

Northwest Florida Transportation Corridor Authority

Financial Statements

September 30, 2012

**Northwest Florida Transportation Corridor Authority**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Northwest Florida Transportation Corridor Authority  
Pensacola, Florida

We have audited the accompanying financial statements of the governmental activities and major fund of the Northwest Florida Transportation Corridor Authority (the "Authority"), as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Northwest Florida Transportation Corridor Authority as of September 30, 2012 and the respective changes in financial position for the year 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 June 3, 2013 on our consideration of the Northwest Florida Transportation Corridor Authority'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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is not a required part of the basic financial statements. The 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Caru, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
June 3, 2013

## Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of the Authority's financial activities. The analysis provides summary financial information for the Authority and should be read in conjunction with the Authority's financial statements.

### Financial Highlights

- Total assets of the Authority exceeded total liabilities by \$7,310,434 (net assets). Of this amount, \$10 is unrestricted net assets for governmental activities. Total net assets include \$7,310,424 invested in capital assets (net of related debt) in the governmental activities.
- Total net assets are \$7,310,434.
- Governmental activities revenues are \$1,053,991, while governmental activities expenses are \$20,971.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to basic financial statements*. The *government-wide financial statements* present an overall picture of the Authority's financial position and results of operations. The *fund financial statements* present financial information for the Authority's major funds. The *notes to basic financial statements* provide additional information concerning the Authority's finances that are not otherwise disclosed in the government-wide or fund financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net assets and statement of activities*. These statements are designed to provide readers with a broad overview of the Authority's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities as well as the change in net assets. Governmental activities are the activities where most of the Authority's programs and services are reported including, but not limited to, capital outlay for road construction projects. The Authority does not have any business-type activities.

The *statement of net assets* presents information on all assets and liabilities of the Authority, with the difference between the two reported as *net assets*. Increases or decreases in net assets over time may serve as a useful indicator of the Authority's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenses of the Authority and the change in net assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees).

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the Authority to account for revenues that are restricted to certain uses, or to comply with legal requirements. The major categories of funds found in the Authority's *fund financial statements* include: governmental funds.

*Fund financial statements* provide financial information for the Authority's major fund and more detailed information about the Authority's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources.

*Fund financial statements* for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The Authority's general fund includes a statement of revenues, expenditures, and changes in fund balances.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the Authority's financial position. Categorized by governmental activities, the government-wide financial statements provide an overall picture of the Authority's financial standing. All construction-in-progress of the Authority is reported in the statement of net assets, as well as all liabilities. The *fund financial statements* provide a presentation of the Authority's major funds. In the case of fund financial statements, outlays for long lived assets are reported as expenditures. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

*Notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the Authority. Additional information about the accounting practices of the Authority, investments of the Authority, and capital assets are just a few of the items included in the notes to basic financial statements.

## **Financial Analysis of the Authority**

The following schedule provides a summary of the assets, liabilities and net assets of the Authority. At the end of the fiscal year 2012, the Authority is able to report positive balances in all categories of net assets, for the government as a whole.

### **Net Assets Governmental Activities**

<i>September 30,</i>	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 178,051	\$ 82,239
Capital assets (net)	7,310,424	6,277,004
Total assets	7,488,475	6,359,243

<i>September 30,</i>	<b>2012</b>	<b>2011</b>
Current liabilities (payable from current assets)	\$ 178,041	\$ 81,829
<b>Total liabilities</b>	<b>178,041</b>	<b>81,829</b>
Net assets invested in capital assets, net of related debt	7,310,424	6,277,004
Net assets – unrestricted	10	410
<b>Total net assets</b>	<b>\$ 7,310,434</b>	<b>\$ 6,277,414</b>

Investment in capital assets represents substantially 100% of the Authority's total net assets. These capital assets are construction-in-progress on road projects to be used to improve mobility on the U.S. 98 corridor in Northwest Florida to enhance traveler safety, identify and develop hurricane evacuation routes, promote economic development along the corridor, and implement transportation projects to alleviate current or anticipated traffic congestion.

The following schedule provides a summary of the changes in net assets.

**Changes in Net Assets  
Governmental Activities**

<i>Year Ended September 30,</i>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>		
Intergovernmental	\$ 1,053,991	\$ 79,790
<b>Expenses</b>	<b>20,971</b>	<b>19,848</b>
<b>Increase in net assets</b>	<b>\$ 1,033,020</b>	<b>\$ 59,942</b>

Governmental activities revenues exceeded expenses by \$1,033,020.

All of the revenues for governmental activities were generated by intergovernmental receipts from grants, with all expenditures being used for the road projects funded by the grants.

## Financial Analysis of the Authority's Funds

### Governmental Funds

#### General Fund

The main operating fund of the Authority is the general fund. As of September 30, 2012, total assets were \$178,051 and total liabilities were \$178,041. At the end of fiscal year 2012, unassigned fund balance of the general fund was \$10.

#### Capital Assets Activity

The following schedule provides a summary of the Authority's capital assets activity. The Authority's total investment in capital assets activities as of September 30, 2012, was \$7,310,424 (net of accumulated depreciation). This investment in capital assets is comprised of construction-in-progress.

The major capital asset event during the current fiscal year continues to be planning for construction of roads.

#### Capital Assets (net of depreciation) Governmental Activities

<i>September 30,</i>	<b>2012</b>	<b>2011</b>
Construction-in-progress	\$ 7,310,424	\$ 6,277,004
Total	\$ 7,310,424	\$ 6,277,004

Additional information on the Authority's capital assets can be found in note 4 – capital assets, of the notes to the basic financial statements.

#### Contacting the Authority's Finance Department

This financial report is designed to provide a general overview of the Northwest Florida Transportation Corridor Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Northwest Florida Transportation Corridor Authority's Finance Department, Post Office Box 787, Pensacola, Florida 32591. You may visit the Authority's website at <http://www.nwftca.com/>.



Northwest Florida Transportation Corridor Authority  
Statement of Net Assets and  
Governmental Fund Balance Sheet  
September 30, 2012

	<b>General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,542	\$ -	\$ 9,542
Grant receivable, net	168,509	-	168,509
Capital assets, net	-	7,310,424	7,310,424
Total assets	<u>\$178,051</u>	<u>7,310,424</u>	<u>7,488,475</u>
<b>Liabilities</b>			
Accounts payable	\$178,041	-	178,041
Total liabilities	178,041	-	178,041
<b>Fund balance/net assets</b>			
Unassigned fund balance	10	(10)	-
Total liabilities and fund balance	\$178,051		
<b>Net Assets</b>			
Invested in capital assets, net of related debt		7,310,424	7,310,424
Unrestricted		10	10
Total net assets		<u>\$ 7,310,434</u>	<u>\$ 7,310,434</u>

The accompanying notes are an integral part of these financial statements

Northwest Florida Transportation Corridor Authority  
Statement of Activities and Governmental Fund Revenues,  
Expenditures and Changes in Fund Balance  
Year Ended September 30, 2012

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,053,991	\$ -	\$ 1,053,991
Total revenues	<u>1,053,991</u>	<u>-</u>	<u>1,053,991</u>
<b>Expenditures</b>			
General government	20,971	-	20,971
Capital outlay	<u>1,033,420</u>	<u>(1,033,420)</u>	<u>-</u>
Total expenditures	<u>1,054,391</u>	<u>(1,033,420)</u>	<u>20,971</u>
<b>Excess (deficit) of revenues over (under) expenditures/change in net assets</b>	(400)	1,033,420	1,033,020
<b>Fund balance/net assets</b>			
<b>Beginning of year</b>	<u>410</u>	<u>6,277,004</u>	<u>6,277,414</u>
<b>End of year</b>	<u>\$ 10</u>	<u>\$ 7,310,424</u>	<u>\$ 7,310,434</u>

The accompanying notes are an integral part of these financial statements

# Northwest Florida Transportation Corridor Authority

## Notes to Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Northwest Florida Transportation Corridor Authority (the "Authority") have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the Authority's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

#### ***Financial reporting entity***

Northwest Florida Transportation Corridor Authority was created in 2005 by the Florida Legislature. It was created for the purpose of improving mobility on the U.S. 98 corridor in Northwest Florida to enhance traveler safety, identify and develop hurricane evacuation routes, promote economic development along the corridor, and implement transportation projects to alleviate current or anticipated traffic congestion.

#### ***Measurement Focus and Basis of Accounting***

The basic financial statements of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

#### ***Government-wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The Authority has no business-type activities.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - *Accounting and Financial Reporting for Nonexchange Transactions*.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds from long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financial sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

# Northwest Florida Transportation Corridor Authority

## Notes to Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Grants, entitlements, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions are reported separately. Interest on general long-term debt is considered such an indirect expense. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and entitlement revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not reported as program revenues are reported as general revenues.

When both restricted and unrestricted resources are available for use, the Authority uses externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

#### ***Fund Financial Statements***

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Authority considers grants, entitlements and other revenues available if collected within 60 days after year-end. Grants, entitlements and interest are all considered to be susceptible to accrual and are recognized as revenues of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

Expenditures are recorded when the related fund liability is incurred.

#### ***Cash and cash equivalents***

The Authority considers all demand accounts, which are not subjected to withdrawal restrictions, to be cash and cash equivalents.

#### ***Grants receivable, net***

All receivables are reported at their gross value and, where appropriate, are reduced by the allowance for doubtful accounts which is the estimated portion that is expected to be uncollectible. As of September 30, 2012 there were no accounts receivable.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital assets***

Capital assets are recorded as expenditures in the general fund at the time of purchase, and are capitalized at historical cost in the statement of net assets. Capital assets of the Authority are currently construction-in-progress only. No estimated useful life is used because the assets have not been put into operation yet. Donated assets are recorded at estimated fair market value on the date received. Estimated useful life is management's estimate of how long the assets are expected to meet service demands.

***Deferred revenues***

Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

***Use of estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

***Fund balance***

The Authority has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

**Nonspendable** – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There were no nonspendable funds as of September 30, 2012.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. There were no restricted funds as of September 30, 2012.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors. There were no committed funds as of September 30, 2012.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There were no assigned funds as of September 30, 2012.

# Northwest Florida Transportation Corridor Authority

## Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – This category is the residual classification for the Authority’s fund balance. The balance as of September 30, 2012 was \$10.

#### **Net assets**

Net assets are classified in three categories. The general meaning of each is as follows:

Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced as applicable by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted - indicates that portion of net assets that is available for future periods.

#### **Subsequent events**

The Authority has evaluated subsequent events through the date the financial statements were available to be issued, June 3, 2013.

### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is an explanation of differences between the general fund balance sheet and statement of net assets.

The total fund balance of Northwest Florida Transportation Corridor Authority’s governmental general fund of \$10 differs from the net assets of governmental activities of \$7,310,434 reported in the statement of net assets and governmental fund balance sheet. This difference results primarily from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds." The details of this difference are as follows:

Cost of capital assets	\$ 7,310,424
<hr/>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets of governmental activities	\$ 7,310,424
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# Northwest Florida Transportation Corridor Authority

## Notes to Financial Statements

### **NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

The following is an explanation of differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities.

The governmental funds statement of revenues, expenditures and changes in fund balance includes a reconciliation between net changes in fund balance - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense when completed." Another element is that "donations of capital assets increase net assets but donations of capital assets do not appear in the governmental funds." The details of this difference are as follows:

Capital outlay	\$ 1,033,420
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Net adjustment to increase net change in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	\$ 1,033,420
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### **NOTE 3 - CASH AND CASH EQUIVALENTS**

The Authority's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority does not have an investment policy and there were no investments at September 30, 2012.

#### ***Interest Rate Risks***

At September 30, 2012, the Authority did not hold any investments that were considered to be an interest rate risk.

#### ***Credit Risks***

At September 30, 2012, the Authority did not hold any investments that were considered to be a credit risk.

#### ***Custodial Risks***

All cash resources of the Authority are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the Authority's funds are entirely collateralized throughout the fiscal year.

# Northwest Florida Transportation Corridor Authority

## Notes to Financial Statements

### NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

At September 30, 2012, the Authority did not hold any investments that were considered to be a custodial risk.

#### ***Concentration of Credit Risk***

At September 30, 2012, the Authority did not hold any investments that were considered to be a concentration of credit risk.

### NOTE 4 - CAPITAL ASSETS

Capital assets balances and activity for the year ended September 30, 2012 are as follows:

	Balance September 30, 2011	Additions	Deletions/ Adjustments	Balance September 30, 2012
Construction-in-progress	\$ 6,277,004	\$ 1,033,420	\$ -	\$ 7,310,424
Total capital assets, not being depreciated	\$ 6,277,004	\$ 1,033,420	\$ -	\$ 7,310,424



## Required Supplementary Information

Northwest Florida Transportation Corridor Authority  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 539,940	\$1,184,895	\$ 1,053,991	\$ (130,904)
Total revenues	<u>539,940</u>	<u>1,184,895</u>	<u>1,053,991</u>	<u>(130,904)</u>
<b>Expenditures</b>				
General government	77,950	67,950	20,971	46,979
Capital outlay	461,990	1,116,945	1,033,420	83,525
Total expenditures	<u>539,940</u>	<u>1,184,895</u>	<u>1,054,391</u>	<u>130,504</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400)</u>	<u>\$ (400)</u>

## Compliance Section

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors  
Northwest Florida Transportation Corridor Authority

We have audited the financial statements of the Northwest Florida Transportation Corridor Authority, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated June 3, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. We have issued our Independent Auditor's 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*, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 3, 2013, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to the extent considered necessary, other than for those comments repeated in the independent auditor's 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*.

- Findings reported the two previous years include 12-01 and 12-02.

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 that the Northwest Florida Transportation Corridor Authority complied with Section 218.415, Florida Statutes.

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

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than

material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Northwest Florida Transportation Corridor Authority, is incorporated under the provisions of the State of Florida (Statute Section 343.80). There are no component units of the reporting entity as defined in publications cited in Rule 10.553.

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 Northwest Florida Transportation Corridor Authority 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 Northwest Florida Transportation Corridor Authority 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 Authority'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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

June 3, 2013

**INDEPENDENT AUDITOR'S 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 Board of Directors of  
Northwest Florida Transportation Corridor Authority

We have audited the financial statements of the governmental activities and major fund of the Northwest Florida Transportation Corridor Authority as of and for the year ended September 30, 2012, which collectively comprise the Northwest Florida Transportation Corridor Authority's basic financial statements and have issued our report thereon dated June 3, 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 Northwest Florida Transportation Corridor Authority, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northwest Florida Transportation Corridor Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 have identified the following deficiencies in internal control which are also considered to be material weaknesses.

We considered findings 12-01 and 12-02 listed on the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

The Northwest Florida Transportation Corridor Authority's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

### Compliance and Other Matters

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

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

*Carr, Riggs & Ingram, L.L.C.*

June 3, 2013

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

The Board of Directors of  
Northwest Florida Transportation Corridor Authority

Compliance

We have audited the Northwest Florida Transportation Corridor Authority's compliance with the types of compliance requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the Authority's major state projects for the year ended September 30, 2012. The Northwest Florida Transportation Corridor Authority'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 each of its major state project is the responsibility of the Northwest Florida Transportation Corridor Authority's management. Our responsibility is to express an opinion on the Northwest Florida Transportation Corridor Authority's compliance based on our audit.

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

In our opinion, the Northwest Florida Transportation Corridor Authority, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state project for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Northwest Florida Transportation Corridor Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered the Northwest Florida Transportation Corridor Authority's internal control



over compliance with the requirements that could have a direct and material effect on a major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, 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 Northwest Florida Transportation Corridor Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material 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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Northwest Florida Transportation Corridor Authority's major state projects and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Authority's compliance but not to provide an opinion on the effectiveness of Authority's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Carri Riggs & Ingram, L.L.C.*

June 3, 2013

Northwest Florida Transportation Corridor Authority  
 Schedule of Expenditures of State Financial Assistance  
 Year Ended September 30, 2012

<b>State Projects</b>	<b>CSFA No.</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>
Florida Department of Transportation Transportation Regional Incentive Program	55.026	FM # 422447-1-28-90	\$ 995,466
Transportation Regional Incentive Program	55.026	FM # 422447-1-28-01	58,525
<b>Total expenditures of state projects</b>			<b>\$ 1,053,991</b>

Note:

(1) The schedule of expenditures of state financial assistance was prepared on the modified accrual basis of accounting.

Northwest Florida Transportation Corridor Authority  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2012

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting	
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

State Financial Assistance

Internal control over major programs	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 10.557, Rules of the Auditor General?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Identification of major state programs

<u>CSFA Number(s)</u>	<u>Name of State Financial Assistance Project</u>
55.026	Transportation Regional Incentive Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

(Continued)

Northwest Florida Transportation Corridor Authority  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2012

**Section II - Financial Statement Findings**

12-01 (prior years 11-01 and 10-01) (Initially reported in 2006) Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

Management's response - We realize that ideally our internal control system should be designed in a manner that ensures the accuracy of the financial statements and that the auditors should not have to recommend journal entries to see that they conform to U.S. generally accepted accounting principles. We do not feel that in the near future the benefits derived from investing in the resources necessary for us to implement an effective internal control system in this regard would outweigh the cost of those resources.

12-02 (prior years 11-02 and 10-02) (Initially reported in 2006) Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

Management's response - Our auditors assist us with the preparation of our financial statements. We do not feel that in the near future the benefits derived from investing in the resources necessary for us to prepare our own financial statements would outweigh the cost of those resources.

**Section III - State Awards Financial Assistance Findings**

There were no findings.

**Section IV - Other Issues**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major state financial assistance projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.