the Authority's governing board, based on the first year of the submitted five-year capital projects program.

17. Reclassifications

Certain accounts in the 2012 financial statements have been reclassified for comparative purpose to conform to the presentation in the 2011 financial statements.

NOTE C - CASH AND INVESTMENTS

The total carrying amounts of the Authority's cash and investments (unrestricted and restricted) was \$27,505,541 and \$28,886,469 with a fair value of \$27,579,896 and \$28,902,513 at June 30, 2012 and 2011, respectively. Cash consists of deposits with the Florida State Treasurer, the Florida State Board of Administration (FSBA) and commercial banks. Investments are carried at cost and reported at fair value in the accompanying financial statements.

Deposits are maintained with commercial banks that are organized under the laws of the United States of America or the State of Florida, and are insured by the Federal Deposit Insurance Corporation to legal limits. Security for deposits in excess of insured levels is provided by the requirements of the "Florida Security for Public Deposits Act", Chapter 280, Florida Statutes. In accordance with these statutes, qualified public 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.

The following is the percent of any issuer with whom the Authority had invested more than 5% of the Authority's total portfolio as of June 2012 and 2011:

<b>Issuer</b>	<b>2012</b>	<b>2011</b>
State Treasury	19.04%	19.06%
Federated Treasury obligations	23.06%	39.03%
Florida State Board of Administration	14.22%	41.92%
Morgan Stanley Institutional Liquidation	43.68%	0.00%

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE C - CASH AND INVESTMENTS - Continued

Section 218.415, Florida Statutes, authorizes the Authority to invest surplus funds in the following:

- a. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statutes 280.02.
- d. Direct obligations of the U.S. Treasury.

The Authority invests funds throughout the year with the Florida Local Government Surplus Funds Trust Fund Investment Pool, an investment pool administered by the Florida State Board of Administration (SBA), under the regulatory oversight of the State of Florida. The SBA met the criteria to be a 2a-7-like pool, as defined in GASB No.31. A 2a-7-Like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it should operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, the Florida Local Government Surplus Funds Trust Fund operates essentially as a money market fund. The fair value of the Authority's position in the pool is the same as the value of the pool shares. In accordance with GASB Statement No.3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, this investment does not require credit risk classification and is not rated by a nationally recognized statistical rating agency.

All investments held by the Florida State Treasury Pool at June 30, 2012 and 2011 are categorized as category 3 investments, are uninsured and unregistered, and are held by the Authority's custodian but not in the Authority's name. The Florida State Treasury Pool is rated by Standard and Poors, which was A+f and Af at June 30, 2012 and 2011, respectively. Additionally, the effective duration of the Florida State Treasury Pool is 2.38 and 2.13 years at June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, \$9,717,680 and \$18,437,507, respectively, was collateralized by the State of Florida collateral pool, which is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if any of its member institutions fail. Required collateral is defined under Chapter 280 of the Florida Statutes, Security for Public Deposits.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE C - CASH AND INVESTMENTS - Continued

As of June 30, 2012 and 2011, other than the investments in the Florida Local Government Surplus Funds Trust Fund Investments Pool and the Florida State Treasury Pool, all of the investments are in the Authority's name.

The fair market value of cash and investments consisted of the following at June 30,:

	<u>2012</u>	<u>2011</u>
Cash on hand	\$ 201	\$ 34
Deposits with commercial banks	17,862,015	10,464,972
Cash with FSBA	2,009,940	798,187
Investments with FSBA	3,295,774	8,087,440
Investments with the State Treasurer	<u>4,411,966</u>	<u>9,551,880</u>
Total	<u>\$ 27,579,896</u>	<u>\$ 28,902,513</u>

Certain cash and investments totaling and carried at \$17,678,251 and \$18,382,696, with a fair value of \$17,678,251 and \$18,382,696 as of June 30, 2012 and 2011, respectively, are restricted as to their use by agreements or bond covenants.

NOTE D - PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Changes in property and equipment and construction in progress during the year ended June 30, 2012 consist of the following:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Assets subject to depreciation				
Buildings and improvements	\$ 10,038,723	\$ -	\$ -	\$ 10,038,723
Furniture and equipment	22,885,831	960,008	-	23,845,839
Vehicle	<u>44,472</u>	<u>-</u>	<u>-</u>	<u>44,472</u>
	32,969,026	960,008	-	33,929,034
Less accumulated depreciation	<u>(20,716,808)</u>	<u>(2,191,992)</u>	<u>-</u>	<u>(22,908,800)</u>
	12,252,218	(1,231,984)	-	11,020,234
Assets not subject to depreciation				
Infrastructure	<u>601,097,285</u>	<u>22,132,330</u>	<u>(402,769)</u>	<u>622,826,846</u>
Total property and equipment	<u>\$ 613,349,503</u>	<u>\$ 20,900,346</u>	<u>\$ (402,769)</u>	<u>\$ 633,847,080</u>
Construction in progress	<u>\$ 14,935,469</u>	<u>\$ 30,798,893</u>	<u>\$ (7,222,208)</u>	<u>\$ 38,511,154</u>

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - LONG-TERM DEBT

Long-term debt consists of revenue bonds payable and amounts due to other governmental entities, as follows:

1. Revenue Bonds Payable

The Division of Bond Finance issued \$88,075,000 and \$326,625,000 State of Florida Tampa-Hillsborough County Expressway Authority Revenue Bonds on behalf of the Authority on March 14, 2002, and July 28, 2005, respectively. The 2005 proceeds were used to pay a portion of the costs of completing the acquisition and construction of the Reversible Lanes Project, to repay interim loans from the Florida Department of Transportation - State Transportation Trust Fund of \$110 million, and to refund bonds issued in 1997.

The refunding portion of the 2005 bonds, together with other legally available moneys, will be used to refund the State of Florida, Tampa-Hillsborough County Expressway Authority Revenue Bonds, Series 1997 maturing in the years 2008 through 2027, inclusive, in the outstanding principal amount of \$112,110,000.

Bonds payable as of June 30, 2012 are as follows:

Series 2002 bonds payable	
Serial bonds due from July 1, 2003 through July 1, 2023, bearing interest from 3.25% to 5.00%	\$ 16,325,000
Term bonds due July 1, 2025, bearing interest at 5.00%	5,210,000
Term bonds due July 1, 2027, bearing interest at 5.00%	5,745,000
Term bonds due July 1, 2032, bearing interest at 5.00%	29,210,000
Term bonds due July 1, 2035, bearing interest at 5.00%	17,455,000
	<u>73,945,000</u>
Series 2005 bonds payable	
Serial bonds due from July 1, 2006 through July 1, 2035, bearing interest from 3.00% to 5.00%	212,380,000
Term bonds due July 1, 2034, bearing interest at 4.00%	35,885,000
	<u>248,265,000</u>
Total bonds payable	322,210,000
Plus unamortized premium	5,147,337
Less unamortized loss on defeasance	<u>(9,716,975)</u>
	317,640,362
Less current portion	<u>(3,725,000)</u>
Long-term portion	<u>\$ 313,915,362</u>

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - LONG-TERM DEBT - Continued

The Authority entered into an escrow deposit agreement during January 2011 to defease all of the 2002 bonds maturing in the years 2011 through 2015 and all of the 2005 bonds maturing in the year 2011 and a portion of the 2005 bonds maturing in the years 2012 through 2019. The amount of the 2002 bonds and 2005 bonds which were defeased was \$3,450,000 and \$50,480,000, respectively.

The bonds are secured by and payable solely from the Pledged Funds, which consist of the revenues of the expressway system less administrative expenses.

Debt service requirements to maturity at June 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,725,000	\$ 15,136,344	\$ 18,861,344
2014	4,260,000	14,950,094	19,210,094
2015	5,915,000	14,737,094	20,652,094
2016	4,055,000	14,441,344	18,496,344
2017	7,050,000	14,244,575	21,294,575
2018 - 2022	66,110,000	63,940,407	130,050,407
2023 - 2027	94,295,000	44,137,507	138,432,507
2028 - 2032	82,030,000	23,409,831	105,439,831
2033 - 2035	<u>54,770,000</u>	<u>4,943,406</u>	<u>59,713,406</u>
	<u>\$ 322,210,000</u>	<u>\$ 209,940,602</u>	<u>\$ 532,150,602</u>

2. Defeased Debt

Pursuant to the GASB Statement No. 7, Advance Refunding Resulting in Defeasance Debt, the Authority does not report defeased/refunded bond funds on its statement of net assets.

The principal balance due on bond issues defeased as of June 30, 2012 are as follows:

Revenue Bonds, Series 2002	\$ 3,075,000
Revenue Bonds, Series 2005	<u>42,310,000</u>
	<u>\$ 45,385,000</u>

3. Debt Service Reserve Requirements

The Authority has purchased surety policies from bond insurers for all outstanding bonds. Bond covenants do not require minimum ratings for providers of surety policies.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - LONG-TERM DEBT - Continued

4. Due to Other Governmental Agencies

The Authority is indebted to other governmental entities as follows at June 30,:

	<u>2012</u>	<u>2011</u>
Due to State of Florida - FDOT	\$ 152,437,189	\$ 120,881,603
Due to State of Florida - FDOT		
State Transportation Trust Fund	13,758,945	13,758,945
State Infrastructure Bank Loan	52,989,065	55,536,386
Toll Facilities Revolving Trust Fund	7,447,403	10,477,547
Due to State Board Administration	251,400	251,487
Due to other governments	<u>278,681</u>	<u>48,583</u>
	227,162,683	200,954,551
Less current portion	<u>(3,560,229)</u>	<u>(4,396,670)</u>
	<u>\$ 223,602,454</u>	<u>\$ 196,557,881</u>

The amounts due to State of Florida - FDOT resulted from payments of operations and maintenance costs of the expressway system for the year ended June 30, 2012 and prior. The Authority entered into a Lease-Purchase Agreement with FDOT on November 18, 1997. That agreement fully superseded the Lease-Purchase Agreement covering the Hillsborough County 1971 Expressway project and the 1978 Supplemental Lease-Purchase Agreement covering the Hillsborough County 1978 Expressway project. Under Section 1.05 of the 1997 Lease-Purchase Agreement, FDOT agrees to pay, from sources other than (toll) revenues, the costs of maintenance, operations, renewals, replacement and extraordinary repairs.

The Authority is obligated under the provisions of this agreement to reimburse FDOT for both current costs and for prior costs incurred under the superseded agreements. The Authority agrees to pay FDOT \$2,569,125, \$5,276,498 and \$5,000,000 during the years ending June 30, 2015, 2016 and 2017, respectively. The Authority further agrees to pay to FDOT in twenty annual installments beginning July 1, 2025. Remaining annual payments shall be adjusted to the extent necessary to reflect additional amounts added after July 1, 2025.

The amount due State of Florida - FDOT - State Transportation Trust Fund resulted from advances made to the Authority for the purposes under Section 339.08(2)(g), Florida Statutes, as interim financing for future projects. The amount owed at June 30, 2012 and 2011 was \$12,034,945, and will be repaid from the General Reserve Fund after all other obligations of the Authority are satisfied. The Authority has also negotiated a \$1.724 million interest free loan which is payable after all other obligations have been satisfied at June 30, 2012 and 2011.

Due to State of Florida - FDOT - State Infrastructure Bank Loan ("SIB Loan"), pursuant to Section 339.55, Florida Statutes are Junior Lien obligations allowed under the resolution, having a lien on Pledged Revenues subordinate to debt service on the bonds. The principal loan balance is \$44,520,182 at June 30, 2012 and 2011.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - LONG-TERM DEBT - Continued

The SIB loan is at an interest rate of approximately 3.5%, of which \$8,468,883 and \$11,016,203 has been accrued at June 30, 2012 and 2011, respectively.

The following is a schedule of future principal maturities at June 30, 2012:

<u>Fiscal year ending June 30,</u>	
2013	\$ -
2014	-
2015	1,873,363
2016	3,382,636
2017	3,503,104
2018-2022	19,419,840
2023-2026	<u>16,341,239</u>
	44,520,182
Due within one year	<u>-</u>
	<u><u>\$ 44,520,182</u></u>

The amounts due to State of Florida - FDOT - Toll Facilities Revolving Trust Fund consist of advances made to the Authority for the purposes authorized under Section 338.251, Florida Statutes, and Chapter 14-88, Florida Administrative Code, including preliminary engineering, environmental impact studies, and advance right of way acquisition.

The amounts due to State of Florida - FDOT - Toll Facilities Revolving Trust Fund are as follow at June 30, 2012:

<u>Date of Advance</u>	<u>Original Amount</u>	<u>Balance at June 30, 2012</u>
04/01	\$ 5,500,000	\$ 344,963
07/01	\$ 1,500,000	971,165
03/02	\$ 5,000,000	3,761,270
06/02	\$ 1,155,000	1,008,410
09/02	\$ 345,000	266,428
08/06	\$ 1,000,000	<u>1,095,167</u>
		<u><u>\$ 7,447,403</u></u>

As provided in Section 338.251, Florida Statutes, as amended, repayments of those advances shall include interest accruing (earned) by the Authority from investments of advances, which requires repayment to begin no later than seven (7) years after the date of the advance, provided repayment shall be completed no later than twelve (12) years from date of the advance.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE E - LONG-TERM DEBT - Continued

The following is a schedule of future principal maturities, as agreed upon with the Trustee, of the above advances and related accrued interest payable:

<u>Fiscal year ending June 30,</u>	
2013	\$ 3,030,145
2014	3,504,618
2015	182,528
2016	182,528
2017	182,528
Thereafter	<u>365,056</u>
	7,447,403
Due within one year	<u>3,030,145</u>
Long-term debt	<u>\$ 4,417,258</u>

The following is long-term debt activity for the year ended June 30, 2012:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>	<u>Due within one year</u>
<b>Revenue bonds</b>					
Series 2002	\$ 73,945,000	\$ -	\$ -	\$ 73,945,000	\$ -
Series 2005	250,575,000	-	(2,310,000)	248,265,000	3,725,000
	<u>324,520,000</u>	<u>-</u>	<u>(2,310,000)</u>	<u>322,210,000</u>	<u>3,725,000</u>
Add unamortized bond premium	5,370,685	-	(223,348)	5,147,337	
Less unamortized loss on defeased bonds	<u>(10,272,970)</u>	<u>-</u>	<u>555,995</u>	<u>(9,716,975)</u>	<u>-</u>
Revenue bonds payable - net of current portion	<u>319,617,715</u>	<u>-</u>	<u>(1,977,353)</u>	<u>317,640,362</u>	<u>3,725,000</u>
<b>Due to other governments</b>					
FDOT - Long Term Debt	120,881,603	35,624,115	(4,068,529)	152,437,189	-
State Transportation Trust Fund Loan	13,758,945	-	-	13,758,945	-
State Infrastructure Bank Loan #AK339	44,531,941	1,457,137	(3,876,525)	42,112,553	-
State Infrastructure Bank Loan #AM124	11,004,444	372,066	(500,000)	10,876,510	-
Toll Facilities Revolving Trust Fund	10,477,547	-	(3,030,145)	7,447,402	3,030,145
Other due to governments	300,071	230,013	-	530,084	530,084
Total due to other governments	<u>200,954,551</u>	<u>37,683,331</u>	<u>(11,475,199)</u>	<u>227,162,683</u>	<u>3,560,229</u>
<b>Settlement Payable</b>	<u>-</u>	<u>9,967,440</u>	<u>(3,000,000)</u>	<u>6,967,440</u>	<u>1,419,937</u>
Total Long Term Debt	<u>\$ 520,572,266</u>	<u>\$ 47,650,771</u>	<u>\$ (16,452,552)</u>	<u>\$ 551,770,485</u>	<u>\$ 8,705,166</u>

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE F - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick leave, which will be paid to employees as of the statement of net assets date, or upon retirement from the Authority. The liability for unpaid compensated absences was \$160,877 and \$189,021 at June 30, 2012 and 2011, respectively.

NOTE G - RETIREMENT PLAN

All permanent employees of the Authority participate in the State of Florida Retirement System (the "FRS"), a multiple-employer cost sharing defined benefit retirement plan or defined contribution retirement plan, administered by the Florida Department of Administration, Division of Retirement. As a general rule, membership in the FRS is compulsory for all employees working in a regular 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. Employees are classified in either the regular service class or the senior management service class ("SMSC"). The senior management service class is for members who fill the senior level management positions.

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 Legislature.

Employees may participate in the Public Employee Optional Retirement Program (the "Investment Plan"), a defined contribution retirement program, in lieu of participation in the defined benefit retirement plan ("Pension Plan"). If the Investment Plan is elected, active membership in the defined benefit retirement plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration. The contribution rates for the years ended June 30, 2012 and 2011 were 4.91% and 10.77%, respectively, for regular class and 6.27% and 14.57% for senior management class, respectively. The total contributions for employees covered by the Pension Plan for the years ended June 30, 2012 and 2011 was \$115,972 and \$173,820, respectively.

For employees in the Pension Plan, benefits are computed on the basis of age, average final compensation and service credit. Regular class and senior management class employees who retire at or after age 62 with at least six years of credited service or 20 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% and 2% respectively, of their final average compensation for each year of credited service. Vested employees with less than 30 years of service may retire before age 62 and receive a reduce retirement benefits. A post-retirement health insurance subsidy is also provided to eligible retired employees through the FRS defined benefit in accordance with Florida Statutes.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE G - RETIREMENT PLAN – Continued

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System 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.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS.

The latest version available report may be obtained by writing to the Department of Management Services, Office of the Secretary, 4050 Esplanade Way, Tallahassee, Florida 32399-0950 or from the website: [www.dms.myflorida.com/human\\_resource\\_support/retirement](http://www.dms.myflorida.com/human_resource_support/retirement).

The Authority also participates in a Deferred Compensation plan (the "Plan") for public employees of the State of Florida, under Section 457 of the Internal Revenue Code, covering substantially all of its employees. The Authority's contributions to the Plan are based upon the employee's salaries. Contributions of \$43,306 and \$43,996 were made to the Plan for the year ended June 30, 2012 and 2011, respectively.

The Authority participates in the postemployment benefit plan administered by Hillsborough County, Florida (the “County”). Information related to the County OPEB plan follows:

In accordance with GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, the County expenses 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.

OPEB Plan Description. The County provides the following health-related benefits to retirees and certain other employees: (a) The County is required by Florida Statute 112.0801 to allow retirees and certain other former employees to buy healthcare coverage at the same “group insurance rates” that current employees are charged. Although retirees pay for healthcare at group rates, they are receiving a valuable benefit because they can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket.

The availability of this lower cost health insurance represents an “implicit subsidy” for retirees. (b) The County offers a monthly stipend of \$5 for each year of service up to a maximum benefit of \$150 per month. The stipend is payable to regular retired employees from ages 62 to 65 and to special risk retired employees from ages 55 to 65. The stipend is to be used to offset the cost of health insurance.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE G - RETIREMENT PLAN – Continued

Although the implicit subsidy is required by state law when healthcare is offered as an employee benefit, the stipend may be cancelled at any time. The OPEB plan does not issue a stand-alone financial report; its financial activity is included in the financial activity of the County.

The Authority's share of the other post-employment benefits liability for the years ended June 30, 2012 and 2011 was \$0.

NOTE H - EMPLOYEE SEVERANCE

The Authority's personnel policies and procedures manual provide unclassified managerial, administrative and unclassified executive management positions a severance benefit upon termination without cause. The number of months of severance pay ranges from three to twelve.

NOTE I - CONTRACTUAL OBLIGATIONS

Consulting Contracts

The Authority has entered into contracts with consultants for design, engineering, technology, construction and other services. The committed, but unspent balances of these contracts were \$4,072,788 and \$4,686,239 as of June 30, 2012 and 2011, respectively.

NOTE J - CURRENT LEASE AGREEMENT WITH TENANT

The Authority leases certain office space and property to tenants which expire in various years through 2034. The approximate future minimum rentals, including renewal options, to be received under these non-cancelable operating leases are as follows:

2013	\$ 258,080
2014	258,080
2015	258,080
2016	266,413
2017	358,080
Thereafter	<u>1,447,593</u>
	<u>\$2,846,326</u>

NOTE K - CONTINGENCIES

1. General

Various suits and claims, arising in the ordinary course of the Authority's operations, are pending against the Authority. The ultimate effect of such litigation cannot be ascertained at this time.

Tampa-Hillsborough County Expressway Authority

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE K - CONTINGENCIES - Continued

In the opinion of Authority management, based on advice from legal counsel, the liabilities which may arise from such action would not result in losses that would materially affect the financial position of the Authority or the results of its operations, except as noted in Note K2, *Settlement Payable*.

2. Settlement Payable

The Authority and PCL settled a dispute arising out of the Reversible Express Lane Project during the year ended June 30, 2012. The parties settled in January of 2012, with a final agreement that the Authority would pay \$11 million between March 2012 and December 2016 to PCL. As of June 30, 2012, \$3 million has been paid, leaving \$8,000,000 owed, less a present value discount of \$1,032,560. The following is the schedule of principal and interest payments required to be made as of June 30, 2012:

<u>Fiscal year ending June 30,</u>	
2013	\$ 1,500,000
2014	2,000,000
2015	1,000,000
2016	2,000,000
2017	<u>1,500,000</u>
	8,000,000
Present value discount	<u>(1,032,560)</u>
	6,967,440
Less current portion	<u>(1,419,937)</u>
	<u>\$ 5,547,503</u>

NOTE L – RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and mutual disasters for which the Authority purchased commercial insurance.

NOTE M - SUBSEQUENT EVENTS

The Authority has evaluated events and transactions occurring subsequent to June 30, 2012 as of November 5, 2012 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Tampa-Hillsborough County Expressway Authority

TREND DATA ON INFRASTRUCTURE CONDITION

June 30, 2012

The Authority has elected to use the Modified Approach to account for maintenance of its infrastructure assets. The Florida Department of Transportation (the "FDOT") annually inspects the Authority's roadways. The FDOT utilizes the Maintenance Rating Program ("MRP") to assess the condition of the Expressway System. Copies of the MRP manual may be obtained from the State Maintenance Office, 605 Suwannee Street, Mail Station 52, Tallahassee, FL 32399-0450. The MRP manual provides a uniform evaluation system for maintenance features of the State Highway System. The roadways are rated on a 100-point scale, with 100 meaning that every aspect of the roadway is in new and perfect condition. The Authority's system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual and mechanical tests designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority's policy is to maintain the roadway condition at a MRP rating of 80 or better.

The results of the last three inspections are as follows:

<u>Evaluation Period Fiscal Year</u>	<u>Rating</u>
2012	94%
2011	92%
2010	92%

The budget-to-actual expenditures for preservation for the past five years are as follows:

<u>Fiscal Year</u>	<u>Budget</u>	<u>Actual</u>
2012	\$ 3,438,094	\$3,430,376
2011	\$ 3,465,479	\$3,264,975
2010	\$ 3,606,635	\$3,474,836
2009	\$ 3,643,922	\$3,914,238
2008	\$ 2,714,159	\$2,509,339

Tampa-Hillsborough County Expressway Authority

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the year ended June 30, 2012

State Grantor/Project Title	State CSFA#	Contract Number	Expenditures or Loan
<b>Florida Department of Transportation</b>			
Toll Facilities Revolving Trust Fund Loan	55.019	AG978	\$ 5,381,072
Toll Facilities Revolving Trust Fund Loan	55.019	AK354	971,165
Toll Facilities Revolving Trust Fund Loan	55.019	AOE78	1,095,166
			<u>7,447,403</u>
State Infrastructure Bank Loan	55.020	AK339	42,112,553
State Infrastructure Bank Loan	55.020	AM124	10,876,512
			<u>52,989,065</u>
State Transportation Trust Fund Loan	none	40850715801	12,034,945
State Transportation Trust Fund Loan	none	40470415802	1,724,000
			<u>13,758,945</u>
Bus Toll Lane Study Grant Analysis	20.205	AQ927	<u>370,003</u>
Total			<u><u>\$ 74,565,416</u></u>

The accompanying notes are an integral part of this schedule.

Tampa-Hillsborough County Expressway Authority

NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE

June 30, 2012

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Florida Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

NOTE B - CONTINGENCIES

These state projects are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the Authority's continued participation in specific projects. The amount, in any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Authority expects such amounts, if any to be immaterial.

NOTE C - SUBRECIPIENTS

Of the state expenditures presented in this schedule, the Authority did not provide state awards to subrecipients.

NOTE D - LOANS

As required by rule 27D-1.002 of the Florida Single Audit Act, all loan balances subject to the Florida Single Audit Act are required to be presented on the Schedule of Expenditures of State Financial Assistance. The Authority has not expended all loan proceeds as of June 30, 2012.

## REGULATORY REPORTS



**RIVERO, GORDIMER & COMPANY, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Member  
American Institute of Certified Public Accountants  
Florida Institute of Certified Public Accountants  
Cesar J. Rivero Sam A. Lazzara  
Herman V. Lazzara Stephen G. Douglas  
Marc D. Sasser Michael E. Helton  
Richard B. Gordimer, of Counsel

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

Distinguished Members of the Authority  
Tampa-Hillsborough County Expressway Authority

We have audited the financial statements of the Tampa-Hillsborough County Expressway Authority (the "Authority") as of and for the year ended June 30, 2012, and have issued our report thereon, dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

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

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of management, the members of the Board of the Authority, others within the entity, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bucio, Gordon & Company, P.A.*

Tampa, Florida  
November 5, 2012



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR STATE PROJECT AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

Distinguished Members of the Authority  
Tampa-Hillsborough County Expressway Authority

Compliance

We have audited the compliance of Tampa-Hillsborough County Expressway Authority (the "Authority") with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Authority's major state projects for the year ended June 30, 2012. The Authority's major state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Tampa-Hillsborough County Expressway Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2012.

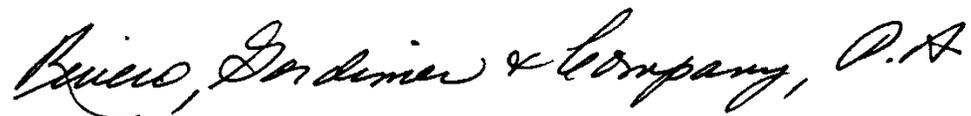
## Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Members of the Board of the Authority, others within the entity, and the State of Florida, and should not be used by anyone other than these specified parties.



Tampa, Florida  
November 5, 2012

Tampa-Hillsborough County Expressway Authority  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2012

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued Unqualified

Internal control over financial reporting

    Material weakness(es) identified?      yes   X   no

    Significant deficiency(ies) identified?      yes   X   none reported

Noncompliance material to financial statements noted?      yes   X   no

**State Projects**

Internal control over major projects

    Material weakness(es) identified?      yes   X   no

    Significant deficiency(ies) identified?      yes   X   none reported

Type of auditors' report issued on compliance for major projects Unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*?      yes   X   no

Identification of major programs:

CFSA Number	Name of Federal Program
55.019	Toll Facilities Revolving Trust Fund Loan
55.020	State Infrastructure Bank Loan
None	State Transportation Trust Fund Loan

Dollar threshold used to distinguish between type A and type B programs \$ 2,236,962

**Section II - Financial Statement Findings**

NO MATTERS TO REPORT

**Section III - Federal Award Findings and Questioned Costs**

NO MATTERS TO REPORT

**Section IV - Other Issues**

No summary schedule of prior year audit findings is presented because there were no prior year audit findings related to state projects.



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

Distinguished Members of the Authority  
Tampa-Hillsborough County Expressway Authority

We have audited the general purpose financial statements of the Tampa-Hillsborough County Expressway Authority (the "Authority") whose headquarters is located in Tampa, Florida, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon, dated November 5, 2012.

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 of America and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report On Compliance With Requirements that Could Have a Direct and Material Effect on Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550, *Rules Of The Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 5, 2012, should be considered in conjunction with this management letter.

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

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. There are no inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations and contractual provisions disclosed in the preceding annual report.

Section 10.554(1)(i)2., the *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., *Rules of the Auditor General* requires that we address in the management letter any findings and recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provision 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General* provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554 (1)(i)6., *Rules of the Auditor General* also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The required information is disclosed in the Notes to General Purpose Financial Statements (see Note A - Organization and Reporting Entity), page 17.

Section 10.554(1)(i)7.a, *Rules of the Auditor General* requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.554(1)(i)7.b., *Rules of the Auditor General* requires that we determined that the annual financial report for the Authority for the fiscal year ended June 30, 2012, 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 June 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c., and 10.556(7), *Rules of the Auditor General* requires that we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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



Tampa, Florida  
November 5, 2012