

Northwest Florida Transportation Corridor Authority

Financial Statements

September 30, 2011

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 September 30, 2011, 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 the 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, 2011 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 November 7, 2012 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.

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

Certified Public Accountants
November 7, 2012

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 \$6,277,414 (net assets). Of this amount, \$410 is unrestricted net assets for governmental activities. Total net assets include \$6,277,004 invested in capital assets (net of related debt) in the governmental activities.
- Total net assets are \$6,277,414.
- Governmental activities revenues are \$79,790, while governmental activities expenses are \$19,848.

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 2011, 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>	2011	2010
Current and other assets	\$ 82,239	\$ 40,688
Capital assets (net)	6,277,004	6,216,500
Total assets	6,359,243	6,257,188

<i>September 30,</i>	2011	2010
Current liabilities (payable from current assets)	\$ 81,829	\$ 39,716
Total liabilities	81,829	39,716
Net assets invested in capital assets, net of related debt	6,277,004	6,216,500
Net assets – unrestricted	410	972
Total net assets	\$ 6,277,414	\$ 6,217,472

Investment in capital assets represents 99% 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>	2011	2010
Revenues		
Intergovernmental	\$ 79,790	\$ 174,949
Interest revenue	-	34
Total revenues	79,790	174,983
Expenses	19,848	4,858
Increase in net assets	\$ 59,942	\$ 170,125

Governmental activities revenues exceeded expenses by \$59,942.

All of the revenues for governmental activities were generated by intergovernmental receipts from grants, with all expenditures being 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, 2011, total assets were \$82,239 and total liabilities were \$81,829. At the end of fiscal year 2011, unassigned fund balance of the general fund was \$410.

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, 2011, was \$6,277,004 (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>	2011	2010
Construction-in-progress	\$ 6,277,004	\$ 6,216,500
Total	\$ 6,277,004	\$ 6,216,500

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, 1367-D South Railroad Avenue, Chipley, FL 32428. 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, 2011

	General Fund	Adjustments (Note 2)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 7,903	\$ -	\$ 7,903
Grant receivable, net	74,336	-	74,336
Capital assets, net	-	6,277,004	6,277,004
Total assets	\$ 82,239	6,277,004	6,359,243
Liabilities			
Accounts payable	\$ 81,829	-	81,829
Total liabilities	81,829	-	81,829
Fund balance/net assets			
Unassigned fund balance	410	(410)	-
Total liabilities and fund balance	\$ 82,239		
Net Assets			
Invested in capital assets, net of related debt		6,277,004	6,277,004
Unrestricted		410	410
Total net assets		\$ 6,277,414	\$ 6,277,414

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, 2011

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental	\$ 79,790	\$ -	\$ 79,790
Total revenues	<u>79,790</u>	<u>-</u>	<u>79,790</u>
 Expenditures			
General government	19,848	-	19,848
Capital outlay	<u>60,504</u>	<u>(60,504)</u>	<u>-</u>
Total expenditures	<u>80,352</u>	<u>(60,504)</u>	<u>19,848</u>
 Excess (deficit) of revenues over (under) expenditures/change in net assets	(562)	60,504	59,942
 Fund balance/net assets			
Beginning of year	<u>972</u>	<u>6,216,500</u>	<u>6,217,472</u>
 End of year	<u>\$ 410</u>	<u>\$ 6,277,004</u>	<u>\$ 6,277,414</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, 2011 the allowance for doubtful accounts was \$0.

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 are no nonspendable funds as of September 30, 2011.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. There are no restricted funds as of September 30, 2011.

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 which is the Board or Directors. There are no committed funds as of September 30, 2011.

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 are no assigned funds as of September 30, 2011.

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, 2011 is \$410.

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, November 7, 2012.

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 \$410 differs from the net assets of governmental activities of \$6,277,414 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	\$ 6,277,004
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Net adjustment to increase fund balance - total governmental funds to arrive at net assets of governmental activities	\$ 6,277,004

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	\$ 60,504
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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	\$ 60,504

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, 2011.

Interest Rate Risks

At September 30, 2011, the Authority did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2011, the Authority did not hold any investments that were considered to be a credit risk.

Custodial Risks

The Authority has cash deposits with financial institutions that are neither insured nor collateralized for any amounts over the Federal Deposit Insurance Corporation limit of \$250,000. At times, balances may exceed the FDIC limit, but cash deposits did not exceed the FDIC insured limits as of September 30, 2011.

At September 30, 2011, the Authority did not hold any investments that were considered to be a custodial risk.

Northwest Florida Transportation Corridor Authority

Notes to Financial Statements

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Concentration of Credit Risk

At September 30, 2011, 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, 2011 are as follows:

	Balance September 30, 2010	Additions	Deletions/ Adjustments	Balance September 30, 2011
Construction-in-progress	\$ 6,216,500	\$ 60,504	\$ -	\$ 6,277,004
Total capital assets, not being depreciated	\$ 6,216,500	\$ 60,504	\$ -	\$ 6,277,004

Required Supplementary Information

Northwest Florida Transportation Corridor Authority
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 534,940	\$ 534,940	\$ 79,790	\$ (455,150)
Total revenues	<u>534,940</u>	<u>534,940</u>	<u>79,790</u>	<u>(455,150)</u>
Expenditures				
General government	368,315	368,315	19,848	348,467
Capital outlay	166,625	166,625	60,504	106,121
Total expenditures	<u>534,940</u>	<u>534,940</u>	<u>80,352</u>	<u>454,588</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (562)</u>	<u>\$ (562)</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, 2011, and have issued our report thereon dated November 7, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditor's report on internal control over financial reporting and on compliance and other matters. Disclosures in that report, which is dated November 7, 2012, 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:

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 11-01 and 11-02.

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 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 government 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, 2011, filed with the 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(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 entity'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 the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Northwest Florida Transportation Corridor Authority, the Board of Directors, management, certain regulatory agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

November 7, 2012

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 GOVERNMENTAL AUDITING STANDARDS

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

We have audited the financial statements of Northwest Florida Transportation Corridor Authority, as of and for the year ended September 30, 2011 and have issued our report thereon dated November 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the 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 entity'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 Northwest Florida Transportation Corridor 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting, described below, that we consider to be material weaknesses.

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. 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. We have identified the following significant deficiencies in internal control which are also considered to be material weaknesses.

11-01 (prior years 10-01 and 09-01) 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 would outweigh the cost of those resources.

11-02 (priors year 10-02 and 09-02) 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 in the resources necessary for us to prepare our own financial statements would outweigh the cost of those resources.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Board of Directors, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

November 7, 2012