

LAKELAND AREA MASS TRANSIT DISTRICT (LAMTD)

Office of Purchasing and Contracts
P.O. Box 1687, Lakeland Florida 33802

AMENDMENT OF SOLICITATION

1. SOLICITATION No. 14-005	2. AMENDMENT No. 3	3. EFFECTIVE DATE: 06/23/2014
4. ISSUED BY: Lisa Harris, Contracts Specialist Direct Dial: (863) 327-1314 Email: LHarris@ridecitrus.com		5. NUMBER OF PAGES: 22
6. REVISED SUBMISSION DUE DATE AND TIME: The submission due date and time is changed as follows: DATE AND TIME: No Change		
7. AMENDMENT OF SOLICITATION: The solicitation identified in Block 1, is hereby amended as described in Block 10. Except as provided herein, all other provisions of the solicitation, as hereto amended, shall remain unchanged and in full force and effect.		
8. REQUIREMENT TO ACKNOWLEDGE AMENDMENT: Failure of an offeror to acknowledge receipt of this amendment may result in offer rejection. Offeror must acknowledge receipt of this amendment prior to the deadline specified in the solicitation for receipt of offers and by one of the following methods: A. By signing Block 9 and returning this amendment to the District with your Proposal; B. By separate letter or e-mail which includes a reference to this solicitation and amendment numbers.		
9. OFFEROR'S ACKNOWLEDGEMENT OF AMENDEMENT: Name & Title: _____ Signature: _____ Offeror: _____ Date: ____/____/____		
10. DESCRIPTION OF AMENDMENT: The following modifications are hereby made to the solicitation document: A. As indicated in Block 6 above, the Offer Submission Due Date and Time has not changed: B. Attached to this amendment are Questions and Clarification. Responses to questions are provided as a courtesy and do not "modify" the solicitation. C. There are no changes to the solicitation as referenced in paragraph A and B. <p style="text-align: center;">[END]</p>		

RFP 14-005 External Auditing Services

Questions and Clarifications

June 23, 2014

1. Question: Would you please forward your most recent Polk Transit audit?

Response: The 2012 audit can be found as Amendment 3 - Exhibit B.

Amendment 3 to RFP 14-005 - Exhibit B
2012 Audited Financial Statement

POLK TRANSIT AUTHORITY
Polk County, Florida

FINANCIAL STATEMENTS
September 30, 2012 and 2011

POLK TRANSIT AUTHORITY
Polk County, Florida

FINANCIAL STATEMENTS
September 30, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Polk Transit Authority
Lakeland, Florida

We have audited the accompanying financial statements of the business-type activities of the Polk Transit Authority (“PTA”) as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the PTA’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the PTA as of September 30, 2012 and 2011, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013 on our consideration of the PTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

(Continued)

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Crowe Horwath LLP
Crowe Horwath LLP

Lakeland, Florida
May 15, 2013

POLK TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012 and 2011

The Polk Transit Authority's ("PTA") Management Discussion and Analysis (MD&A) provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts for the fiscal years ended on September 30, 2012 and 2011. Please read it in conjunction with the accompanying presented financial statements.

Financial Highlights

- The PTA is a special taxing district created by Florida Statute. The PTA was awarded a Section 5317 Job Access and Reverse Commute ("JARC") grant in 2010 for the operation of one fixed-route in the Winter Haven service area. The PTA contracted with the Lakeland Area Mass Transit District ("District") to operate the route, collect fares, and provide all services. This service continued in fiscal 2012.

- The PTA received limited initial funding in fiscal 2009 to commence certain start-up activities.

Property and Equipment

Because the PTA contracts for service through the Lakeland Area Mass Transit District ("District"), the capital assets are limited in scope and dollar value.

Operating Revenues

The PTA had no operating revenues for fiscal years 2012 or 2011.

Operating Expenses

Because the PTA does not directly operate service, no salaries / wages expense was incurred in fiscal 2012. All PTA efforts are accomplished through in-kind contributions from the staff of the District, the Polk County Board of County Commissioners, and the Polk Transportation Planning Organization.

The professional services expense consists primarily of costs associated with the annual audit, and the cost of service contracted through the District for the operation of one fixed route in the Winter Haven area.

Non-operating Revenues and Expenses and Capital Contributions

In fiscal 2012, the PTA recognized \$248,207 in grant revenue, and \$11,332 in pre-operational government support. In fiscal 2011, the PTA recognized \$27,687 in grant revenue, and \$33,712 in pre-operational government support. The PTA had non-operating revenues for 2010 of \$25,829, consisting of in-kind contributions from the District. In 2009, the PTA recognized \$425,000 in revenues. This revenue consisted of funding that was provided by the Polk County Board of County Commissioners. Since the PTA does not yet have a dedicated funding source, this revenue was intended to cover the initial start-up costs of the organization.

The PTA had no non-operating expenses for 2010, 2011, or 2012.

There were no capital contributions for 2010, 2011, or 2012.

(Continued)

POLK TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012 and 2011

Required Financial Statements

The financial statements of the PTA offer financial information about its activities.

The statements of net assets includes all of the PTA's assets and liabilities, which provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the performance of the PTA operation over the past year.

These two statements report the net assets of the Authority and changes in them. You can think of the PTA's net assets – the difference between assets and liabilities – as one way to measure 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, because the Authority currently lacks a dedicated funding source, the ability of the Authority to earn revenue is limited. As such, the Authority will continue to experience deterioration in its financial condition until such time that funding is secured.

The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the PTA's cash receipts and cash payments during the fiscal year.

Net Assets

Table A - 1
Summary of Net Assets (Balance Sheet)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 285,455	\$ 171,283	\$ 225,738
Noncurrent assets:			
Capital assets, net	<u>-</u>	<u>-</u>	<u>278</u>
Total assets	<u>285,455</u>	<u>171,283</u>	<u>226,016</u>
Current liabilities	<u>180,488</u>	<u>45,252</u>	<u>97,479</u>
Total liabilities	<u>180,488</u>	<u>45,252</u>	<u>97,479</u>
Net assets:			
Invested in capital assets	-	-	278
Unrestricted	<u>104,967</u>	<u>126,031</u>	<u>128,259</u>
Total net assets	<u>\$ 104,967</u>	<u>\$ 126,031</u>	<u>\$ 128,537</u>

(Continued)

POLK TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012 and 2011

Table A - 2
Summary of Statement of Revenues, Expenses and Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total operating expenses	\$ <u>280,603</u>	\$ <u>63,905</u>	\$ <u>244,599</u>
Operating loss	<u>(280,603)</u>	<u>(63,905)</u>	<u>(244,599)</u>
Total non-operating revenues	<u>259,539</u>	<u>61,399</u>	<u>25,829</u>
Change in net assets	(21,064)	(2,506)	(218,770)
Net assets, beginning	<u>126,031</u>	<u>128,537</u>	<u>347,307</u>
Net assets, ending	\$ <u><u>104,967</u></u>	\$ <u><u>126,031</u></u>	\$ <u><u>128,537</u></u>

Financial Plan

The PTA was formed in 2007 by Florida Statute to act as the single provider of public mass transit in Polk County, Florida. Currently, fixed-route service exists in and around Lakeland and Winter Haven only, with complementary paratransit service being provided in these areas. Medicaid and Transportation-Disadvantaged transit services are provided throughout the county. Currently, mass transit service in Polk County is being provided by the Lakeland Area Mass Transit District, the Winter Haven Area Transit, and the Polk County Transit Services.

The PTA received initial funding in the amount of \$425,000 from the Polk County Board of County Commissioners, and \$25,000 from the District. This funding was used to develop a master strategic plan and a public communications program for the PTA. A comprehensive operational analysis was independently prepared for the PTA by the Center for Urban Transportation Research at the University of South Florida.

The enabling legislation for the PTA allows for the levying and collection of a tax to provide county-wide transit service. A ballot measure was placed on the November 2010 general election that would have imposed a half-cent sales surtax in Polk County, which would have provided a dedicated funding base for the Authority.

Because the ballot measure was not successful, the PTA is currently measuring the level of need for, and support of, a county-wide mass transit system in order to determine the most appropriate course of action for the entity. In that regard, the PTA is currently working with partner agencies to outline a strategy to provide the identified mass transit needs within the county, and to identify a range of funding possibilities.

Additionally, PTA is coordinating efforts between the District, Polk County Board of County Commissioners and Polk County Transit Services to implement a consolidated operations and customer service call center in Bartow, Florida. This initiative is being funded by the Federal Transit Administration through a Veterans Transportation and Community Living Initiative grant that was awarded to Polk County. This consolidated operational center is scheduled to open in June 2013. This initiative can be considered the first step in the ultimate merging of the entities under the umbrella of the PTA.

(Continued)

POLK TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012 and 2011

Requests for Information

This financial report is designed to provide a general overview of Polk Transit Authority's finances and to demonstrate the PTA's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Polk Transit Authority, 1212 George Jenkins Blvd, Lakeland, Florida, 33815.

POLK TRANSIT AUTHORITY
STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 9,561	\$ 143,596
Due from other governments	<u>275,894</u>	<u>27,687</u>
Total current assets	285,455	171,283
PROPERTY AND EQUIPMENT:		
Office furnishings and equipment	835	835
Less accumulated depreciation	<u>(835)</u>	<u>(835)</u>
Net property and equipment	<u>-</u>	<u>-</u>
Total assets	285,455	171,283
LIABILITIES		
Accrued liabilities	<u>180,488</u>	<u>45,252</u>
Total current liabilities	180,488	45,252
Total liabilities	<u>180,488</u>	<u>45,252</u>
NET ASSETS		
Invested in capital assets	-	-
Unrestricted	<u>104,967</u>	<u>126,031</u>
Total net assets	<u>\$ 104,967</u>	<u>\$ 126,031</u>

See accompanying notes to financial statements.

POLK TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating expenses		
Depreciation	\$ -	\$ 278
Professional services	278,802	60,803
Office expense	1,801	2,611
Travel and meetings	-	213
Total non-operating expenses	<u>280,603</u>	<u>63,905</u>
Operating Loss	(280,603)	(63,905)
Non-Operating revenues (expenses)		
Federal and state operating grants	248,207	27,687
Pre-operational government support	11,332	33,712
Total non-operating revenues	<u>259,539</u>	<u>61,399</u>
Change in net assets	(21,064)	(2,506)
Net assets at beginning of year	<u>126,031</u>	<u>128,537</u>
Net assets at end of year	<u>\$ 104,967</u>	<u>\$ 126,031</u>

See accompanying notes to financial statements.

POLK TRANSIT AUTHORITY
 STATEMENTS OF CASH FLOWS
 Years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash paid for operating goods and services	\$ (134,035)	\$ (107,142)
Net cash used in operating activities	(134,035)	(107,142)
 Cash flows from noncapital financing activities		
Proceeds from other governments	-	25,000
Net cash provided by noncapital financing activities	-	25,000
 Net change in cash and cash equivalents	(134,035)	(82,142)
 Cash at beginning of year	143,596	225,738
 Cash and cash equivalents at end of year	<u>\$ 9,561</u>	<u>\$ 143,596</u>
 Classified in statements of net assets as		
Current assets	<u>\$ 9,561</u>	<u>\$ 143,596</u>
 Reconciliation of operating loss to net cash used in operating activities		
Net loss	\$ (280,603)	\$ (63,905)
Adjustments to net operating loss to net cash used in operating activities		
Depreciation	-	278
In-kind service	11,332	8,712
Increase (decrease) in accrued liabilities	135,236	(52,227)
 Cash flows from operating activities	<u>\$ (134,035)</u>	<u>\$ (107,143)</u>

See accompanying notes to financial statements.

POLK TRANSIT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Polk Transit Authority ("PTA") was created by Florida Statute, Chapter 2007-275, Substitute for House Bill No. 777. It is a special taxing district created for the purpose of operating a public mass transit system in Polk County.

The accounting policies of the PTA conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The summary of significant accounting policies is presented to assist the reader with interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

The PTA is accounted for as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. PTA received a grant to provide route service; however, PTA contracted with the District to operate the routes, collect fares, and provide all services of the route.

There are no component units of the PTA. The PTA is not included as a component unit in any other government entity's annual financial report.

The PTA uses the accrual basis of accounting. Basis of accounting refers to when revenues and expenses 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. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The PTA has adopted the uniform system of accounts prescribed by the Federal Transit Administration, U.S. Department of Transportation.

The PTA has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, however, the PTA continues to follow GASB Statements and Interpretations.

The significant accounting policies followed are described below.

Cash and Cash Equivalents: The amounts reported consist only of cash held in a Qualified Public Depository account.

Due from other Governments: Due from other governments represents amounts due to PTA from the Florida Department of Transportation under an expenditure-driven grant agreement.

Property and Equipment: Property and equipment acquired by the PTA are recorded at historical cost. Property and equipment purchased with an original value of \$500 or more is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Office furnishings and equipment	3 - 15 years
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Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in operations.

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

(Continued)

POLK TRANSIT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Invested in Capital Assets: This category consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Management Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Non-Operating Revenues (Expenses): The PTA classifies revenues and expenses as operating and non-operating. At this time, the PTA does not currently operate any services; therefore, all current revenues are classified as non-operating; however, all expenses are classified as operating.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of September 30, 2012 and 2011, the carrying amounts of the PTA's deposits were \$9,561 and \$143,596, respectively; and the bank balances were \$9,561 and \$143,596, respectively, all of which was covered by Federal depository insurance.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of bank failure, the PTA's deposits may not be returned to it. Florida Statutes require deposits by governmental units in a financial institution be collateralized. The State of Florida maintains control over the collateral requirements and authorizes certain financial institutions to act as depositories for governmental units ("Qualified Public Depositories"). The PTA maintains all accounts in Qualified Public Depositories. As a result, no deposits were subject to this risk due to the collateral requirements by the state.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment and related accumulated depreciation is presented below:

	Balance				Balance
	<u>September 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>		<u>September 30, 2012</u>
Buildings	\$ -	\$ -	\$ -		\$ -
Office furnishings and equipment	835	-	-		835
Shop and support equipment	-	-	-		-
	<u>835</u>	<u>-</u>	<u>-</u>		<u>835</u>
Less accumulated depreciation	<u>835</u>	<u>-</u>	<u>-</u>		<u>835</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>

(Continued)

POLK TRANSIT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

	Balance				Balance
	September 30, 2010	Additions	Deletions		September 30, 2011
Buildings	\$ -	\$ -	\$ -		\$ -
Office furnishings and equipment	835	-	-		835
Shop and support equipment	-	-	-		-
	<u>835</u>	<u>-</u>	<u>-</u>		<u>835</u>
Less accumulated depreciation	<u>557</u>	<u>278</u>	<u>-</u>		<u>835</u>
Total capital assets, net	<u>\$ 278</u>	<u>\$ (278)</u>	<u>\$ -</u>		<u>\$ -</u>

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities for both 2012 and 2011 consist of amounts owed to the Lakeland Area Mass Transit District ("District") for expenses paid by the District on behalf of the Authority pursuant to an interlocal agreement between the parties, and for the cost of the fixed-route service in the Winter Haven area that is funded by the JARC grant.

NOTE 5 - RELATED PARTIES

The PTA has interlocal agreements with both the District and Polk County. The interlocal agreements broadly define a cooperative relationship between the Authority and the other entities to accomplish the goal of identifying the mass transit needs within the county and outlining a plan for providing the services to meet those needs. Included in the interlocal agreements are provisions that allow for shared costs to be reimbursed, responsibilities for the application and management of state and federal grants to be defined, and other provisions necessary for the eventual merging of the entities.

Additionally, the PTA entered into a Transit Operator Agreement in fiscal 2011 to provide fixed-route bus service pursuant to a Section 5317 Job Access and Reverse Commute grant that was awarded to the PTA. Under the terms of this Transit Operator Agreement, all revenues associated with this service are deemed to be the property of the District, and are used to reduce the operating cost charged to the PTA for providing the service.

As of September 30, 2012 and 2011, the amounts due to the District were \$180,488 and \$45,252 respectively. Of the \$180,488 that was due to the District in 2012, \$179,083 was attributed to the service provided under the terms of the Transit Operator Agreement.

The PTA incurred legal expenses in fiscal 2012 for various start-up activities, including the providing of general legal advice. Legal fees in the amount of \$11,332 and \$8,712 were paid by the District in fiscal years 2012 and 2011, respectively, and were not reimbursed by the PTA.

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NOTE 6 - FUTURE FUNDING

To secure adequate funding to commence providing services, the PTA requested that the Polk County Board of County Commissioners add a ballot measure to the November 2010 general election that would impose a half-cent sales surtax in Polk County, which would be remitted to the PTA. The estimated revenues from this tax would have allowed the PTA to acquire capital assets and operate sustainable services county-wide.

Because the referendum was not successful, the PTA is currently measuring the level of need and support in Polk County for a county-wide mass transit system. The PTA is also vetting the various funding options for this anticipated service. These options include the levying of an ad valorem tax, or pursuing a sales tax again in 2014.

NOTE 7 - RISK MANAGEMENT

The PTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers' compensation claims. These risks are covered by property and casualty insurance purchased from an independent third party. Settled claims from these risks have not exceeded the Authority's property and casualty coverage for the past three fiscal years.

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

Board of Directors
Polk Transit Authority
Lakeland, Florida

We have audited the financial statements of the Polk Transit Authority (“PTA”) as of September 30, 2012 and for the year then ended, and have issued our report thereon dated May 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the PTA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the PTA'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 PTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PTA'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 was not designed to identify all deficiencies in internal control over financial reporting 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 PTA'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*.

(Continued)

We noted certain matters that we reported to management of the PTA in a separate letter dated May 15, 2013.

This report is intended solely for the information and use of the Board of Directors of the PTA, management, federal and state awarding agencies, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Crowe Horwath LLP

Lakeland, Florida
May 15, 2013

Board of Directors
Polk Transit Authority
Lakeland, FL

In planning and performing our audit of the financial statements of the Polk Transit Authority (“PTA”) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered PTA’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control. Matters communicated in this letter are classified based on Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, as follows.

- Best Practice – A matter which you may find of interest.
- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

We have audited the financial statements of PTA, as of and for the year ended September 30, 2012, and have issued our report thereon dated May 15, 2013.

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. We have issued our Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters, which is dated May 15, 2013, and 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 govern 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 report:

- 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 have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Comments.

(Continued)

Board of Directors
Polk Transit Authority

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the PTA complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 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)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the PTA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the PTA for the fiscal year ended September 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 September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the PTA'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. In connection with our audit, we applied financial condition assessment procedures.
 - The PTA is currently pursuing measures to secure dedicated funding for transit operations county-wide. In the event that dedicated funding is secured, the PTA would become the operator of all transit services in Polk County, resulting in the eventual dissolution of Lakeland Area Mass Transit District.
 - The PTA referendum on the November 2010 general election ballot did not pass. The PTA is currently re-evaluating alternative possibilities for obtaining the amount of financing necessary to execute the plan that has been developed. Alternatively, or if no other feasible funding options exist, the PTA may consider again adding a ballot measure in the next general election year.

(Continued)

PRIOR YEAR COMMENTS

<u>COMMENT</u>	<u>CLASSIFICATION</u>	<u>STATUS</u>
2010-1 Bank Reconciliation	Deficiency	Implemented
2011-2 Inadequate Controls Over Grant Billings	Deficiency	Implemented.
2009-1 Entity Level Controls	Best Practice	Partially Implemented; see current year comment

CURRENT YEAR COMMENTS

2009-1 ENTITY LEVEL CONTROLS		Best Practice
Observation:	<p>We recognize that the entity is in the developmental stage and has not yet adopted any of these items but as the entity begins to more formally organize and prepare for daily operations the following documented key policies should be considered because they would be considered key items of the entity level control environment.</p> <ul style="list-style-type: none"> • Formal job descriptions for key employees • An Employee Handbook • Formal fraud risk assessment 	
Recommendation:	<p>We recommend that the organization initiate a plan to implement these items to improve the communication of policies and procedures for the entities overall control environment.</p>	
Management's Response:	<p>The PTA concurs. Because the PTA has not yet secured a dedicated funding source, the focus of the entity continues to be working toward achieving that goal. The PTA has implemented several organizational policies, including a whistleblower policy, an Equal Employment Opportunity Policy, and American's with Disabilities Act Policy, and a Harassment Policy. The PTA will strive to continue implementing organizational policies while seeking a dedicated funding source.</p>	

Management's written responses to the matters identified in our audit have not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on those responses.

This report is intended solely for the information and use of the Board of Directors of the PTA, management, federal and state awarding agencies, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

Crowe Horwath LLP
Crowe Horwath LLP

Lakeland, FL
May 15, 2013