PSTA

Financial Statements and Schedules and Reports Required by
OMB Circular A-133 and *Rules of the Auditor General*,
State of Florida, Chapter 10.550
September 30, 2009

(With independent Auditors' Report Thereon)

PINELLAS SUNCOAST TRANSIT AUTHORITY

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Transmittal Letter

Dear Honorable Chairman, Distinguished Members,
Pinellas Suncoast Transit Authority Board of Directors, and
Citizens of Pinellas County, Florida:

It is with great pleasure that the Annual Financial Report for the Pinellas Suncoast Transit Authority (Authority) for the fiscal year ended September 30, 2009 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Authority's financial statements have been audited by KPMG, LLP, a firm of certified public accountants licensed to practice in the state of Florida. The audit was conducted to provide reasonable assurance that the Authority's financial statements for the fiscal year ended September 30, 2009 are free of material misstatements. The audit involved 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; and evaluating the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended September 30, 2009 are presented fairly in conformity with accounting principles generally accepted in the United States of America. The auditor's report is presented as the first component of the financial section of this report.

Profile of the Authority

The Authority was created in 1984 via a merger of the St. Petersburg Municipal Transit System and the Central Pinellas Transit Authority to provide Pinellas County with a cohesive public transit system. Today, a fleet of 189 buses and 16 trolleys serve 32 regular routes and six commuter routes throughout Pinellas County. The Route 100X provides express service between St. Petersburg and downtown Tampa 16 times a day, the Route 300X provides express service between Largo and downtown Tampa 15 times a day, and the popular Suncoast Beach Trolley[SM] connects the Gulf beaches from downtown Clearwater to Pass-a-Grille.

Pinellas County is 280 square miles with approximately 929,000 residents. Pinellas County is located along the west coast of Florida and includes a very extensive corridor of smaller beach communities along the Gulf of Mexico. Pinellas County is the second smallest county in the state of Florida; however, it is the most densely populated county in the state and is nearly three times more densely populated than the next closest county.

The Authority serves most of the unincorporated area and 19 of the county's 24 municipalities. This accounts for 98% of the county's population and 97% of its land area. The cities of St. Pete Beach, Treasure Island, Kenneth City, Belleair Beach, and Belleair Shore are not members of the Authority; however, St. Pete Beach and Treasure Island do contract for trolley service.

During the 2009 service year, Authority vehicles traveled a total of 9.9 million miles, providing approximately 651,000 hours of service and 12.2 million passenger trips.

The Authority is governed by a board of directors comprised of 13 elected officials, and two nonelected officials, one of which is appointed by Pinellas County Board of Commissioners and the other by the St. Petersburg City Council. Operating expenses are covered through state and federal grant funds, passenger fares, and ad valorem taxes.

The Authority offers a host of programs and services to make using public transit an easy and attractive alternative to driving. Printable route schedules and maps are available on www.psta.net, making bus information more accessible than ever. The Web site also offers details about how to ride, fares and reduced fare programs, Bikes on Buses, employment opportunities, and much more. These materials are also all available by mail. Trip planning assistance is available by calling the Customer Service Department's InfoLine, visiting a Customer Service Center, or through the Google online trip planner. The Authority strives to assist companies with special corporate needs and employee transportation problems. The Employer's Choice Program allows companies to offer their employees a transit benefit that can be deducted as a business expense. Passengers enjoy the added convenience of loading a bicycle onto special racks on the front of every bus and trolley. A special slide presentation is available on the Authority's Web site to teach riders how to use the rack. Organizations interested in the role of public transportation in Pinellas County are invited to call and request a speaker for meetings and/or events. First-time riders can use the Show Me Program to get schedules, route maps, fare information, and more brought right to their door by an Authority representative who will train them in the basics of transit and take them on the first bus trip. Three convenient Park N Ride lots are provided for intermodal connections to local and commuter express bus routes.

Persons with disabilities who are unable to use regular bus service may be eligible for specialized service, Demand Response Transportation (DART). Since DART offers vehicles that are equipped with wheelchair lifts they are accessible to passengers using both wheelchairs and electric carts. DART service is a complement to the Authority's fixed routes with service available to certified customers during the same days and hours as the fixed route bus service at a fare of not more than twice the regular bus fare.

Local Economy

The economy of Pinellas County was battered by falling real estate prices, a sharp increase in the number of foreclosures, the collapse of the national financial markets and subsequent credit freeze, and the effects of the global recessions. The unemployment for Pinellas County increased from 6.7% in September 2008 to 11.2% in September 2009. Because the majority of passengers are work commuters, the Authority suffered a decrease in ridership of 5.2% from October 2008 to September 2009. As the result of falling real estate values, the Authority also experienced a decrease in property tax revenue of 8.4% from the prior year.

In anticipation of the revenue reductions, the Authority underwent an extensive route review process as part of the fiscal year 2009 budget development process and reduced services by 5% with minimal impact on customers. As a result of the service modification, the passengers per revenue hour (a productivity measure) increased from 19.36 to 19.58 in fiscal year 2009.

Long-Term Financial Planning

Every year, the Authority prepares a strategic Transit Development Plan (TDP), which provides an assessment of current transit service levels, milestones, and proposed service enhancements over a 10-year horizon. Proposed service enhancements, which improve or expand transit service, are "programmed" annually in the TDP and presented to the Board of Directors for adoption. Each enhancement project includes capital and operating expenses for the proposed service.

Capital expenses for new or expanded services are then incorporated into a consolidated Program of Projects. The Authority programs approximately $12 million per year in federal formula funds for bus purchases (replacement and expansion), other capital projects and preventive maintenance. When necessary, the Authority has utilized the TDP to help secure special appropriations for capital expenses in excess of what is available in the federal formula program. Associated operating costs for transit service enhancements are included in the Authority's operating budget proposal for the upcoming fiscal year.

The TDP also includes systemwide capital and operating budget summaries by fiscal year and revenue estimates by revenue source. In this way, the Board of Directors considers costs and revenues for the current system and the "added" costs for an enhanced system. To accomplish major projects, the Board of Directors may establish reserve accounts that accumulate funds over a period of years. This is especially important for more costly projects such as Bus Rapid Transit, which require significant local funding for both capital and operating expenses.

Cash Management

The primary objective of the Authority's investment program is the preservation of capital. Investment transactions are conducted in such a manner as to avoid loss. Accordingly, the Authority's deposits were either insured by federal depository insurance and/or by collateral pledged with the State Treasurer pursuant to Florida Statutes. The Authority maintains an interest-bearing account that functions as a master account for zero balance checking accounts. Interest earnings are indexed to the Federal Reserve funds rate. All other funds are invested with the State Board of Administration Local Government Investment Pool, Local Government Investment Pool – Fund B and Comingled Asset Management Program Money Market Fund. Please see note 3 to the financial statements for additional information related to these investments.

Risk Management

The Authority is self-insured for vehicle, general liability, property, and workers' compensation. Policies are purchased to cover excessive loss.

Employee life and health benefits are provided through purchased policies administered by the Human Resources Department.

Property Tax Reform

- An amendment to the Florida Constitution was placed on the ballot for January 29, 2008, which passed with 64% of the vote. The amendment increased the $25,000 homestead exemption by an additional $25,000 and made the Save Our Homes benefit portable, allowing qualified home owners to transfer up to $500,000 of the benefit to a new homestead. The amendment also caps the annual increase in assessed value for nonhomestead property to 10% and provides a $25,000 exemption for tangible personal property. School district taxes were exempted from the changes mandated by the amendment. The amendment became effective on October 1, 2008 except for the 10% assessment increase cap on nonhomestead property, which became effective January 1, 2009.

Major Initiatives

- The Authority experienced a decline in ridership from 12.9 million passengers in fiscal year 2008 to 12.2 million passengers in fiscal year 2009, a decrease of 5.4%.

- Development of a 10-year Capital Program and use of Federal Transit Administration Formula funds for preventive maintenance expenses.
- Twelve new Gillig buses to replace some 1997 year model vehicles were purchased in fiscal year 2008 and delivered in fiscal year 2009. Ten of these 12 buses are hybrids. All of the buses are low-floor and have the "quiet pack" that allows them to accelerate with reduced noise and without visible exhaust. Seven of the buses were fitted with a "look-a-like" conversion and are used as trolleys. Five of these buses include a Bus Rapid Transit (BRT) package for a sleeker look and more comfort for passengers.
- On February 17, 2009 President Obama signed the American Recovery and Reinvestment Act of 2009. The Authority was awarded $15.1 million, which will be used in fiscal year 2010 to purchase 14 replacement hybrid buses, purchase an automated vehicle locator and real-time bus information system, and fund bus stop improvements along the Authority's top 10 route corridors.
- Google Transit, a web-based computerized trip planning system, was implemented in the spring of 2009.
- A system of displays with predictions of bus arrival time were installed at the Authority's three major passenger terminals as part of a real-time bus information system.

Awards and Acknowledgements

Several Authority projects earned awards and recognition from local and national entities. The Florida Public Transportation Association honored the Authority with first place Awards of Excellence for the comprehensive brochure detailing last year's extensive service modifications and its accompanying White Hat Ambassador Program, and also for the newly redesign of Authority's Web site. Awards of Merit also recognized the quality campaign related to the Authority's Smartbus, Drive Green and other "green" efforts, and the internal employee intranet interface ACCESS.

The Authority is especially proud of Betty Brown, a customer service representative that was selected as one of seven finalists nationally to compete in the American Public Transportation's National Call Center Challenge.

The Authority's accounting and finance staff deserve special recognition for their dedication and perseverance in producing this financial statement. I would also like to thank the individual department directors for their contribution to its preparation.

Respectfully Submitted,

Steven K Smith

Steven K. Smith, CPA
Director of Finance

KPMG LLP
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100 North Tampa Street
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Independent Auditors' Report

The Members of the Board
Pinellas Suncoast Transit Authority:

We have audited the accompanying balance sheet of the Pinellas Suncoast Transit Authority (the Authority) as of September 30, 2009, 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 Authority'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 Authority'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 Authority as of September 30, 2009, and the changes in financial position and cash flows thereof 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 February 19, 2010 on our consideration of the 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 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 and schedule of funding progress on pages 7 through 10 and page 26, respectively, are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

As discussed in notes 2(n) and 8 to the financial statements, effective October 1, 2008, the Authority adopted the provisions of the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

KPMG LLP

February 19, 2010
Certified Public Accountants

Pinellas Suncoast Transit Authority (Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2009. The information presented here should be considered in conjunction with the letter of transmittal and the financial statements.

Financial Highlights

- The Authority's assets exceeded its liabilities at the close of fiscal year 2009 by $110.3 million (net assets), which is a decrease from the prior period of $2.8 million. Of the net asset amount, $26.8 million is unrestricted and may be used to meet the Authority's ongoing obligations.
- The revenues and capital grants totaled $61.7 million, a decrease of 8.8% from the prior year. Expenses totaled $64.5 million, a decrease of 0.9% from the prior year. The results of these activities produced a decrease in net assets of $2.8 million.

Overview of the Financial Statements

The Authority is structured as a single fund enterprise and the financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The financial statements have three sections: Introductory Section, Financial Section, which includes the financial statements along with the notes to the financial statements, and the Regulatory Section.

Included in the financial statements are the balance sheet; the statement of revenues, expenses, and changes in net assets; the statement of cash flows; and the related notes.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The balance sheet can be found on page 11 of this report.

The statement of revenues, expenses, and changes in net assets presents information showing how the Authority's net assets changed during 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 the related cash flow. That is to say revenues are recognized when they are earned and measurable, not when cash is received, and expenses are recognized when they are incurred, not when they are paid. The statement of revenues, expenses, and changes in net assets can be found on page 12 of this report.

The statement of cash flows presents the cash activities of the Authority segregated into the following four major categories: operating, noncapital financing, capital and related financing, and investing. The statement of cash flows can be found on page 13 of this report.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of the data provided in the financial statements. The notes begin on page 14 of this report.

(Continued)

Financial Analysis

The following table reflects the condensed balance sheet compared to the prior year:

		2009	2008
Assets:			
Current and other assets	$	35,025,757	35,265,565
Capital assets		83,476,413	85,356,072
Total assets	$	118,502,170	120,621,637
Liabilities:			
Current liabilities	$	8,191,826	7,489,554
Net assets:			
Investments in capital assets		83,476,413	85,356,072
Unrestricted		26,833,931	27,549,762
Restricted		—	226,249
Total net assets		110,310,344	113,132,083
Total liabilities and net assets	$	118,502,170	120,621,637

The 2008 restricted net assets represent cash proceeds received but not yet spent from the sale of capital assets originally purchased with federal funds. The proceeds were used for purchases of capital assets in 2009. There were no unspent cash proceeds from the sale of capital assets at the end of fiscal year 2009.

As depicted above, the largest portion of the Authority's net assets, 75.7%, reflects its investment in capital assets. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Authority's board of directors has chosen to designate how the unrestricted portion of the net assets can be used (see note 5 to the financial statements). As was the case in the prior years, the Authority has no debt and is able to report positive balances in all categories of net assets.

(Continued)

The following schedule reflects the condensed statement of revenues, expenses, and changes in net assets compared to the prior year. Total revenue decreased by $5.9 million or 8.8%. The decrease was primarily due to reduced interest earnings, and reduced property tax revenues. Total operating expenses decreased by $581,475 million or 0.9% as compared to the prior year.

		2009	2008
Operating revenues	$	11,652,366	11,405,242
Operating expenses:			
Operations		32,628,559	30,562,932
Purchased transportation		4,318,338	4,445,330
Maintenance		6,817,534	7,011,017
Administration and finance		10,248,034	11,283,296
Marketing		1,796,891	2,123,776
Depreciation		8,666,368	9,630,848
Total operating expenses		64,475,724	65,057,199
Operating loss		(52,823,358)	(53,651,957)
Nonoperating revenues:			
Federal, state, and local operating assistance grants		7,623,590	6,021,856
Property tax revenue		34,156,128	37,231,077
Other nonoperating revenue, net		1,231,562	2,055,801
Capital grants		6,990,339	10,867,190
Total nonoperating revenues		50,001,619	56,175,924
Change in net assets		(2,821,739)	2,523,967
Net assets, beginning of year		113,132,083	110,608,116
Net assets, end of year	$	110,310,344	113,132,083

The Authority provided services that are a direct benefit to the users and an indirect benefit to the public at large. Accordingly, only a portion of the cost to provide the service is intended to be recovered through user charges with the remainder to be covered by ad valorem taxes and state and federal funding.

The operating revenue reflects an increase due to a rate increase that took effect in fiscal year 2009. The operating revenues increased by $247,124 or 2.2%. Operating expenses before depreciation increased by $383,005 or 0.7%. The largest portion of the increase was due to a $2.0 million increase in fuel.

The nonoperating revenues, excluding capital grants, decreased by $2.3 million or 5.1%. The decrease in the property tax revenue of $3.1 million or 8.3% was the result of property tax reform as described in the Transmittal Letter under the heading of Property Tax Reform. The millage for fiscal years 2009 and 2008 was unchanged at 0.5601. See note 2(m) for additional information on ad valorem taxes.

Capital Assets

The Authority has invested $83.5 million in capital assets (net of accumulated depreciation). Approximately 44.6% of the investment represents revenue generating equipment and 39.2% represents the Scherer Drive Administration and Maintenance facility.

Capital Assets, Net of Accumulated Depreciation

		2009	2008
Land	$	6,961,677	6,961,677
Buildings and improvements		36,845,421	38,272,618
Revenue equipment		37,252,643	36,849,476
Furniture and other equipment		1,885,066	2,754,502
Capital assets in progress		531,606	517,799
Total	$	83,476,413	85,356,072

Additional information regarding capital assets can be found in note 4 to the financial statements.

Long-Term Debt Administration

The Authority has no long-term debt.

Economic Factors and Next Year's Budgets and Rates

The adopted fiscal year 2010 budget was based on a rate of 0.5601 mills, which is unchanged from fiscal year 2009.

Requests for Information

This financial report is designed to provide a general overview of the Pinellas Suncoast Transit Authority's finances for all those with an interest in the authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Pinellas Suncoast Transit Authority, 3201 Scherer Drive, St. Petersburg, FL 33716.

PINELLAS SUNCOAST TRANSIT AUTHORITY

Balance Sheet

September 30, 2009

Assets

Current assets:		
Cash and cash equivalents	$	30,503,164
Investments		430,918
Accounts receivable, net of allowance of $71,990		977,320
Grants receivable		1,271,853
Inventories		1,245,267
Prepaid expenses		597,235
Total current assets		35,025,757
Capital assets:		
Land		6,961,677
Buildings and improvements		45,723,514
Revenue equipment		73,321,542
Furniture and other equipment		6,656,951
Capital assets in progress		531,606
		133,195,290
Less accumulated depreciation		49,718,877
Total capital assets		83,476,413
Total assets	$	118,502,170

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	1,478,480
Accrued expenses		6,713,346
Total current liabilities		8,191,826
Net assets:		
Invested in capital assets		83,476,413
Unrestricted		26,833,931
Total net assets		110,310,344
Total liabilities and net assets	$	118,502,170

See accompanying notes to financial statements.

PINELLAS SUNCOAST TRANSIT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended September 30, 2009

Operating revenues:		
Passenger fares	$	11,500,513
Demand response		151,853
Total operating revenues		11,652,366
Operating expenses:		
Operations		32,628,559
Purchased transportation		4,318,338
Maintenance		6,817,534
Administration and finance		10,248,034
Marketing		1,796,891
Total operating expenses, before depreciation		55,809,356
Operating loss before depreciation		(44,156,990)
Depreciation		8,666,368
Operating loss		(52,823,358)
Nonoperating revenues:		
Federal maintenance assistance grants		1,414,206
State operating assistance grants		3,340,209
Other federal grants		1,423,661
Special project assistance – state grants		912,185
Special project assistance – local grants		533,329
Property tax revenues		34,156,128
Investment return		419,287
Advertising revenue		163,586
Fuel tax refunds		595,739
Other, net		52,950
Total nonoperating revenues		43,011,280
Loss before capital grants		(9,812,078)
Capital grants		6,990,339
Decrease in net assets		(2,821,739)
Net assets, beginning of year		113,132,083
Net assets, end of year	$	110,310,344

See accompanying notes to financial statements.

PINELLAS SUNCOAST TRANSIT AUTHORITY

Statement of Cash Flows

Year ended September 30, 2009

Cash flows from operating activities:		
Receipts from customers	$	12,598,854
Payments to suppliers		(21,223,784)
Payments to and on behalf of employees		(34,229,622)
Net cash used in operating activities		(42,854,552)
Cash flows from capital financing activities:		
Purchases of capital assets		(6,795,782)
Capital grants		6,990,339
Proceeds from sale of capital assets		16,521
Net cash provided by capital financing activities		211,078
Cash flows from noncapital financing activities:		
Property tax revenues		34,156,128
Operating and special project assistance grants		6,840,699
Other		1,211,751
Net cash provided by noncapital financing activities		42,208,578
Cash flows from investing activity:		
Sale of securities		6,626,026
Net cash provided by investing activity		6,626,026
Net increase in cash and cash equivalents		6,191,130
Cash and cash equivalents, beginning of year		24,312,034
Cash and cash equivalents, end of year	$	30,503,164
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(52,823,358)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		8,666,368
Decrease in accounts receivable		946,488
Increase in inventories		(78,498)
Increase in prepaid expenses		(267,824)
Increase in accounts payable		538,147
Increase in accrued expenses		164,125
Net cash used in operating activities	$	(42,854,552)

See accompanying notes to financial statements

(1) Description of Business

The Pinellas Suncoast Transit Authority (the Authority) was formed by an act of the Florida Legislature in 1984, and became effective by majority vote of the electorate in a referendum election of the transit area in Pinellas County, Florida. The Authority is an independent taxing authority whose purpose is to provide effective, modern mass transit service to Pinellas County, Florida. The Authority is governed by a 15-member board of directors made up of elected officials and citizens. The board members are appointed by the county and member cities in accordance with a formula provided by the enabling legislation and serve a three-year term.

(2) Summary of Significant Accounting Policies

The accounting policies and practices of the Authority have been designed to conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to a government enterprise fund. The Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, with regard to the application of Financial Accounting Standards Board (FASB) pronouncements. In accordance with the provisions of GASB Statement No. 20, the Authority elected not to apply those FASB statements and interpretations issued after November 30, 1989. The following is a summary of the more significant accounting policies:

(a) Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied and grants are recognized as revenue as soon as all eligibility requirements have been met.

(b) Cash Equivalents and Investments

Cash equivalents are defined as short-term highly liquid debt investments that are both readily convertible to known amounts of cash and have original maturities of three months or less at the date of purchase.

The Authority’s investments were with the State Board of Administration of Florida (SBA). SBA investments consist of the Florida PRIME, Fund B Surplus Funds Trust Fund (Fund B), and Commingled Asset Management Programs, Money Market (CAMPMM). The Florida PRIME (previously known as the Local Government Surplus Funds Investment Pool Trust Fund) is an external 2a7-like investment pool in which the fair value of the Authority’s position in the pool is the same as the value of the pool shares. CAMPMM and Fund B are both a fluctuating net asset value (NAV) external investment pool. With a fluctuating NAV pool, the NAV approximates fair value.

(c) Accounts Receivable

All trade and other receivables are shown net of an allowance for uncollectibles. The receivables are analyzed by management at the end of the year to estimate the amount of the allowance, as applicable.

(d) Grants Receivable

Grants receivable represent expenditures for grant eligible items for which reimbursement has not yet been received.

(e) Inventories and Prepaid Expenses

Inventories, principally fuel and maintenance parts, are stated at the lower of cost (using the moving weighted average cost method) or market.

Certain payments to vendors reflect cost for contracts or services applicable to future accounting periods and are recorded as prepaid expenses.

(f) Capital Assets

Capital assets are recorded at cost. Capital assets, which include property and equipment, are defined as assets with an initial, individual cost of $1,000 or more with an estimated useful life greater than one year. Major renewals and betterments are treated as capital additions. Expenses for maintenances, repairs, and minor renewals are expensed as incurred. Donated assets are stated at estimated fair value at the date of receipt.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset as follows:

Property classification	Estimated useful life range
Buildings	5 – 40 years
Improvements	5 – 20 years
Revenue equipment	3 – 12 years
Furniture and other equipment	3 – 10 years

(g) Compensated Absences

The Authority's policy permits substantially all employees to accumulate a limited amount of earned but unused vacation, sick-pay benefits, and certain other qualifying absences, which will be paid to the employee upon separation from service. Vacation, eligible sick-pay, and other qualifying absences, which have been earned but not paid, have been accrued in the accompanying financial statements.

(h) Net Assets

Net assets are classified and displayed in three components:

Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation. There were no restricted net assets at September 30, 2009.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

(i) Grants

The federal government, State of Florida, and the Pinellas Metropolitan Planning Organization have made available grants to the Authority related to the development of public transit facilities, which are restricted to acquiring qualifying capital assets and funding certain operating expenses.

Capital grants are reported in a separate line item in the statement of revenues, expenses, and changes in net assets. Proceeds from the sale of capital assets originally purchased with funds from federal grants must be reinvested in capital asset purchases approved by the Florida Department of Transportation (FDOT) and the Federal Transit Administration (FTA).

(j) Use of Estimates

The preparation of the financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include the reserve for workers' compensation, general liability claims, and post employment benefits other than pensions. Actual amounts could differ from those estimates.

(k) Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues are fare box revenues, which are fees for public transportation. Operating expenses include the cost of providing the services and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expense.

(l) Fare Revenues

Passenger fares are recorded as revenue at the time services are performed.

(m) Property Tax Revenue

The Authority is a special taxing district that is authorized to levy an ad valorem tax on the taxable real property in the transit area not to exceed 0.7500 mills. The approved ad valorem tax rate for fiscal year 2009 was 0.5601 mills.

(Continued)

Property tax collections are governed by Chapter 197, *Florida Statutes*. The Pinellas County Tax Collector bills and collects all property taxes levied within the county. Discounts are allowed for early payment of 4.0% in November, 3.0% in December, 2.0% in January, and 1.0% in February. If property taxes are not paid by April 1, the county adds a 3.0% penalty on real estate taxes and 1.5% penalty on personal property taxes.

The Pinellas County Tax Collector advertises and sells tax certificates on all real property for delinquent taxes. The Pinellas County Tax Collector must receive payment before the certificates are issued. Any person owning land on which a tax certificate has been sold may redeem the tax certificate by paying the Pinellas County Tax Collector the face amount of the tax certificate plus interest and other costs. The owner of the tax certificate may, at any time after taxes have been delinquent (April 1) for two years, file an application for tax deed sale. The county, as a certificate owner, may exercise similar procedures two years after taxes have been delinquent. Tax deeds are issued to the highest bidder for the property that is sold at public auction.

The Pinellas County Tax Collector remits current taxes collected through four distributions to the Authority in the first two months of the tax year and at least one distribution each month thereafter.

Property tax calendar:

January 1, 2008 – Property taxes are based on assessed property value at this date as determined by the Pinellas County Property Appraiser.

June 27, 2008 – Property assessment roll and certificates of value provided to the Authority by the Pinellas County Property Appraiser.

July 23, 2008 – Proposed millage rate is approved by the Board of Directors and provided to the Pinellas County Property Appraiser who mails notices to the taxpayers.

September 10, 2008 – Property tax millage rate resolution approved by the Board of Directors.

October 1, 2008 – Beginning of the year for which property taxes have been levied.

November 1, 2008 – Property taxes are due and payable.

April 1, 2009 – Unpaid property taxes become delinquent.

June 1, 2009 – Tax certificates are sold by the Pinellas County Tax Collector.

(n) New Accounting Pronouncement

Effective October 1, 2008, the Authority adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards of accounting and financial reporting for other post employment benefits (OPEB) expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers. See note 8.

Effective October 1, 2008, the Authority adopted the provisions of GASB Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes a framework for the recognition and measurement of pollution remediation liabilities that incorporates (1) obligating events that require recognition of a liability (2) components of a liability (for example, legal services, site investigation, or required postremediation monitoring) and benchmarks that require recognition as they become reasonably estimable, and (3) method of measurement. GASB 49 requires a governmental entity to determine whether one or more components of a pollution remediation obligation are recognizable as a liability if an obligating event occurs. The Authority had no obligating events during fiscal year 2009.

(3) Cash, Cash Equivalents, and Investments

At September 30, 2009, the carrying value of the Authority's cash, cash equivalents, and investments was as follows:

Type	Carrying value	Credit rating
Petty cash	$ 18,588	N/A
Demand deposits	15,117,498	N/A
Florida PRIME	15,367,078	AAAm
Total cash and cash equivalents	30,503,164	
Investments:		
CAMPMM	41,374	N/A
Fund B	389,544	N/A
Total investments	430,918	
	$ 30,934,082	

(a) Custodial Credit Risk

At September 30, 2009, the Authority's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss.

(b) Credit Risk

Florida Statute 218.415 and the Authority's Investment Policy authorize the investment of surplus funds in the following:

- Up to 100% of the surplus funds in Florida PRIME under the management of the SBA.
- Up to 20% of the surplus funds in CAMPMM under the management of the SBA.

- Up to 100% of the surplus funds in time deposits, and savings accounts in banks located in Florida and authorized to hold Florida public deposit accounts and designated as an "Active Qualified Public Depository."

At September 30, 2009, the Authority's investments were with the SBA. SBA investments consist of the Florida PRIME, Fund B, and CAMPMM.

The Authority invested funds throughout the year with Florida PRIME and the CAMPMM, which are administered by the SBA. Chapter 19-7 of the Florida Administrative Code provides guidance and establishes the general operating procedures for the administration of the funds, and they are audited by the State of Florida Auditor General.

Florida PRIME is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant NAV of $1.00 per share. Accordingly, the Authority's investment in Florida PRIME is reported at the account balance, which is considered fair value.

Fund B is accounted for as a fluctuating NAV pool, where the fluctuating NAV pool approximates market value. The SBA provides a fair value factor to use on the Fund B account balance to determine market value or fair value. As of September 30, 2009, the fair value factor was 54.9%. Fund B is not rated by a nationally recognized statistical rating agency.

The CAMPMM invests in short-term, high-quality money market instruments issued by financial institutions, nonfinancial corporations, the U.S. government, and federal agencies. Changes in interest rates will cause volatility in the net asset value of the portfolio.

The Authority participated in the SBA administered Commingled Asset Management Pool Fixed Income Fund (CAMPFI). This fund invested in bonds with intermediate and long maturities. SBA notified the Authority that CAMPFI was going to be closed and the pool would be invested in a privately managed fixed income fund. Investment by the Authority in private funds is not permitted under the investment policy. Accordingly, as instructed by the Authority, the SBA liquidated the Authority's position in CAMPFI as of April 30, 2009 and deposited $6,626,026 into the State Board of Administration of Florida Local Government Surplus Funds Trust Fund Investment Pool (now named Florida PRIME) and $57,283 in the CAMPMM.

The investments as defined in note 3 are not classified as to credit risk because they are not evidenced by securities that exist in book or entry form. The components of investment return include $572,313 of interest income on cash and cash equivalents and $6,237 in unrealized loss in the net asset value of CAMPMM, offset by an unrealized loss of $146,789 in the net asset value of Fund B for the year ended September 30, 2009.

(c) Interest Rate Risk

The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2009, is 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

(d) Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority had $15,797,996 with the SBA at September 30, 2009 or 51.1% of its cash, cash equivalents, and investments.

(4) Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	October 1, 2008	Additions	Transfers and disposals	September 30, 2009
Nondepreciable assets:				
Land	$ 6,961,677	—	—	6,961,677
Capital assets in progress	517,799	141,327	127,520	531,606
Total nondepreciable assets	7,479,476	141,327	127,520	7,493,283
Depreciable assets:				
Buildings and improvements	45,648,587	289,512	214,585	45,723,514
Revenue equipment	68,255,310	6,400,619	1,334,387	73,321,542
Furniture and other equipment	7,380,780	91,844	815,673	6,656,951
Total depreciable assets	121,284,677	6,781,975	2,364,645	125,702,007
Total at historical cost	128,764,153	6,923,302	2,492,165	133,195,290
Less accumulated depreciation for:				
Buildings and improvements	7,375,969	1,708,516	206,392	8,878,093
Revenue equipment	31,405,834	5,997,452	1,334,387	36,068,899
Furniture and other equipment	4,626,278	960,499	814,892	4,771,885
	43,408,081	8,666,467	2,355,671	49,718,877
Capital assets, net	$ 85,356,072	(1,743,165)	136,494	83,476,413

(5) Board-Designated Net Assets

Unrestricted net assets include reserves that have been designated by the Board of Directors for capital asset replacement in the amount of $10,699,093, catastrophic event claims in the amount of $2,000,000, and operating contingencies in the amount of $14,134,838.

(Continued)

(6) Risk Management

The Authority maintains self-insured programs for damage to vehicles and general liability claims for amounts up to $100,000 and workers' compensation claims for amounts up to $250,000. The Authority carries insurance coverage for excess liability limited to $2,000,000 per occurrence for vehicle and general liability claims. The Authority's excess workers' compensation program provides protection consistent with *Florida Statutes*. Provision has been made for claims filed and for estimated losses resulting from claims incurred but not reported as of the close of the fiscal year based upon the judgment of management and plan administrators. For the past three years, insurance settlements have not exceeded insurance coverage and there were no significant reductions in insurance coverage from the previous year.

The liabilities for self-insurance programs currently recorded as accrued expenses are based upon the Authority's best estimates after considering all available facts. The claims estimation process involves substantial uncertainties, including the ultimate outcome of certain legal actions that may affect the adequacy of amounts provided; however, management feels the amounts provided are appropriate.

		Workers' compensation	General liability
Claims reserve – September 30, 2007	$	2,258,029	1,220,398
Current year claims incurred and changes in prior year estimates		457,768	1,471,814
Claim payments		(981,797)	(752,212)
Claims reserve – September 30, 2008		1,734,000	1,940,000
Current year claims incurred and changes in prior year estimates		394,964	702,044
Claim payments		(659,964)	(587,044)
Claims reserve – September 30, 2009	$	1,469,000	2,055,000

(7) Retirement Plan

Substantially all full-time employees of the Authority are participants in the Florida Retirement System (FRS), a multiple-employer, cost-sharing public retirement system administered by the State of Florida, Department of Management Services, Division of Retirement. FRS has two retirement plans from which eligible employees can choose, the Pension Plan (a defined benefit plan) and the Investment Plan (a defined contribution plan).

Membership is compulsory for all full-time and part-time Authority employees working in regularly established positions. Contribution rates are established statewide for all participating governmental units. Accordingly, the actuarial information and related disclosures attributable to the Authority's employees are not determinable. Employees in the Pension Plan are vested with six years of service and once vested are eligible to retire upon reaching the age of 62 or with the completion of 30 years of service. Retirement benefits for the Pension Plan are based upon age, average compensation of an individual's five highest years of earnings, and years of service credit. Employees in the Investment Plan are vested after one year of service with no age or service requirement to be eligible for retirement.

The Deferred Retirement Option Program (DROP) is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the FRS, effective July 1, 1998. Under DROP, an employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for an FRS employer. The participation in the program does not change conditions of employment. When the DROP period ends, a maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits and begin receiving their monthly retirement benefit.

The Authority is required to contribute to FRS at an actuarially determined rate. The rate was 9.85% of covered payroll from October 2008 through September 2009, with the exception of DROP participants whose rate was 10.91% for the year ended September 30, 2009. The contribution requirements of the Authority are established and may be amended by the State of Florida. The Authority's contributions to the plan for the years ended September 30, 2009, 2008, and 2007 were $2,367,649, $2,383,148, and $2,248,227, respectively, and were equal to the required contributions for each year.

The FRS publishes an unaudited annual report that provides 10-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to the Division of Retirement, Research Education and Policy Section P.O. Box 9000, Tallahassee, FL. 32315.

(8) Postemployment Benefits Other Than Pensions (OPEB)

Effective October 1, 2008, the Authority adopted the provisions of the GASB 45. The Authority provides postretirement healthcare benefits in accordance with Section 100.123, *Florida Statutes*, to all employees who retire from the employ of the Authority. The retiree pays 100% of the premium cost (rate) for the retiree to participate in the Authority's insurance program. These rates provide an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The difference in the rate a retiree would pay if in a plan separate from active employees is considered the rate differential. GASB 45 requires the Authority to accrue the cost of the rate differential and OPEB during the period the cost (annual OPEB cost) and future obligations related to those benefits are earned by the employee (net OPEB obligation). GASB 45 also requires the Authority to disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of OPEB and the financial impact to the Authority. The financial impact of the adoption of GASB 45 in the amount of $264,503 is reflected in the accompanying financial statements.

(a) Plan Description

The Authority administers a single-employer defined benefit healthcare plan (Plan) that provides medical insurance benefits to its employees and their eligible dependents. The Plan benefits are established and may be amended by the Authority Board of Directors. In accordance with Section 112.0801 of the Florida Statutes, because the Authority provides a medical plan to active employees of the Authority and their eligible dependents, the Authority is also required to provide retirees with the opportunity to participate in this plan. Retirees and their dependents are charged the full premium for coverage through the Plan. Retiree's and retiree and spouse's monthly premiums are $688 and $1,052, respectively.

To be eligible to receive retiree medical benefits, participants must be eligible for normal retirement benefits under the FRS and pay the required contributions. The requirements for eligibility for benefits are age 62 with 6 years of service, or 30 years of service with no age requirement.

The benefits are provided through the United Healthcare Choice Plan and provide hospital, medical, and prescription coverage.

(b) Funding Policy

Contribution rates for the Plan are established on an annual basis by the Board of Directors. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium cost for the plan. The postretirement hospital, medical, and prescription coverage are currently funded on a cash basis (pay-as-you-go) as benefits are paid. No assets have been segregated and restricted to provide postretirement benefits. For the year ended September 30, 2009 (year of implementation), the cost of retiree healthcare was $1,139,846, of which $752,024 was paid by the retirees.

(c) Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed 30 years.

The Authority's annual OPEB cost for fiscal year 2009, the first year of implementation of GASB 45, and the related information for the plan are as follows:

Annual required contribution	$	336,345
Interest on net OPEB obligation		—
Adjustment to annual required contribution		—
Annual OPEB cost		336,345
Contributions made		(71,842)
Increase in net OPEB obligation		264,503
Net OPEB obligation – beginning of year		—
Net OPEB obligation – end of year	$	264,503

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 is as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
September 30, 2009	$ 336,345	21.4%	$ 264,503
September 30, 2008	N/A	N/A	N/A
September 30, 2007	N/A	N/A	N/A

(d) Funded Status

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial valuation date	Actuarial value of assets (a)	AAL (b)	UAAL (b-a)	Funded ratio (a/b)	Estimated covered (c)	UAAL as percentage of covered payroll ([b-a]/c)
October 1, 2008	$ —	1,930,713	1,930,713	—%	N/A	N/A

(e) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions made relative to rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. Amounts determined regarding the funded status of the Plan and the ARC by the Authority are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Projection of benefits is based on the substantive plan (the Plan as understood by the employer and plan members) and includes the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in AALs and the actuarial value of assets. The actuarial cost method used on the valuation to determine the AAL and ARC was the unit credit actuarial cost (unit credit) method.

(Continued)

In the current valuation, the actuarial assumptions used for the calculation of costs and liabilities include a discount rate of 4% per annum compounded annually, preretirement and postretirement mortality rates using the Sex-Distinct RP-2000 Generational Mortality Table and withdrawal rates, retirement rates, disability rates, marriage assumption, medical cost trend rate, participation, retiree claim costs, and administrative costs included in claims.

(9) Commitments and Contingencies

(a) Grant Expenditures Subject to Audit

The Authority receives funding through capital grants and operating assistance grants from the FTA and from FDOT. Expenditures financed by capital and operating assistance grants are subject to audit and acceptance by the granting agency. Any disallowed expenditure may need to be repaid to the granting agency; however, it is management’s opinion that no material liabilities will result from any such audits.

(b) Litigation

The Authority is a defendant in various lawsuits occurring in the normal course of business. The Authority continues to vigorously contest these claims. Management has recorded the estimated liability associated with these claims and believes the actual settlement of these claims will not have a material adverse effect on the financial condition of the Authority.

PINELLAS SUNCOAST TRANSIT AUTHORITY

Other Postemployment Benefits

Required Supplementary Information

September 30, 2009

(Unaudited)

The schedule of funding progress for fiscal year 2009 is as follows:

Acturial valuation date		Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Un-AAL (UAAL) (b-a)	Funded ratio (a/b)	Estimated covered (c)	UAAL as percentage of covered payroll ([b-a]/c)
October 1, 2008	$	—	1,930,713	1,930,713	— %	N/A	N/A

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Tampa, FL 33602

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*

The Members of the Board
Pinellas Suncoast Transit Authority:

We have audited the financial statements of the Pinellas Suncoast Transit Authority (the Authority) as of and for the year ended September 30, 2009, and have issued our report thereon dated February 19, 2010. 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.*

We noted certain matters that we reported to management of the Authority in a separate letter dated February 19, 2010.

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

KPMG LLP

February 19, 2010
Certified Public Accountants

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Tampa, FL 33602

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and *Rules of the Auditor General*, State of Florida, Chapter 10.550

The Members of the Board
Pinellas Suncoast Transit Authority:

Compliance

We have audited the compliance of the Pinellas Suncoast Transit Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement* that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2009. The Authority's major federal programs and state financial assistance projects are identified in the summary of auditors' 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 federal programs and state financial assistance projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133), and Chapter 10.550, *Rules of the Auditor General* (Chapter 10.550). Those standards, OMB Circular A-133, and Chapter 10.550 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 federal program or state financial assistance 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state financial assistance projects for the year ended September 30, 2009.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state financial assistance project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state financial assistance project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

KPMG LLP

February 19, 2010
Certified Public Accountants

PINELLAS SUNCOAST TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards
and State Financial Assistance

Year ended September 30, 2009

Federal or state grantor/pass-through grantor/program title	CFDA/CSFA number	Grant or contract number	Expenditures	Subrecipient
U.S. Department of Transportation:				
Direct programs:				
Federal Transit Cluster:				
Federal Transit Capital Investments Grant	20.500	FL 03-0197	$ 2,512	—
Federal Transit Capital Investments Grant	20.500	FL 04-0035	646,800	—
Federal Transit Formula Grant	20.507	FL 90-0470	9,099	—
Federal Transit Formula Grant	20.507	FL 90-0535	39,337	—
Federal Transit Formula Grant	20.507	FL 90-0562	632,789	—
Federal Transit Formula Grant	20.507	FL 90-0605	737,166	—
Federal Transit Formula Grant	20.507	FL 90-0617	564,258	—
Federal Transit Formula Grant	20.507	FL 90-0648	7,026,400	—
Federal Transit Formula Grant	20.507	FL 90-0689	106,074	—
			9,764,435	—
American Recovery and Reinvestment Act of 2009 Federal Transit Formula Grant	ARRA20.507	FL 96-X004	3,874	—
Total program			9,768,309	—
Passed through Pinellas County Metropolitan Planning Organization:				
Federal Transit Formula Grant	20.505	WP-17816685	60,000	—
Total U.S. Department of Transportation			9,828,309	—
U.S. Department of Homeland Security:				
Passed through State of Florida, Division of Emergency Management:				
Division of Emergency Management	97.075	08DS-66-13-00-20-200	41,941	—
Division of Emergency Management	97.075	08DS-83-13-00-20-384	39,006	—
Total U.S. Department of Homeland Security			80,947	—
Total expenditures of federal awards			$ 9,909,256	—
Florida Department of Transportation:				
Direct programs:				
Public Transit Block Grant Program	55.010	402513-1-84-09	$ 3,340,209	—
Public Transit Service Development Program (Route 18)	55.012	411923-l-84-05	285,517	—
Public Transit Service Development Program (Routes 59 &74)	55.012	422380-1-84-01	184,951	—
Total program			470,468	—
Transit Corridor Program (Route 100X)	55.013	410695-1-84-09	150,000	—
Transit Corridor Program (Route 300X)	55.013	418695-1-84-04	165,000	—
Total program			315,000	—
Public Transit Service Development Program City of Gulfport	55.100	440310-1-84-1	45,770	45,770
Total expenditures of state financial assistance			$ 4,171,447	45,770

See accompanying note to schedule of expenditures of federal awards and state financial assistance.

PINELLAS SUNCOAST TRANSIT AUTHORITY

Note to Schedule of Expenditures of Federal Awards
and State Financial Assistance

Year ended September 30, 2009

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes all federal and state grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550 of the *Rules of Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Section I – Summary of Auditors' Results

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	X	None reported
Noncompliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	X	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) Circular A-133?	_____	Yes	X	No

Identification of major programs/projects:

Federal programs	CFDA number
U.S. Department of Transportation: Federal Transit Cluster – ARRA	20.500/20.507

The threshold for distinguishing Type A and Type B programs was $300,000 for federal programs.

Auditee qualified as low-risk auditee?	_____	Yes	X	No

(Continued)

PINELLAS SUNCOAST TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

State Projects

Internal control over major projects:

• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	X	No

Type of auditors' report issued on compliance for major projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550?	_____	Yes	X	No

Identification of major programs/projects:

State programs	CSFA number
Florida Department of Transportation:	
Public Transit Block Grant Program	55.010
Transit Corridor Program	55.013

The threshold for distinguishing Type A and Type B projects was $300,000 for major state projects.

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – State Financial Assistance Program Findings and Questioned Costs

None

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

Management Letter

The Members of the Board
Pinellas Suncoast Transit Authority:

We have audited the financial statements of the Pinellas Suncoast Transit Authority (the Authority) as of and for the year ended September 30, 2009, and have issued our report thereon dated February 19, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our 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*; report on compliance with the requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 and *Rules of the Auditor General*, Chapter 10.550; and the related schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated February 19, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida, unless otherwise required to be reported in our 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*; report on compliance with the requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 and *Rules of the Auditor General*, Chapter 10.550. This letter is required to include the following information.

The *Rules of the Auditor General* Section 10.554(1)(i)(1) require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report as noted in Exhibit B.

The *Rules of the Auditor General* Section 10.554(1)(i)(2) require that we determine whether or not the Authority complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, nothing came to our attention that caused us to believe the Authority was not in compliance with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General* Section 10.554(1)(i)(3) require that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, any recommendations to improve the Authority's financial management. See Exhibit A for current year recommendations not already discussed in the report on internal control over financial reporting and on compliance and other matters.

The *Rules of the Auditor General* Section 10.554(1)(i)(4) require that we address in the management letter any violations of provisions of contracts or grant agreements or abuse 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.

The *Rules of the Auditor General* Section 10.554(1)(i)(5) provide for disclosure in the management letter based on the auditor's professional judgment the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, if not already addressed in the auditors' report on internal control over financial reporting and compliance and other matters:

(a) Violations of provisions of contracts, or grant agreements, fraud, illegal acts, or abuse.

(b) Control deficiencies that are not significant deficiencies.

The results of our audit disclosed no violations of provisions of contracts, or grant agreements, fraud, illegal acts, or abuse, but disclosed a control deficiency included in Exhibit A.

The Rules of the Auditor General Section 10.554(1)(i)(6) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter unless disclosed in the notes to the financial statements. In that regard, the Pinellas Suncoast Transit Authority was established by Legislature through Chapter 23.483 Special Acts of 1945, and codified in the Laws of Florida Chapter 2003-320. There are no component units related to the Authority.

The Rules of the Auditor General Section 10.554(1)(i)(7)(a) state that a management letter shall include a statement as to whether or not a local governmental entity is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), *Florida Statutes*. Section 218.503(1) states that a local governmental entity is in a state of financial emergency when any of the following conditions occur:

(a) Failure, within the same fiscal year in which due, to pay short-term loans from banks or failure to make bond debt service payments when due;

(b) Failure to transfer at the appropriate time, due to lack of funds: (1) taxes withheld on the income of employees or (2) employer and employee contributions for (a) federal social security or (b) any pension, retirement, or benefit plan of an employee;

(c) Failure for any one pay period to pay, due to lack of funds: (1) wages and salaries owed to employees or (2) retirement benefits owed to former employees;

(d) An unreserved or total fund balance or retained earnings deficit for which sufficient resources of the local government entity are not available to cover the deficit for two successive years; and

(e) Noncompliance of the local government retirement system with actuarial conditions provided by law.

Management of the Authority has determined that the Authority is not in a state of financial emergency as defined in Section 2180.503(1), *Florida Statutes*. In connection with our audit of the financial statements of the Authority, the results of our tests did not indicate that the Authority is in a state of financial emergency as a consequence of the conditions in Section 218.503(1), *Florida Statutes*.

The *Rules of the Auditor General* Section 10.554(1)(i)(7)(b) require that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2009, 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, 2009. This report has not yet been filed.

The Rules of the Auditor General Sections 10.554(i)(7)(c) and 10.556(7) require that we apply financial condition assessment procedures. In connection with our audit, 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.

* * * * * * *

This management letter is intended solely for the information and use of the Members of the Board, management, others within the organization, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 19, 2010
Certified Public Accountants

Exhibit A

PINELLAS SUNCOAST TRANSIT AUTHORITY

Current Year Observations and Recommendations

Year ended September 30, 2009

2009-1 Valuation of Postemployment Benefits Other Than Pensions

Criteria

The Authority adopted the provisions of GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, effective October 1, 2008. Employees who retire from the employ of the Authority are provided a postemployment benefit of continued participation in the Authority's defined benefit healthcare plan (the plan). PSTA engaged a third party actuary to perform an actuarial valuation of postemployment benefits, as required under GASB 45.

Actuarial valuation of postemployment benefits other than pension involves estimates of the value of reported amounts and assumptions about the probability of events in the future. An example includes assumptions made relative to census data (information obtained on members of the plan).

Condition

Certain information provided to the actuary by the Authority was inaccurate. Specifically, the date of employment for active employees did not represent their date of hire but the date the employee enrolled into the plan.

Context

Healthcare cost trend rate, discount rate and census data were tested as part of test work on OPEB.

Forty members were selected from the plan – 5 retired and 35 active employees.

Date of birth, gender, date of hire (active employees only), date of retirement (retired employees only), coverage election (retired employees only), and covered spouse (retired employees only) attributes were tested for 40 members of the Plan. Date of hire was incorrect for all 35 active employees. No exceptions were noted on the healthcare cost trend rate, discount rate of the other attributes of the census data.

Effect

The third party actuary performed an actuarial valuation of the census data with correct date of hire and resulted in an increase in net OPEB obligation of $3,212.

Recommendation

The Authority should implement controls to ensure census data is reviewed prior to being provided to their third party actuary.

Management's Response

We concur with the recommendation and have generated a new report that provides the date of hire rather than the date of benefit enrollment.

Exhibit B

PINELLAS SUNCOAST TRANSIT AUTHORITY

Summary of Prior Year Recommendations

Year ended September 30, 2009

Description	Comment still relevant	Comment cleared and removed
Information technology (2007-05):		
Policies/procedures		X
Periodic review of FleetNet new user access		X