



TAMPA HISTORIC STREETCAR, INC.
(A Component Unit of the City of Tampa)

Financial Statements

September 30, 2005

(With Independent Auditors' Report Thereon)

TAMPA HISTORIC STREETCAR, INC.
(A Component Unit of the City of Tampa)

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KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Independent Auditors' Report on the Financial Statements

Board of Trustees
Tampa Historic Streetcar, Inc.:

We have audited the accompanying statement of net assets of the Tampa Historic Streetcar, Inc., a component unit of the City of Tampa, Florida, as of September 30, 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Tampa Historic Streetcar, Inc.'s management. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tampa Historic Streetcar, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tampa Historic Streetcar, Inc. as of September 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005 on our consideration of the Tampa Historic Streetcar, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

December 16, 2005
Certified Public Accountants

TAMPA HISTORIC STREETCAR, INC.
(A Component Unit of the City of Tampa)

Management's Discussion and Analysis

(Unaudited)

September 30, 2005

This discussion and analysis of the Tampa Historic Streetcar, Inc.'s (the Streetcar) financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2005. Please review it in conjunction with the audited financial statements, which begin on page 7.

Financial Highlights

	(in thousands)		Dollar change	Percent change
	2005	2004		
Operating revenues	\$ 626	484	142	29.3%
Nonoperating revenues	1,111	1,871	(760)	(40.6)%
Operating expenses	2,491	2,590	(99)	(3.8)%

This financial information resulted in an operating loss (before nonoperating activities and contributions) of \$1,865,000 and \$2,106,000 for 2005 and 2004, respectively.

Required Financial Statements

The financial statements of the Streetcar report information about the Streetcar using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net assets includes all of the Streetcar's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Streetcar's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for assessing the liquidity and financial flexibility of the Streetcar. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the success of the Streetcar's operations over the past year and can be used to determine whether the Streetcar has successfully recovered all of its costs through its activities, as well as its profitability and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Streetcar's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Streetcar

Our analysis of the Streetcar begins with the statement of net assets. One of the most important questions asked about the Streetcar's finances is, "Is the Streetcar as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses and changes in net assets report information about the Streetcar's activities in a way that will help answer this question. These two statements report the net assets of the Streetcar and changes in net assets. You can think of the Streetcar's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Streetcar's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic

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Management's Discussion and Analysis

(Unaudited)

September 30, 2005

conditions, the tourism industry, surrounding area population growth, regulation and new or changed government legislation.

Net Assets

To begin our analysis, a summary of the Streetcar's statement of net assets is presented in Table A-1.

Table A-1
Summary Statements of Net Assets

(In thousands)

	<u>2005</u>	<u>2004</u>	<u>Dollar change</u>	<u>Percent change</u>
Current assets	\$ 5,182	5,868	(686)	(11.7)%
Current liabilities	564	496	68	13.7%
Net assets, unrestricted	4,618	5,372	(754)	(14.0)%

Total net assets decreased by \$754,000 to a net asset total of \$4,618,000. As discussed earlier, operations realized a \$1,865,000 loss and nonoperating activities netted a \$1,111,000 revenue.

Net assets "unrestricted" are \$4,618,000. These net assets are available for future spending to support the ongoing operation of the Streetcar. Consistent with prior year, operating expenses exceeded operating revenues, and this trend is budgeted to continue. It is anticipated that the continued operation of the Streetcar will, at some point, require regular support from the City of Tampa.

Capital Assets

The Streetcar does not own any capital assets. All of the capital assets used in the Streetcar operation are owned either by HARTline or the City of Tampa.

Debt Administration

The Streetcar has no noncurrent liabilities.

TAMPA HISTORIC STREETCAR, INC.
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Management's Discussion and Analysis

(Unaudited)

September 30, 2005

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

(In thousands)

	2005	2004
Operating revenues	\$ 626	484
Operating expenses	2,491	2,590
Operating loss	(1,865)	(2,106)
Nonoperating revenues	1,111	1,888
Change in net assets	(754)	(218)
Beginning net assets	5,372	5,590
Ending net assets	\$ 4,618	5,372

Operating Revenues

Ridership and related farebox revenues reflect the Streetcar's customer base in fiscal 2005. The average fare paid was \$1.04, which translates to 434,498 riders in 2005. During fiscal 2004, the average fair paid was \$1.06, which translated to 429,000 riders. Operating revenues also include an additional \$15,000 collected from the leasing of cars for special events and \$85,750 for amortization of naming rights to revenue during 2005. During fiscal 2004, operating revenues included an additional \$8,000 collected from the leasing of cars for special events and \$28,000 for amortization of naming rights to revenue during 2004. Naming rights payments received in prior years, which will be recognized as revenue in future periods, total \$235,000.

Operating Expenses

The Streetcar's most significant operating expense is reimbursement to HARTline for the cost of operating the Streetcar system. HARTline currently has 25 full time employees dedicated to operating the system. Expenses incurred to HARTline totaled \$1,810,000 in 2005 as compared to \$1,574,000 in fiscal 2004. Other significant expenses during 2005 and 2004 were for a CSX flagman and supervisor in the amount of \$211,000 and \$311,000, respectively, and \$372,175 and \$419,000, respectively, for insurance related to the railroad crossing.

Nonoperating Revenues

Investment earnings, while significant in the current fiscal year, declined as invested funds were used in the operation of the Streetcar.

Local government revenue, considered to be nonoperating, consists primarily of \$11,000 in Congestion Mitigation and Air Quality (CMAQ) grant funds passed through HARTline, \$200,000 in FTA grant funds passed through HARTline, and \$200,000 from the Tampa Port Authority. During fiscal 2004, the Streetcar received \$664,000 from HARTline for the CMAQ grant and \$200,000 from the Tampa Port Authority.

TAMPA HISTORIC STREETCAR, INC.
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Management's Discussion and Analysis

(Unaudited)

September 30, 2005

Fiscal 2006 Outlook

Ridership is budgeted to increase slightly in 2006 with what was experienced in 2005. The fare in 2006 will be \$2.00 which was increased in October 2005 from \$1.50 and is budgeted to provide a slight increase in operating revenue. Operating expenses are budgeted to increase slightly in 2006 as well. In addition, the Streetcar is anticipating the receipt of \$350,000 in grants from HARTline and the Tampa Port Authority.

Requests for Information

This financial report is designed to provide a general overview of the Tampa Historic Streetcar, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Accountant, City of Tampa, 315 E. Kennedy Blvd., Tampa, FL 33602.

TAMPA HISTORIC STREETCAR, INC.
(A Component Unit of the City of Tampa)

Statement of Net Assets

September 30, 2005

(In thousands)

Assets:

Current assets:

Cash and cash equivalents	\$	221
Investments		4,745
Receivables – net		66
Prepays and other assets		150

Total assets 5,182

Liabilities:

Current liabilities:

Accounts payable		282
Deferred revenue		282

Total liabilities 564

Net assets:

Unrestricted 4,618

Total net assets \$ 4,618

The notes to the financial statements are an integral part of this statement.

TAMPA HISTORIC STREETCAR, INC.

(A Component Unit of the City of Tampa)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended September 30, 2005

(In thousands)

Operating revenues:	
Charges for sales and services	\$ <u>626</u>
Operating expenses:	
Contract services	2,367
Other services and charges	<u>124</u>
Total operating expenses	<u>2,491</u>
Operating loss	<u>(1,865)</u>
Nonoperating revenues:	
Investment earnings	400
Non ad valorem assessments	300
Local government	<u>411</u>
Total nonoperating revenues	<u>1,111</u>
Change in net assets	(754)
Total net assets – beginning	<u>5,372</u>
Total net assets – ending	\$ <u><u>4,618</u></u>

The notes to the financial statements are an integral part of this statement.

TAMPA HISTORIC STREETCAR, INC.
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Statement of Cash Flows

Year ended September 30, 2005

(In thousands)

Cash flows from operating activities:	
Receipts from customers and users	\$ 720
Payments to suppliers	<u>(2,597)</u>
Net cash used in operating activities	<u>(1,877)</u>
Cash flows from noncapital financing activities:	
Non ad valorem assessments received	300
Nonoperating grants received	<u>411</u>
Net cash provided by noncapital financing activities	<u>711</u>
Cash flows from investing activities:	
Investment earnings	323
Sale of investment securities	<u>750</u>
Net cash provided by investing activities	<u>1,073</u>
Net decrease in cash and cash equivalents	(93)
Beginning cash and cash equivalents	<u>314</u>
Ending cash and cash equivalents	<u>\$ 221</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,865)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Increase in receivables – net	(30)
Increase in deposits	(50)
Decrease in accounts payable	(56)
Increase in deferred revenue	<u>124</u>
Total adjustments	<u>(12)</u>
Net cash used by operating activities	<u>\$ (1,877)</u>
Noncash investing and financing activities:	
Decrease in fair value of investments	<u>\$ (246)</u>

The notes to the financial statements are an integral part of this statement.

TAMPA HISTORIC STREETCAR, INC.
(A Component Unit of the City of Tampa)

Notes to Financial Statements

September 30, 2005

(1) Organization

Tampa Historic Streetcar, Inc. (the Streetcar) was incorporated November 20, 1998, in the state of Florida, as a not-for-profit organization. The City of Tampa (the City) completed construction of an electric streetcar rail line and the City, the Hillsborough Area Rapid Transit Authority (HARTline), and the Streetcar signed an Operation Agreement in April 2002. Operation of the Streetcar began in October 2002. The Operation Agreement defines the rights and obligations of the City, HARTline, and the Streetcar. Under the Operation Agreement, after the City has approved the Streetcar's annual budget, the City is responsible for reimbursing the Streetcar for any deficiency of revenues and support received over expenses incurred, if the expenses were included in the annual budget which must be approved by the City. During the year ended September 30, 2005 the City made no contributions to fund the Streetcar operations. The City approved the Streetcar's annual plan for the year ending September 30, 2005.

The Streetcar is reported as a discretely presented component unit in the City's basic financial statements. As such, the Streetcar's financial statements are presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB) as an enterprise fund, as they are considered a special purpose government engaged solely in business-type activities.

The Streetcar's mission is to provide a 2.3 mile light rail transportation system from the Tampa Convention Center through the Channelside district to Ybor City, thereby reducing traffic congestion and encouraging economic development in the area.

(2) Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Streetcar are accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The accounting and reporting policies of the Streetcar conform to the accounting rules prescribed by GASB. The Streetcar has elected under GASB Statement No. 20, Paragraph 7, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, not to apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

The Streetcar follows the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis -for State and Local Governments* (Statement 34), GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis -for State and Local Governments: Omnibus* (Statement 37), and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (Statement 38). Statement 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of changes in net assets and a statement of cash flows. In the statement of revenues, expenses, and changes in net assets, revenues and expenses are distinguished between operating and nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Streetcar's ongoing operations. Operating expenses include the costs of providing services, including operation and maintenance. All revenues and expenses not meeting

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Notes to Financial Statements

September 30, 2005

this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Streetcar's policy to use restricted resources first, then unrestricted resources as they are needed. Statement 34 also requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. The Streetcar has no restricted net assets. The relevant classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The Streetcar has no capital assets or related debt and therefore, no net assets invested in capital assets, net of related debt.

Unrestricted net assets – This component of net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(b) Cash and Cash Equivalents

Cash and cash equivalents represents cash held in bank accounts available for immediate usage. For purposes of the statement of cash flows, the Streetcar considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(c) Investments

Investments include marketable equity securities reported at fair value based on quoted market rates, plus accrued interest and dividends. The total increase/decrease in the fair market value of investments is reflected in the accompanying statement of revenues, expenses and changes in net assets as a component of investment earnings.

(d) Capital Assets

The Streetcar owns no capital assets; all capital assets used in the Streetcar operation are owned either by the City of Tampa or HARTline.

(e) Contributions and Grants

Unrestricted contributions are recognized within unrestricted net assets at fair value when received. Grant revenues are recognized when all eligibility requirements have been met.

(f) Tax Status

The Streetcar has received a favorable determination letter from the Internal Revenue Service, and is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501 (a) as an organization described in Section 501(c)(3).

TAMPA HISTORIC STREETCAR, INC.
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Notes to Financial Statements

September 30, 2005

(g) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) **Investments**

As of September 30, 2005, the Streetcar's investment balances were as follows (in thousands):

Investment type	Amount	Weighted average maturity (years)
Bond Mutual Funds	\$ 1,664,000	7.63
Money Market Funds	29,000	N/A
	1,693,000	
Portfolio weighted average maturity		7.63
Investments not subject to risk disclosures:		
Equity securities	3,052,000	
Total investments	\$ 4,745,000	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Tampa Historic Streetcar has no formal investment policy for interest rate risk. The weighted average maturity of the Tampa Historic Streetcar's investment portfolio at year end was 7.07 years, resulting in a risk of fair value of losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Tampa Historic Streetcar has no formal investment policy for credit risk. The investments in bond mutual funds were rated between B and Aa, and money market funds were rated A by Moody's Investor's Service.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the investment in a single issuer. Tampa Historic Streetcar's investments in the bond mutual fund represent 35% of the total investment balance at year end. The Tampa Historic Streetcar has no formal investment policy for concentration of credit risk.

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Notes to Financial Statements

September 30, 2005

(4) Accounts Receivable

Accounts receivable in the amount of \$66,000 consists of \$28,000 in grant revenue from the State of Florida and \$38,000 in Streetcar farebox collections due from HARTline.

(5) Prepaids and Other Assets

Prepaids and other assets include \$147,000 paid to HARTline to cover one month of future operations, and \$3,000 of prepaid insurance.

(6) Assets used in the Streetcar Operations

The City has \$21,268,000 recorded for the value of assets related to the installation of the Streetcar line. HARTline has \$44,331,173 recorded for its investment in Streetcar assets.

(7) Accounts Payable and Accrued Expenses

Accounts payable in the amount of \$282,000 consists of \$131,000 due to HARTline based on the operation agreement, \$147,000 payable to CSX for services provided and \$4,000 of other miscellaneous payables.

(8) Deferred Revenue

Deferred revenue represents \$235,000 received in advance on various naming right agreements which are recognized over a period of five to thirty years depending on the terms of the various agreements, and deferred maintenance revenue of \$47,000 from HARTline for the operation and usage of the Breezer car. Revenue is recognized in the statement of revenues, expenses and changes in net assets over the life of the agreement as a component of charges for sales and services.

(9) Risk Management

Liabilities of the Streetcar are reported when it is probable that a loss has occurred and the amount of the loss can be estimated. The Streetcar has experienced disputes incidental to its operation, however management believes these disputes are de minimus. The Streetcar has purchased two commercial insurance policies which provide \$100,000,000 of general liability coverage for CSX should an accident occur at the location where the streetcar line and the CSX line intersect.

(10) Related Party Disclosures

The Streetcar has an operating agreement with HARTline that is renewable each year. The amount of the contract represents approximately 76% of the Streetcar's expenses, however only 30% of the Streetcar's board is appointed by HARTline.



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Trustees
Tampa Historic Streetcar, Inc.:

We have audited the financial statements of the Tampa Historic Streetcar, Inc., a component unit of the City of Tampa, Florida, as of and for the year ended September 30, 2005, and have issued our report thereon dated December 16, 2005. 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 the Tampa Historic Streetcar, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tampa Historic Streetcar, Inc.'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 the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 16, 2005
Certified Public Accountants