

FINANCIAL STATEMENTS

**PENSACOLA BAY TRANSPORTATION
COMPANY, LLC**

DECEMBER 31, 2011 AND 2010

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS:	
Balance Sheets	4
Statements of Operations and Member's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14
ADDITIONAL INFORMATION:	
Schedules of Operating Expenses	16
REPORT ON AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	17 - 18
REPORTS ON AUDIT PERFORMED IN ACCORDANCE WITH RULES OF THE AUDITOR GENERAL CHAPTER 10.650:	
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 10.650 Rules of the Auditor General	19 - 20
Schedule of Expenditures of State Financial Assistance	21
Schedule of Findings and Questioned Costs - State Projects	22 - 23
Summary Schedule of Prior Audit Findings - State Projects	24

INDEPENDENT AUDITOR'S REPORT

To the Member
Pensacola Bay Transportation Company, LLC
Pensacola, Florida

We have audited the accompanying balance sheets of Pensacola Bay Transportation Company, LLC as of December 31, 2011 and 2010, and the related statements of operations and member's equity, and cash flows for the years then ended. These financial statements are the responsibility of Pensacola Bay Transportation Company, LLC'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 misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pensacola Bay Transportation Company, LLC as of December 31, 2011 and 2010, and the results of its operations 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 September 27, 2012, on our consideration of Pensacola Bay Transportation Company, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Pensacola Bay Transportation Company, LLC taken as a whole. The accompanying schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying

schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Rules of the Auditor General Chapter 10.650, Florida Single Audit Act and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brown Stanton Pearce & Company, P.A.

September 27, 2012

BALANCE SHEETS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

December 31, 2011 and 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 31,706	\$ 115,225
Accounts receivable, net of allowance for doubtful accounts of \$1,500 for 2011 and 2010	478,999	451,026
Inventory	798	886
Prepaid insurance	<u>283,728</u>	<u>187,268</u>
Total current assets	795,231	754,405
PROPERTY AND EQUIPMENT, net	118,567	84,380
OTHER ASSETS	<u>2,930</u>	<u>2,680</u>
Total assets	<u>\$ 916,728</u>	<u>\$ 841,465</u>

LIABILITIES AND MEMBER'S EQUITY

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable	\$ 253,049	\$ 142,857
Accrued liabilities	60,686	57,263
Due to affiliate	7,395	100,157
Line of credit	111,783	130,783
Notes payable - insurance	262,246	169,977
Due to member	26,600	-
Current portion of long-term debt	<u>46,011</u>	<u>33,893</u>
Total current liabilities	767,770	634,930
LONG-TERM DEBT, net	61,114	78,165
MEMBER'S EQUITY	<u>87,844</u>	<u>128,370</u>
Total liabilities and member's equity	<u>\$ 916,728</u>	<u>\$ 841,465</u>

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

STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUE	\$ 3,905,179	\$ 3,842,073
OPERATING EXPENSES	<u>3,946,563</u>	<u>3,662,720</u>
Gross profit (loss)	(41,384)	179,353
OTHER INCOME (LOSS)		
Theft loss	-	(120,010)
Gain on sale of vehicles	836	-
Interest income	<u>22</u>	<u>10</u>
	<u>858</u>	<u>(120,000)</u>
Net income (loss)	(40,526)	59,353
MEMBER'S EQUITY		
Beginning of year	<u>128,370</u>	<u>69,017</u>
End of year	<u>\$ 87,844</u>	<u>\$ 128,370</u>

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

STATEMENTS OF CASH FLOWS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

Years ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (40,526)	\$ 59,353
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	33,518	30,218
Gain on sale of vehicles	(836)	-
(Increase) decrease in operating assets:		
Accounts receivable	(27,973)	(103,859)
Inventory	88	99
Prepaid insurance	(96,460)	20,580
Other assets	(250)	1,200
Increase (decrease) in operating liabilities:		
Accounts payable	110,192	(20,341)
Accrued liabilities	3,423	2,109
Due to affiliate	(92,762)	90,284
Notes payable - insurance	92,269	(24,485)
Net cash provided (used) by operating activities	(19,317)	55,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(35,179)	(68,523)
Proceeds from sale of vehicles	1,300	-
Net cash used by investing activities	(33,879)	(68,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	32,000
Payments on long-term debt	(37,923)	(82,915)
Proceeds from member loan	26,600	-
Net proceeds from (payments on) line of credit	(19,000)	5,256
Net cash used by financing activities	(30,323)	(45,659)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(83,519)	(59,024)
CASH AND CASH EQUIVALENTS		
Beginning of year	115,225	174,249
End of year	\$ 31,706	\$ 115,225

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

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE A - NATURE OF OPERATIONS

Pensacola Bay Transportation Company, LLC (the Company) was formed on September 6, 2001, and organized as a limited liability company. The Company operates in Santa Rosa and Escambia counties of the state of Florida, and provides transportation services to the disadvantaged. The Company's operations are funded, to some extent, by state and federal grants.

The Company's member also owns the stock of Mobile Bay Transportation, Inc. Transactions with this affiliated company are described in Note G. The member is in a position to, and in the future may, influence the operating results or financial position of the Company through this affiliate. The member has no personal liability for obligations of the Company beyond the capital contributions, except for a specific guarantee explained in Note E.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - The Company prepares its financial statements using the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.
2. Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.
3. Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with an original maturity, when purchased, of three months or less to be cash equivalents.
4. Inventory - The inventory of vehicle parts and various supplies is stated at the lower of cost (first-in, first-out) or market.
5. Accounts Receivable - Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of an allowance for doubtful accounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest.

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Allowance for Doubtful Accounts - The allowance for doubtful accounts is based on historical experience, coupled with a review of the current status of existing receivables. Receivables will be charged off in the period management determines them to be uncollectible. Recoveries of receivables previously charged off are recorded as revenue when received.
7. Property and Equipment - Property and equipment are carried at cost and depreciated over their estimated useful lives. Depreciation is computed utilizing both the straight-line method and accelerated methods. The useful lives of property and equipment for purposes of computing depreciation are:

Furniture, fixtures, and office equipment	5 - 10 years
Shop equipment	5 - 7 years
Vehicles	5 years

8. Income Taxes - The Company is taxed as an S Corporation under the Internal Revenue Code and applicable state statutes. Under an S Corporation election, the income of the Company flows through to the member to be taxed at the individual level rather than the company level. Accordingly, the Company will have no tax liability (with limited exceptions) as long as the S Corporation election is in effect.

The Company believes that any tax positions that it has taken or expects to take that are more-likely-than-not suitable, as described in the FASB Accounting Standards Codification section *Accounting for Uncertainty in Income Taxes*, would not be material to the financial statements taken as a whole. Accordingly, no liability has been provided for unrecognized tax benefits, nor has any interest or penalty been accrued.

The Company's federal and state income tax returns for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

9. Compensated Absences - Employees of the Company are entitled to paid vacations, sick days, and other time off depending on job classification, length of services, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when paid to employees.

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Events Occurring After the Reporting Date - The Company has evaluated events and transactions that occurred between December 31, 2011 and September 27, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.
11. Advertising Costs - Advertising costs are expensed as incurred. Total advertising expenses were \$3,126 and \$2,535 for the years ended December 31, 2011 and 2010, respectively.
12. Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2011 and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
Furniture, fixtures and office equipment	\$ 55,658	\$ 44,029
Shop equipment	47,186	46,836
Vehicles	<u>305,465</u>	<u>268,085</u>
	408,309	358,950
Less accumulated depreciation	<u>(289,742)</u>	<u>(274,570)</u>
Property and equipment, net	<u>\$ 118,567</u>	<u>\$ 84,380</u>

Depreciation expense totaled \$33,518 and \$30,218 for the years ended December 31, 2011 and 2010, respectively.

NOTE D - LINE OF CREDIT

The Company had an available \$150,000 line of credit with a bank, which was renewed on August 12, 2011, with a due date of August 11, 2012. There was a balance of \$111,783 and \$130,783 outstanding at December 31, 2011 and 2010, respectively. The interest rate was 4.5% over LIBOR. The line of credit was collateralized by accounts receivable, vehicles, equipment, and furniture.

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE E - LONG-TERM DEBT

Notes payable at December 31, 2011 and 2010, were as follows:

	2011	2010
Note to bank, payable in monthly installments of \$300, including interest at 5.00%, due February 2014, with no specific collateral specified.	\$ 7,371	\$ -
Note to bank, payable in monthly installments of \$691, including interest at 5.29%, due July 2014, collateralized by vehicle with an approximate book value of \$20,911.	19,981	-
Note to bank, payable in monthly installments of \$984, including interest at 6.60%, due August 2013, collateralized by inventory, chattel paper, accounts, equipment, and general intangibles with an approximate book value of \$601,294.	17,525	27,956
Note to bank, payable in monthly installments of \$2,150, including interest at 2.90%, due April 2015. This note is guaranteed by the member of Company.	62,248	84,102
Less current portion	(46,011)	(33,893)
Long-term debt, net	\$ 61,114	\$ 78,165

Future maturities of long-term debt for each of the next five years are as follows:

Year ending <u>December 31,</u>	
2012	\$ 46,011
2013	42,998
2014	18,116
	\$ 107,125

Interest expense was \$20,600 and \$22,296, for the years ended December 31, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE F - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash payments for interest	<u>\$ 20,168</u>	<u>\$ 22,675</u>

Non-cash financing and investing activity for the year ended December 31, 2011 includes \$32,990 in loans used to purchase two vehicles.

NOTE G - RELATED PARTY TRANSACTIONS

The Company member owns all of the stock of Mobile Bay Transportation, Inc., which provides administrative, management, and support services to the Company. The Company expenditures for these services were \$217,097 and \$214,594, for the years ended December 31, 2011 and 2010, respectively. The Company owes Mobile Bay Transportation, Inc. \$7,395 and \$100,157 at December 31, 2011 and 2010, respectively. These amounts are shown on the balance sheets as due to affiliate and represents the unpaid balances for administrative services rendered to the Company by the affiliate.

The Company leases office space from the member for \$5,000 per month, on a month-to-month basis.

The Company purchased three vehicles from Mobile Bay Transportation, Inc. during 2011 for a total amount of \$33,200.

NOTE H - 401K EMPLOYEE SAVING PLAN

The Company provides an opportunity for all bargaining unit employees once they achieve six months of continuous service, to participate in a Company sponsored 401(k) employee savings plan. This plan provides an employer match of up to one percent (1%) of employee gross pay for any amount up to one percent (1%) contribution made by the employee. In the third year of the contract employer contribution will be 1.5%. The Company made contributions to the plan of \$184 and \$217, for the years ended December 31, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE I - OPERATING LEASES

The Company rents facilities in Escambia County and Santa Rosa County under month-to-month operating leases. The Company also leases equipment and vehicles under month-to-month operating leases. The Company leases industry specific vehicle dispatch software with an annual renewable contract. Under these agreements, total operating leases expense was as follows:

	<u>2011</u>	<u>2010</u>
Equipment rental	\$ 4,584	\$ 7,692
Rent - office	87,600	85,800
Software lease	14,400	14,400
Vehicle lease	<u>7,664</u>	<u>5,754</u>
 Total operating leases	 <u>\$ 114,248</u>	 <u>\$ 113,646</u>

In 2011, the Company entered into a lease for a facility in Pensacola under a three-year operating lease that requires annual rental payments of \$13,800. Rent expense for this facility was \$13,800, for the year ended December 31, 2011.

At December 31, 2011, the Company was obligated for minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year for each of the next three years, and in the aggregate as follows:

Year ending <u>December 31,</u>	
2012	\$ 13,800
2013	13,800
2014	<u>575</u>
	 <u>\$ 28,175</u>

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE J - CONTINGENCIES

The Florida Commission for the Transportation Disadvantaged funding specifies periodic audits. Any expenditure disallowed as a result of these audits could become a liability of the Company.

The Company's ability to provide the same level of services in the future is contingent on continuing grants from the Florida Commission for the Transportation Disadvantaged.

NOTE K - THEFT LOSS

Management determined that a theft loss occurred between June 2009 and December 2009, in the amount of \$84,816 related to fraudulent use of fuel charge cards. Management has determined that the theft loss continued between January 2010 and May 2010, in the amount of \$120,010. Management has corrected the Company's operating procedures to prevent this from occurring again.

NOTE L - MAJOR CUSTOMERS

Net sales for the year ended December 31, 2011, includes sales to three major customers, each of which accounted for more than 20% of the total net sales of the Company as follows:

<u>Customer</u>	<u>Sales</u>	<u>Percent of Sales</u>	<u>Accounts Receivable at December 31, 2011</u>
A	\$ 1,179,765	30%	\$ 95,114
B	741,872	19%	110,397
C	1,323,179	34%	157,764
Others	<u>660,363</u>	<u>17%</u>	<u>117,224</u>
	<u>\$ 3,905,179</u>	<u>100%</u>	<u>\$ 480,499</u>

NOTES TO FINANCIAL STATEMENTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

NOTE M - CONCENTRATION IN THE AVAILABILITY OF LABOR

Approximately 80% of the Company's employees are covered by collective bargaining agreements, which expire February 28, 2015 and March 12, 2015. These agreements dictate most aspects of pay and benefits for current and future union employees. The union employees at the Company include the drivers and maintenance personnel. The administrative staff and management are not union employees.

ADDITIONAL INFORMATION

SCHEDULES OF OPERATING EXPENSES
PENSACOLA BAY TRANSPORTATION COMPANY, INC.

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Administrative fees	\$ 217,097	\$ 214,594
Advertising	3,126	2,535
Depreciation	33,518	30,218
Dues and subscriptions	3,728	2,789
Equipment rental	4,584	7,692
Fuel	672,076	465,913
Insurance	492,473	475,705
Interest	20,600	22,296
Office	51,209	62,191
Parking and tolls	2,254	1,932
Payroll tax	152,386	132,060
Professional services	23,759	34,482
Radio and telephone	48,703	46,543
Rent - office	87,600	85,800
Repairs and maintenance	106,018	78,231
Retirement plan contributions	184	217
Salaries	1,633,906	1,510,914
Software lease	14,400	14,400
Subcontract carriers	354,075	450,831
Taxes and licenses	6,525	10,835
Travel and entertainment	10,678	6,788
Vehicle lease	7,664	5,754
	<u>\$ 3,946,563</u>	<u>\$ 3,662,720</u>

**BROWN
THORNTON ♦ PACENTA
& Company, P.A.**

*Certified Public Accountants
Business & Financial Consultants*

Michael D. Thornton, Shareholder
Jan M. Pacenta, Shareholder
John R. Dunaway, Officer
Hardy N. Eubanks, III, Officer
Edward M. Rouse, Officer
Sean K. Quigley, Officer

**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**

To the Member
Pensacola Bay Transportation Company, LLC
Pensacola, Florida

We have audited the financial statements of Pensacola Bay Transportation Company, LLC (the Company) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pensacola Bay Transportation Company, LLC'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 Pensacola Bay Transportation Company, LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company'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 a 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 the internal control over financial reporting was for the limited purposes 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 Pensacola Bay Transportation Company, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Pensacola Bay Transportation Company, LLC in a separate letter dated September 27, 2012.

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

Brown Thornton Pacenti & Company, P.A.

September 27, 2012

**BROWN
THORNTON ♦ PACENTA
& Company, P.A.**

*Certified Public Accountants
Business & Financial Consultants*

Michael D. Thornton, Shareholder
Jan M. Pacenta, Shareholder
John R. Dunaway, Officer
Hardy N. Eubanks, III, Officer
Sean K. Quigley, Officer
Edward M. Rouse, Officer

**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 10.650 RULES OF THE AUDITOR GENERAL**

To the Member
Pensacola Bay Transportation Company, LLC
Pensacola, Florida

Compliance

We have audited the compliance of Pensacola Bay Transportation Company, LLC with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement, that are applicable to its major State projects for the year ended December 31, 2011. Pensacola Bay Transportation Company, LLC's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major State projects is the responsibility of Pensacola Bay Transportation Company, LLC's management. Our responsibility is to express an opinion on Pensacola Bay Transportation Company, LLC'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; and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, 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 could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about Pensacola Bay Transportation Company, LLC'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 Pensacola Bay Transportation Company, LLC's compliance with those requirements.

In our opinion, Pensacola Bay Transportation Company, LLC complied, in all material respects, with the requirements referred to above that are applicable to each of its major State projects for the year ended December 31, 2011.

Internal Control Over Compliance

The management of Pensacola Bay Transportation Company, LLC 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 Pensacola Bay Transportation Company, LLC's internal control over compliance with the requirements that could have a direct and material effect on a major State project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance 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 Company'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 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 noncompliance with a type of compliance requirement of a 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 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 compliance that we consider to be material weaknesses, as defined above.

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

Brown Thornton Paccetta & Company, P.A.

September 27, 2012

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

Year ended December 31, 2011

State Agency, State Direct Projects	CSFA No.	Grant No.	Expenditures
DEPARTMENT OF TRANSPORTATION			
Florida Commission for the Transportation			
Disadvantaged:			
Trip and Equipment Grant Program	55.001	APZ66	\$ 235,188
Trip and Equipment Grant Program	55.001	AQB57	238,479
Trip and Equipment Grant Program	55.001	AQ001	106,890
Trip and Equipment Grant Program	55.001	AQB63	<u>158,674</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 739,231</u>

Note: The accrual basis of accounting was used to prepare this schedule.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

Year ended December 31, 2011

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on Pensacola Bay Transportation Company, LLC's (the Company) basic financial statements.
2. No deficiencies in internal control were reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Company were disclosed during the audit.
4. No significant deficiency in internal control over a major state project is reported in the Independent Auditor's Report on Compliance with Requirements Applicable To Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance with requirements applicable to the major State projects for the Company expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to State projects required to be disclosed under Chapter 10.656.

The projects tested as major projects included the following:

<u>State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Commission for the Transportation Disadvantaged Trip and Equipment Grant Program	55.001	2011

7. The threshold for distinguishing Type A and Type B projects was \$222,000 for major State projects.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

Year ended December 31, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None

D. OTHER ISSUES

- (a) No management letter is presented, because there are no items related to State financial assistance required to be reported in a management letter.
- (b) No Corrective Action Plan is required, because there were no findings required to be reported under the Florida Single Audit Act.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - STATE PROJECTS

PENSACOLA BAY TRANSPORTATION COMPANY, LLC

Year ended December 31, 2011

None

THIS PAGE INTENTIONALLY LEFT BLANK