

# **FINANCIAL STATEMENTS**

## **PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

**DECEMBER 31, 2012 AND 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying balance sheets of Pensacola Bay Transportation Company, LLC (the Company) as of December 31, 2012 and 2011, and the related statements of operations and member's equity, and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Pensacola Bay Transportation Company, LLC as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the accompanying schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, 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* in considering Pensacola Bay Transportation Company, LLC's internal control over financial reporting and compliance.

*Brown Shenton Paccetta & Company, P. A.*

Pensacola, Florida  
September 27, 2013

## BALANCE SHEETS

### PENSACOLA BAY TRANSPORTATION COMPANY, LLC

December 31, 2012 and 2011

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	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 154,017	\$ 31,706
Accounts receivable, net of allowance for doubtful accounts of \$1,500 for 2012 and 2011	447,363	478,999
Inventory	-	798
Prepaid insurance	<u>286,970</u>	<u>283,728</u>
Total current assets	888,350	795,231
PROPERTY AND EQUIPMENT, net	83,610	118,567
OTHER ASSETS	<u>2,930</u>	<u>2,930</u>
Total assets	<u>\$ 974,890</u>	<u>\$ 916,728</u>

### LIABILITIES AND MEMBER'S EQUITY

	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 145,858	\$ 253,049
Accrued liabilities	67,199	60,686
Due to affiliate	75,141	7,395
Line of credit	124,283	111,783
Notes payable - insurance	228,120	262,246
Due to member	-	26,600
Current portion of long-term debt	<u>42,547</u>	<u>46,011</u>
Total current liabilities	683,148	767,770
LONG-TERM DEBT, net	15,533	61,114
MEMBER'S EQUITY	<u>276,209</u>	<u>87,844</u>
Total liabilities and member's equity	<u>\$ 974,890</u>	<u>\$ 916,728</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, 2012 and 2011**

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	<u>2012</u>	<u>2011</u>
REVENUE	\$ 4,358,194	\$ 3,905,179
OPERATING EXPENSES	<u>4,159,366</u>	<u>3,946,563</u>
Gross profit (loss)	198,828	(41,384)
OTHER INCOME (LOSS)		
Gain on sale of vehicles	-	836
Interest income	<u>37</u>	<u>22</u>
	<u>37</u>	<u>858</u>
Net income (loss)	198,865	(40,526)
MEMBER'S EQUITY		
Beginning of yeae	87,844	128,370
Distributions	<u>(10,500)</u>	<u>-</u>
End of year	<u>\$ 276,209</u>	<u>\$ 87,844</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, 2012 and 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 198,865	\$ (40,526)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	29,563	33,518
Gain on sale of vehicles	-	(836)
(Increase) decrease in operating assets:		
Accounts receivable	31,636	(27,973)
Inventory	798	88
Prepaid insurance	(3,242)	(96,460)
Other assets	-	(250)
Increase (decrease) in operating liabilities:		
Accounts payable	(107,191)	110,192
Accrued liabilities	6,513	3,423
Due to affiliate	75,013	(92,762)
Notes payable - insurance	(34,126)	92,269
Net cash provided (used) by operating activities	197,829	(19,317)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,873)	(35,179)
Proceeds from sale of vehicles	-	1,300
Net cash used by investing activities	(1,873)	(33,879)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(49,045)	(37,923)
Proceeds from (payments on) member loan	(26,600)	26,600
Net proceeds from (payments on) line of credit	12,500	(19,000)
Distributions to member	(10,500)	-
Net cash used by financing activities	(73,645)	(30,323)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	122,311	(83,519)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	31,706	115,225
End of year	\$ 154,017	\$ 31,706

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

## NOTES TO FINANCIAL STATEMENTS

### PENSACOLA BAY TRANSPORTATION COMPANY, LLC

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#### 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

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#### 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 2010, 2011, and 2012 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**

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**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, 2012 and September 27, 2013, 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 \$1,348 and \$3,126 for the years ended December 31, 2012 and 2011, respectively.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2012 and 2011, consists of the following:

	<u>2012</u>	<u>2011</u>
Furniture, fixtures, and office equipment	\$ 53,026	\$ 55,658
Shop equipment	47,186	47,186
Vehicles	<u>267,832</u>	<u>305,465</u>
	368,044	408,309
Less accumulated depreciation	<u>(284,434)</u>	<u>(289,742)</u>
Property and equipment, net	<u>\$ 83,610</u>	<u>\$ 118,567</u>

Depreciation expense totaled \$29,563 and \$33,518 for the years ended December 31, 2012 and 2011, 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, 2013, with a due date of August 11, 2014. There was a balance of \$124,283 and \$111,783 outstanding at December 31, 2012 and 2011, respectively. The variable 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, 2012 and 2011, were as follows:

	2012	2011
Note to bank, payable in monthly installments of \$300, including interest at 5.00%, due February 2014, with no specific collateral specified.	\$ 4,069	\$ 7,371
Note to bank, payable in monthly installments of \$691, including interest at 5.20%, due July 2014, collateralized by vehicle with an approximate book value of \$20,911.	13,177	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 \$533,903.	5,566	17,525
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 the Company.	35,268	62,248
Less current portion	(42,547)	(46,011)
Long-term debt, net	\$ 15,533	\$ 61,114

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

Year ending <u>December 31,</u>	
2013	\$ 42,547
2014	15,533
	\$ 58,080

Interest expense was \$18,745 and \$20,600 for the years ended December 31, 2012 and 2011, respectively.

**NOTES TO FINANCIAL STATEMENTS**

**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

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**NOTE F - SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow information for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash payments for interest	<u>\$ 18,776</u>	<u>\$ 20,168</u>

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

The Company transferred two vehicles to Mobile Bay Transportation, Inc. during 2012 in exchange for a \$7,268 credit against the amount owed to Mobile Bay Transportation, Inc.

**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 \$305,076 and \$217,097 for the years ended December 31, 2012 and 2011, respectively. The Company owed Mobile Bay Transportation, Inc. \$75,141 and \$7,395 at December 31, 2012 and 2011, 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 \$1,974 and \$184, for the years ended December 31, 2012 and 2011, respectively.

**NOTES TO FINANCIAL STATEMENTS**

**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

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**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 lease expenses were as follows:

	<u>2012</u>	<u>2011</u>
Equipment rental	\$ 3,737	\$ 4,584
Rent - office	80,100	87,600
Software lease	14,400	14,400
Vehicle lease	<u>-</u>	<u>7,664</u>
 Total operating leases	 <u>\$ 98,237</u>	 <u>\$ 114,248</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, 2012.

At December 31, 2012, 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 two years and in the aggregate as follows:

Year ending <u>December 31,</u>	
2013	\$ 13,800
2014	<u>575</u>
	 <u>\$ 14,375</u>

**NOTES TO FINANCIAL STATEMENTS**

**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

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**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 - MAJOR CUSTOMERS**

Net sales for the year ended December 31, 2012, includes sales to three major customers, each of which accounted for more than 10% 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, 2012</u>
A	\$ 1,294,064	30%	\$ 95,883
B	1,064,112	24%	91,364
C	555,848	13%	87,861
Others	<u>1,444,170</u>	<u>33%</u>	<u>173,755</u>
	<u>\$ 4,358,194</u>	<u>100%</u>	<u>\$ 448,863</u>

## **NOTE TO FINANCIAL STATEMENTS**

### **PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

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#### **NOTE L - 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.

#### **NOTE M - CONCENTRATION IN REVENUE**

The Transportation Disadvantaged Service Plan is an annually updated tactical plan jointly developed by the Planning Agency and implemented by the Community Transportation Coordinator (CTC). The CTC contract, currently held by Pensacola Bay Transportation Company, LLC, is up for renewal in June of 2014. If the Company fails to get this contract, their short term revenues may be adversely affected.

## **ADDITIONAL INFORMATION**

**SCHEDULES OF OPERATING EXPENSES**  
**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

**Years ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Administrative fees	\$ 305,076	\$ 217,097
Advertising	1,348	3,126
Depreciation	29,563	33,518
Dues and subscriptions	1,044	3,728
Equipment rental	3,737	4,584
Fuel	678,565	672,076
Insurance	555,715	492,473
Interest	18,745	20,600
Office	76,038	51,209
Parking and tolls	1,874	2,254
Payroll tax	168,742	152,386
Professional services	25,222	23,759
Radio and telephone	47,093	48,703
Rent - office	80,100	87,600
Repairs and maintenance	123,821	106,018
Retirement plan contributions	1,974	184
Salaries	1,639,232	1,633,906
Software lease	14,400	14,400
Subcontract carriers	375,050	354,075
Taxes and licenses	8,015	6,525
Travel and entertainment	4,012	10,678
Vehicle lease	-	7,664
	<u>\$ 4,159,366</u>	<u>\$ 3,946,563</u>

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Pensacola Bay Transportation Company, LLC (the Company) and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated September 27, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pensacola Bay Transportation Company, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of Pensacola Bay Transportation Company, LLC's internal control.

*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 Company's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

**Purpose of this Report**

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

*Brown Thornton Paccetta & Company, P.A.*

Pensacola, Florida  
September 27, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER  
10.650, RULES OF THE AUDITOR GENERAL**

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

**Report on Compliance for Each State Project**

We have audited Pensacola Bay Transportation Company, LLC's (the Company's) compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the Company's State projects for the year ended December 31, 2012. The Company's State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Company's State projects based on our audit of the types of compliance requirements referred to above. 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. The standard, Chapter 10.650, Rules of the Auditor General, requires 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 State projects occurred. An audit includes examining, on a test basis, evidence about the Company'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 on compliance for each State project. However, our audit does not provide a legal determination of the Company's compliance.

### Opinion on Each State Project

In our opinion, the Company's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended December 31, 2012.

### Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each State project and to test and report on internal control over compliance in accordance with Chapter 10.650, 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 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 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 noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Brown Shornton Accountants & Company, P.A.*

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

**Years ended December 31, 2012 and 2011**

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<u>State Agency, State Direct Projects</u>	<u>CSFA No.</u>	<u>Grant No.</u>	<u>Expenditures</u>
DEPARTMENT OF TRANSPORTATION			
Florida Commission for the Transportation			
Disadvantaged:			
Trip and Equipment Grant Program	55.001	AQB57	\$ 280,519
Trip and Equipment Grant Program	55.001	AQB63	145,338
Trip and Equipment Grant Program	55.001	AQO30	275,329
Trip and Equipment Grant Program	55.001	AQO04	<u>162,489</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 863,675</u>

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

**SCHEDULE OF FINDING AND QUESTIONED COSTS - STATE PROJECTS**

**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

**Years ended December 31, 2012 and 2011**

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**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unqualified opinion on Pensacola Bay Transportation Company, LLC's (the Company's) 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 Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance Required By Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance with requirements that could have a direct and material effect on each State project for Pensacola Bay Transportation Company, LLC 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	2012

7. The threshold for distinguishing Type A and Type B projects was \$260,000 for major State projects.

**SCHEDULE OF FINDING AND QUESTIONED COSTS - STATE PROJECTS**

**PENSACOLA BAY TRANSPORTATION COMPANY, LLC**

**Years ended December 31, 2012 and 2011**

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**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**

**Years ended December 31, 2012 and 2011**

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None

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