



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, 2010

(With independent Auditors' Report Thereon)

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Table of Contents

	<b><u>Page</u></b>
<b>Introductory Section:</b>	
Transmittal Letter	1
<b>Financial Section:</b>	
Independent Auditors' Report	5
Management's Discussion and Analysis (Unaudited)	7
<b>Financial Statements:</b>	
Balance Sheet	12
Statement of Revenues, Expenses, and Changes in Net Assets	13
Statements of Cash Flows	14
Notes to Financial Statements	15
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Funding Progress	27
<b>Regulatory Section:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and <i>Rules of the Auditor General</i> , State of Florida, Chapter 10.550	30
Schedule of Expenditures of Federal Awards and State Financial Assistance	32
Note to Schedule of Expenditures of Federal Awards and State Financial Assistance	33
Schedule of Findings and Questioned Costs	34
Management Letter	36



## **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, 2010 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 my 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 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 Kirkland, Russ, Murphy & Tapp, P.A., 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, 2010 are free of material misstatement. 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, 2010 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 Pinellas Suncoast Transit 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 29 regular fixed routes and three 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<sup>SM</sup> 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 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 fiscal year 2010, Authority vehicles traveled a total of 9.9 million miles, providing approximately 603,000 hours of service, and 12.5 million passenger trips.

The Authority is governed by a board of directors comprised of thirteen elected officials, and two non-elected officials, one of which is appointed by the Pinellas County Board of Commissioners and the other by the St. Petersburg City Council. Operating expenses are covered through state and federal 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](http://www.psta.net), making bus information more accessible than ever. The website 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 Transit 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 website 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. PSTA has entered into an agreement with the City of St. Petersburg and The Looper Group, Inc. to provide circulator service in downtown St. Petersburg as well as from downtown to the Grand Central Station. PSTA has also entered into an agreement with Jolley Trolley, Inc. to provide circulator service from Clearwater Beach to downtown Clearwater.

Persons with disabilities who are unable to use regular bus service may be eligible for an ADA paratransit specialized service or Demand Response Transportation (DART). Since DART offers vehicles that are equipped with wheelchair lifts they are accessible to passengers in 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 recession. The unemployment rate for Pinellas County increased from 11.2% in September 2009 to 12.0% in September 2010. As a result of falling real estate values, the Authority also experienced a decrease in property tax revenue of 12.5% from the prior year.

### **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 ten 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 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 system wide 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 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 are 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 which 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 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 Taxes**

The Board of Directors has kept the millage rate of .5601 mills for fiscal years 2008-2009, 2009-2010 and 2010-2011.

### **Major Initiatives**

- The Authority enjoyed increased ridership to 12.5 million passengers, an increase of 2.5% over the prior year from 12.2 million passengers.
- Fourteen new Gillig buses were purchased to replace some 1997 and 1998 model year vehicles. The new buses were delivered in fiscal year 2010 and are thirty-five foot diesel electric hybrid models.
- The Authority purchased a bus security system which includes color cameras and digital recorders on each of the Authority's 205 buses and trolleys. The system allows for wireless downloads of video for review by Safety and Training, and Risk Management. Installation of the new system is underway and will be completed in fiscal year 2011. The system replaces a bus security system that was past its useful life.
- A contract was let for a new Real Time Bus Information System that will allow customers to see when their bus will arrive at any of the Authority's 5,700 bus stops. The information may be accessed through a telephone, a cell phone, through the internet, or by calling a Customer Service Representative. The Real Time Bus Information System is currently being installed and will be completed in fiscal year 2012.

- The Authority contracted with the Florida Department of Transportation, Tampa Bay Area Regional Transit Authority (TBARTA), and the Pinellas County Metropolitan Planning Organization to conduct an Alternatives Analysis on the feasibility of light rail. The light rail would serve Pinellas County with a connection to the Hillsborough Area Rapid Transit service and the Florida High Speed Rail which, when completed, will connect the Tampa Bay area to Orlando. The Authority has forwarded \$2 million to the State of Florida per the contractual agreement.
- Using American Recovery and Reinvestment Act of 2009 (ARRA) funding, PSTA is improving passenger boarding and alighting areas, performing curb retrofits, and enhancing the connectivity to adjacent sidewalks that provide a complete accessible route to bus service for customer travel. To support the construction of ADA-compliant bus stop areas, PSTA developed ten landing pad designs that are used for the stop improvements. Over 300 bus stop improvements were completed in fiscal year 2010.
- The Authority purchased digital mobile and portable radios and dispatch consoles to replace the existing analog radios that have been in service for more than ten years. The equipment was purchased to accommodate the new Pinellas County digital radio system which will be converted to digital by the end of the year.

#### **Awards and Acknowledgements**

Timothy S. Garling, Executive Director, accepted a position as Transit Director in another Florida jurisdiction and announced his resignation effective October 18, 2010. Mr. Garling served the Authority for almost three years and was replaced on an interim basis by Denise Skinner, Transportation Director.

Steven K. Smith, CPA, Finance Director, retired on October 29, 2010. Mr. Smith was the Finance Director for over three years. He is replaced on an interim basis by Lori Clark, Controller.

I would like to thank both Mr. Garling and Mr. Smith for their service to the Authority.

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

Respectfully Submitted,



Lori Clark  
Interim Director of Finance



**KIRKLAND, RUSS,  
MURPHY & TAPP**

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Association

### **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, 2010, 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, 2010, and the changes in its financial position and its cash flows 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 January 28, 2011 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 11 and page 27, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 taken as a whole. 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 the United States 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.

*Kirkland, Russ, Murphy & Tapp, P.A.*

January 28, 2011



# **PINELLAS SUNCOAST TRANSIT AUTHORITY**

## **Management's Discussion and Analysis**

September 30, 2010

(Unaudited)

The 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, 2010. 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 2010 by \$115 million (net assets) which is an increase over the prior period of \$4.6 million. Of the net asset amount, \$26.4 million is unrestricted and may be used to meet the Authority's ongoing obligations.
- The revenues and capital grants totaled \$67.2 million, an increase of 9.1% over the prior year. Expenses totaled \$62.6 million, a decrease of 3% under the prior year. The results of these activities produced an increase in net assets of \$4.6 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 net assets may serve as a useful indicator of whether the financial position of PSTA is improving or deteriorating. The balance sheet can be found on page 12 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 13 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 financing, and investing. The statement of cash flows can be found on page 14 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 15 of this report.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Management's Discussion and Analysis

September 30, 2010  
(Unaudited)

### Financial Analysis

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

	<u>2010</u>	<u>2009</u>
Assets:		
Current and other assets	\$ 35,927,603	35,025,757
Capital assets	<u>88,538,927</u>	<u>83,476,413</u>
Total assets	<u>\$ 124,466,530</u>	<u>118,502,170</u>
Liabilities:		
Current liabilities	<u>\$ 9,531,102</u>	<u>8,191,826</u>
Net assets:		
Investments in capital assets	88,538,927	83,476,413
Unrestricted	<u>26,396,501</u>	<u>26,833,931</u>
Total net assets	<u>114,935,428</u>	<u>110,310,344</u>
Total liabilities and net assets	<u>\$ 124,466,530</u>	<u>118,502,170</u>

As depicted above, the largest portion of the Authority's net assets, 77%, 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, PSTA has no debt and is able to report positive balances in all categories of net assets.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Management's Discussion and Analysis

September 30, 2010  
(Unaudited)

The following schedule reflects the condensed statement of revenues, expenses and changes in net assets compared to the prior year. Total revenue increased by 9.1%, substantially from increased capital grants revenue due to the stimulus funds. Total expenses decreased by 3% as compared to the prior year.

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 11,063,992	11,652,366
Operating expenses:		
Operations	30,500,001	32,628,559
Purchased transportation	5,228,768	4,318,338
Maintenance	6,791,680	6,817,534
Administration and finance	10,980,462	10,248,034
Marketing	1,750,723	1,796,891
Depreciation	7,366,225	8,666,368
Total operating expenses	<u>62,617,859</u>	<u>64,475,724</u>
Operating loss	(51,553,867)	(52,823,358)
Nonoperating revenues:		
Federal, state, and local operating assistance grants	12,491,932	7,623,590
Property tax revenue	29,893,863	34,156,128
Other nonoperating revenue, net	1,209,595	1,231,562
Capital grants	12,583,561	6,990,339
Total nonoperating revenues	<u>56,178,951</u>	<u>50,001,619</u>
Change in net assets	4,625,084	(2,821,739)
Net assets, beginning of year	<u>110,310,344</u>	<u>113,132,083</u>
Net assets, end of year	<u>\$ 114,935,428</u>	<u>110,310,344</u>

The Authority provided services 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 decreased due to a shift from cash fares to multi-trip passes. Operating revenues decreased by \$588,374 or 5%. Operating expenses before depreciation decreased by \$557,722 or 1%. The largest portion of expense decrease was due to a reduction in fuel costs.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Management's Discussion and Analysis

September 30, 2010  
(Unaudited)

Two items account for the increase in purchased transportation costs. The largest portion of the increase is due to additional trips being taken by demand response eligible clients. The remainder is due to an increase in funding for other organizations providing transit services like the Looper Group and Jolley Trolley.

The nonoperating revenues, excluding capital grants, increased by \$584,110 or 1.4%. The decrease in the property tax revenue was the result of a lower tax base causing a decrease of \$4.3 million or 12.5% in property tax revenues. The millage for fiscal years 2010 and 2009 was .5601. See note 2(m) for additional information on ad valorem taxes. Operating grants increased to \$12.5 million due to PSTA utilizing more grant funds to cover the operating costs of some of our preventative maintenance this year.

### Capital Assets

The Authority has invested \$88.5 million in capital assets (net of accumulated depreciation). Approximately 45.9% of the investment represents revenue generating equipment and 40.9% represents the Scherer Drive Administration and Maintenance facility.

### Capital Assets, Net of Accumulated Depreciation

	<u>2010</u>	<u>2009</u>
Land	\$ 6,961,677	6,961,677
Buildings and improvements	36,219,822	36,845,421
Revenue equipment	40,631,774	37,252,643
Furniture and other equipment	1,358,906	1,885,066
Capital assets in progress	<u>3,366,748</u>	<u>531,606</u>
Total	<u>\$ 88,538,927</u>	<u>83,476,413</u>

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 Budget and Rates

The adopted fiscal year 2010 budget was based on a rate of 0.5601 mills which is unchanged from fiscal year 2009. Additional information regarding the economic factors can be found in the transmittal letter.

Additionally, American Recovery and Reinvestment Act (ARRA) funds were available to PSTA this year as part of the federal government's plan to stimulate the economy. PSTA used the largest portions of these funds to purchase 14 Gillig buses. Additional ARRA funds will likely not be available in future years.



# **PINELLAS SUNCOAST TRANSIT AUTHORITY**

## **Management's Discussion and Analysis**

**September 30, 2010  
(Unaudited)**

### **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, 2010**

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 29,235,374
Investments	429,540
Accounts receivable, net of allowance of \$102,743	1,348,942
Grants receivable	1,068,282
Inventories	1,188,952
Prepaid expenses	<u>2,656,513</u>

Total current assets 35,927,603

**Capital assets:**

Land	6,961,677
Buildings and improvements	46,829,582
Revenue equipment	76,064,828
Furniture and other equipment	6,838,513
Capital assets in progress	<u>3,366,748</u>

140,061,348

Less accumulated depreciation 51,522,421

Total capital assets 88,538,927

Total assets \$ 124,466,530

**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable	\$ 1,785,102
Accrued expenses	<u>7,746,000</u>

Total current liabilities 9,531,102

**Net assets:**

Invested in capital assets	88,538,927
Unrestricted	<u>26,396,501</u>

Total net assets 114,935,428

Total liabilities and net assets \$ 124,466,530

See accompanying notes to financial statements.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Statement of Revenues, Expenses, and Changes in Net Assets**

**Year Ended September 30, 2010**

Operating revenues:	
Passenger fares	\$ 10,845,845
Demand response	218,147
Total operating revenues	<u>11,063,992</u>
Operating expenses:	
Operations	30,500,001
Purchased transportation	5,228,768
Maintenance	6,791,680
Administration and finance	10,980,462
Marketing	1,750,723
Total operating expenses, before depreciation	<u>55,251,634</u>
Operating loss before depreciation	(44,187,642)
Depreciation	7,366,225
Operating loss	<u>(51,553,867)</u>
Nonoperating revenues:	
Federal maintenance assistance grants	2,033,508
State operating assistance grants	3,521,850
Other federal grants	5,835,531
Special project assistance – state grants	469,226
Special project assistance – local grants	631,817
Property tax revenues	29,893,863
Investment income	271,233
Advertising revenue	247,725
Fuel tax refunds	580,860
Other, net	109,777
Total nonoperating revenues	<u>43,595,390</u>
Loss before capital grants	(7,958,477)
Capital grants	<u>12,583,561</u>
Increase in net assets	4,625,084
Net assets, beginning of year	<u>110,310,344</u>
Net assets, end of year	<u>\$ 114,935,428</u>

See accompanying notes to financial statements.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Statement of Cash Flows**

**Year Ended September 30, 2010**

Cash flows from operating activities:	
Receipts from customers	\$ 10,692,370
Payments to suppliers	(21,166,680)
Payments to and on behalf of employees	(34,843,030)
Net cash used in operating activities	<u>(45,317,340)</u>
Cash flows from capital financing activities:	
Purchases of capital assets	(12,456,422)
Capital grants	12,583,561
Proceeds from sale of capital assets	122,072
Net cash provided by capital financing activities	<u>249,211</u>
Cash flows from noncapital financing activities:	
Property tax revenues	29,893,863
Operating and special project assistance grants	12,695,503
Other	938,362
Net cash provided by noncapital financing activities	<u>43,527,728</u>
Cash flows from investing activities:	
Purchased securities	167,286
Investment income	105,325
Net cash provided by investing activities	<u>272,611</u>
Net decrease in cash and cash equivalents	(1,267,790)
Cash and cash equivalents, beginning of year	<u>30,503,164</u>
Cash and cash equivalents, end of year	<u><u>\$ 29,235,374</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (51,553,867)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,366,225
Gain on disposal of revenue equipment	(94,389)
Increase in accounts receivable	(371,622)
Decrease in inventories	56,315
Increase in prepaid expenses	(2,059,278)
Increase in accounts payable	306,622
Increase in accrued expenses	1,032,654
Net cash used in operating activities	<u><u>\$ (45,317,340)</u></u>

See accompanying notes to financial statements.



# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

### (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 are 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.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

(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:

<u>Property classification</u>	<u>Estimated useful life range</u>
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.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

**(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, 2010.

**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.

# **PINELLAS SUNCOAST TRANSIT AUTHORITY**

## **Notes to Financial Statements**

**September 30, 2010**

### **(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 2010 was 0.5601 mills.

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, 2009 – Property taxes are based on assessed property value at this date as determined by the Pinellas County Property Appraiser.

July 1, 2009 – Property assessment roll and certificates of value provided to the Authority by the Pinellas County Property Appraiser.

July 22, 2009 – 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 16, 2009 – Property tax millage rate resolution approved by the Board of Directors.

October 1, 2009 – Beginning of the year for which property taxes have been levied.

November 1, 2009 – Property taxes are due and payable.

April 1, 2010 – Unpaid property taxes become delinquent.

June 1, 2010 – Tax certificates are sold by the Pinellas County Tax Collector.



**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Notes to Financial Statements**

**September 30, 2010**

**(3) Cash, Cash Equivalents, and Investments**

At September 30, 2010, the carrying value of the Authority's cash, cash equivalents, and investments were as follows:

Type	Carrying value	Credit rating
Petty cash	\$ 35,713	N/A
Demand deposits	13,615,800	N/A
Florida PRIME	15,583,861	AAAm
Total cash and cash equivalents	29,235,374	
Investments:		
CAMP MM	41,569	N/A
Fund B	387,971	N/A
Total investments	429,540	
	<u>\$ 29,664,914</u>	

**(a) Custodial Credit Risk**

At September 30, 2010, 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, 2010, 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.

# **PINELLAS SUNCOAST TRANSIT AUTHORITY**

## **Notes to Financial Statements**

**September 30, 2010**

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, 2010, the fair value factor was 70.7%. 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 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 \$105,325 of interest income on cash and cash equivalents, \$6,836 in an unrealized gain in the net asset value of CAMPMM, plus an unrealized gain of \$159,072 in the net asset value of Fund B for the year ended September 30, 2010.

**(c) *Interest Rate Risk***

The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2010, is 52 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 \$16,013,401 with the SBA at September 30, 2010 or 54% of its cash, cash equivalents, and investments.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

### (4) Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	October 1, 2009	Additions	Transfers and disposals	September 30, 2010
Nondepreciable assets:				
Land	\$ 6,961,677	-	-	6,961,677
Capital assets in progress	531,606	2,904,111	68,969	3,366,748
Total nondepreciable assets	<u>7,493,283</u>	<u>2,904,111</u>	<u>68,969</u>	<u>10,328,425</u>
Depreciable assets:				
Buildings and improvements	45,723,514	1,106,068	-	46,829,582
Revenue equipment	73,321,542	8,183,094	5,439,808	76,064,828
Furniture and other equipment	6,656,951	332,118	150,556	6,838,513
Total depreciable assets	<u>125,702,007</u>	<u>9,621,280</u>	<u>5,590,364</u>	<u>129,732,923</u>
Total at historical cost	<u>133,195,290</u>	<u>12,525,391</u>	<u>5,659,333</u>	<u>140,061,348</u>
Less accumulated depreciation for:				
Buildings and improvements	8,878,093	1,731,667	-	10,609,760
Revenue equipment	36,068,899	4,777,391	5,413,236	35,433,054
Furniture and other equipment	4,771,885	857,167	149,445	5,479,607
	<u>49,718,877</u>	<u>7,366,225</u>	<u>5,562,681</u>	<u>51,522,421</u>
Capital assets, net	<u>\$ 83,476,413</u>	<u>5,159,166</u>	<u>96,652</u>	<u>88,538,927</u>

### (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 \$10,678,341, catastrophic event claims in the amount of \$2,000,000, and operating contingencies in the amount of \$13,718,160.

### (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.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

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.

	<u>Workers'</u> <u>compensation</u>	<u>General</u> <u>liability</u>
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	<u>(659,964)</u>	<u>(587,044)</u>
Claims reserve - September 30, 2009	1,469,000	2,055,000
Current year claims incurred and changes in prior year estimates	441,245	1,313,953
Claim payments	<u>(599,245)</u>	<u>(885,953)</u>
Claims reserve - September 30, 2010	<u>\$ 1,311,000</u>	<u>2,483,000</u>

### (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.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

The Authority is required to contribute to FRS at an actuarially determined rate. The rate was 9.85% of covered payroll from October 2009 through June 2010, with the exception of DROP participants whose rate was 10.91%. The rate was 10.77% of covered payroll from July 2010 to September 30, 2010, with the exception of DROP participants whose rate was 12.25% for that period. 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, 2010, 2009, and 2008 were \$2,473,801, \$2,367,649, and \$2,383,148 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)

The Authority has adopted the provisions of Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). The Authority provides postretirement healthcare benefits in accordance with *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.

#### (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's 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.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Notes to Financial Statements

September 30, 2010

### (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, 2010, the cost of retiree healthcare was \$985,210, of which \$646,396 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 following table shows the components of the Authority's annual OPEB cost for fiscal year 2010, the amount contributed to the plan, and changes in the net OPEB obligation:

Annual required contribution	\$	362,082
Interest on net OPEB obligation		10,580
Adjustment to annual required contribution		<u>(15,296)</u>
Annual OPEB cost		357,366
Contributions made		<u>(81,539)</u>
Increase in net OPEB obligation		275,827
Net OPEB obligation - beginning of year		<u>264,503</u>
Net OPEB obligation - end of year	\$	<u><u>540,330</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 is as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
September 30, 2010	\$ 357,366	22.8%	\$ 540,330
September 30, 2009	336,345	21.4%	264,503
September 30, 2008	N/A	N/A	N/A

# **PINELLAS SUNCOAST TRANSIT AUTHORITY**

## **Notes to Financial Statements**

**September 30, 2010**

**(d) *Funded Status and Funding Progress***

As of September 30, 2010, the actuarial accrued liability for benefits was \$2,177,517, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,177,517.

This actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Calculations are based upon the types of benefits provided under the terms of the plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**(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.

In the current valuation, the actuarial assumptions used for the calculation of costs and liabilities include a discount rate of 2% 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.



# **PINELLAS SUNCOAST TRANSIT AUTHORITY**

## **Notes Financial Statements**

**September 30, 2010**

### **(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, 2010  
(Unaudited)**

The schedule of funding progress for the last two years is as follows:

<u>Actuarial valuation date</u>		<u>Actuarial value of assets (a)</u>	<u>AAL (b)</u>	<u>UAAL (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Estimated covered (c)</u>	<u>UAAL as percentage of covered payroll ([b-a]/c)</u>
October 1, 2009	\$	-	2,177,517	2,177,517	0%	N/A	N/A
October 1, 2008		-	1,930,713	1,930,713	0%	N/A	N/A



**KIRKLAND, RUSS,  
MURPHY & TAPP**

CERTIFIED PUBLIC ACCOUNTANTS

*A Professional Association*

**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, 2010, and have issued our report thereon dated January 28, 2011. 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* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We 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 January 28, 2011.

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.

*Kirkland, Russ, Murphy & Tapp, P.A.*

January 28, 2011



**KIRKLAND, RUSS,  
MURPHY & TAPP**

CERTIFIED PUBLIC ACCOUNTANTS

*A Professional Association*

**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, 2010. The Authority's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major 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 of 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, 2010.

## 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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

*Kirkland, Russ, Murphy + Tapp, P.A.*

January 28, 2011

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended September 30, 2010

Federal or state grantor/pass-through grantor/program title	CFDA/CSFA number	Grant or contract number	Expenditures	Subrecipient
U.S. Department of Transportation:				
Direct program:				
Federal Transit Capital Investments Grant	20.500	FL 03-0197	\$ 2,377	—
Federal Transit Capital Investments Grant	20.500	FL 17-0001	1,771	—
Federal Transit Formula Grant	20.507	FL 90-0470	4,617	—
Federal Transit Formula Grant	20.507	FL 90-0535	13,432	—
Federal Transit Formula Grant	20.507	FL 90-0562	557,556	—
Federal Transit Formula Grant	20.507	FL 90-0605	183,837	—
Federal Transit Formula Grant	20.507	FL 90-0617	81,635	—
Federal Transit Formula Grant	20.507	FL 90-0648	3,439,944	—
Federal Transit Formula Grant	20.507	FL 90-0689	7,451,395	—
			<u>11,736,564</u>	<u>—</u>
American Recovery and Reinvestment Act of 2009				
Federal Transit Formula Grant	ARRA20.507	FL 96-X004	8,577,594	—
Passed through Pinellas County Metropolitan Planning Organization:				
Federal Transit Formula Grant	20.505	WPI7816685	80,000	—
Total U.S. Department of Transportation			<u>20,394,158</u>	<u>—</u>
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	23,512	—
Division of Emergency Management	97.075	08DS-83-13-00-20-384	34,791	—
Division of Emergency Management	97.075	10DS-43-08-62-20-199	35	—
Division of Emergency Management	97.075	10DS-52-13-00-20-251	104	—
Total U.S. Department of Homeland Security:			<u>58,442</u>	<u>—</u>
Total expenditures of federal awards			<u>\$ 20,452,600</u>	<u>—</u>
Florida Department of Transportation				
Direct programs:				
Public Transit Block Grant Program	55.010	402513-1-84-10	\$ 3,521,850	—
Transit Corridor Program (Route 100X)	55.013	410695-1-84-10	175,000	—
Transit Corridor Program (Route 300X)	55.013	418695-1-84-05	190,000	—
Total program			<u>365,000</u>	<u>—</u>
Maintenance Training Grant	55.020	418671-2-93-02	15,763	—
Public Transit Service Development Program				
City of Gulfport	55.100	424031-1-84-1	88,463	88,463
Total expenditures of state financial assistance			<u>\$ 3,991,076</u>	<u>88,463</u>

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, 2010**

**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.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Schedule of Findings and Questioned Costs**

**Year Ended September 30, 2010**

**Section I – Summary of Auditors’ Results**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ 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 ☒ No

Identification of major programs/projects:

<u>Federal Programs</u>	<u>CFDA number</u>
U.S. Department of Transportation: Federal Transit Cluster – ARRA	20.500/20.507

The threshold for distinguishing Type A and Type B programs was \$613,578 for federal programs.

- Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Schedule of Findings and Questioned Costs**

**Year Ended September 30, 2010**

***State Projects***

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

- 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:

<u>Federal Programs</u>	<u>CFDA number</u>
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



## 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, 2010 and have issued our report thereon dated January 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*; 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*, Chapter 10.550; and the related schedule of findings and questioned costs. Disclosures in those reports, which are dated January 28, 2011, 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 govern the conduct of local government 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 address findings and recommendations made in the preceding annual financial audit report as noted below under the heading Prior Year Findings and Recommendations in the accompanying Exhibit B to this management letter.
- Section 10.554(1)(i)(2), *Rules of the Auditor General*, requires our audit include a review of the provisions of 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*.
- 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, such recommendations are disclosed in Exhibit A of this management letter.

- 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 may 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 the 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*, 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. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)(7)(a), *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), *Florida Statutes* and identification of the specific condition(s) met. In connection with our audit, we determined that the 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 Authority for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)(7)(c) and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by 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 management and members of the Pinellas Suncoast Transit Authority Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Kurtland, Russ, Murphy & Tapp, P.A.*

January 28, 2011

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Current Year Observations and Recommendations**

**Year Ended September 30, 2010**

**2010-01: Accounts Receivable – Credit Balance**

**Observation:** During our testing of the grant receivables at year end, we noted a credit balance of approximately \$230,000 posted to the accounts receivable account representing a payment that needed to be reimbursed back to the federal government. This amount would more appropriately be recorded as a liability at September 30, 2010.

**Recommendation:** We recommend the general ledger balances be recorded in the proper accounts for presentation on the financial statements. Additionally, a review of the general ledger balances should be performed to verify the balances are correct and accurate in accordance with generally accepted accounting principles.

**Management Response:**

Management concurs with the recommendation. A new procedure has been created to review these account balances.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Summary of Prior Year Recommendations**

**Year Ended September 30, 2010**

**2009-1: Valuation of Postemployment Benefits Other Than Pensions**

The Authority adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Employees who retire from the Authority are provided a postemployment benefit of continued participation in the Authority's defined benefit healthcare plan (the plan). The Authority 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 included assumptions made relative to census data (information obtained on members of the plan).

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.

**Status – During the September 30, 2010 audit, we noted the information provided by the Authority to the third party actuary reflected the correct date of employment.**