Pinellas Suncoast Transit Authority
St. Petersburg, FL

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for Fiscal Year ended
September 30, 2018
and 2017

# Pinellas Suncoast Transit Authority

# St. Petersburg, Florida

## Comprehensive Annual Financial Report

For Fiscal Years Ended September 30, 2018 and 2017

**Vision**

To be the people's first choice for transportation and a driving force for social, environmental, and economic vitality in the community through innovation and partnership.

**Our Mission**

To safely connect people to places.

*Prepared by the Finance Department*

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

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## SECTION I

## INTRODUCTORY SECTION

**Transmittal Letter**

March 25, 2019

Janet Long, Board Chair and
Members of the Board of Directors of the Pinellas Suncoast Transit Authority and
Citizens of our Service Area

Dear Board Chair, Board Members and Citizens:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Pinellas Suncoast Transit Authority (PSTA or Authority) for the fiscal year ended September 20, 2018 and 2017.

State law requires that all independent special districts publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report has been compiled and prepared by the Authority's management. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. The Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has audited the Authority's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2018 and 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal year ended September 30, 2018 and 2017, are fairly presented in conformity with GAAP.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory section consists of this letter of transmittal that provides an overview of the Authority, economic environment, financial performance and other pertinent financial information.

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements and notes thereto, and required supplementary information.

The Statistical Section sets forth financial trends, revenue capacity, demographic, and economic and operating information.

The Authority is also required by federal and state regulations to undergo an audit of federally and state funded programs that it administers. The standards governing the Single Audit engagement require the independent auditor to report on the audited government's internal controls and compliance with laws, regulations, contracts and grants applicable to each major federal and state program. The reports related specifically to the Single Audit are within the regulatory section of this document.

**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 194 buses and 16 trolleys serve 42 fixed routes including two express routes to Hillsborough County.

Pinellas County is 280 square miles with approximately 970,532 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 2018, Authority directly operated vehicles traveled a total of 8.8 million revenue miles, providing approximately 648,000 hours of service, and 12.0 million passenger trips.

## Officials

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 primarily through state and federal funds, passenger fares, and ad valorem taxes.

## Services and Service Delivery

The Authority provides virtually all public transportation services in Pinellas County. These services include fixed route, demand response, and specialized services. The Authority maintains over 4,699 bus stops, 529 shelters, 14 transfer hubs, 4 customer service centers, and a fleet of 210 fixed route vehicles.

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). Paratransit services provide people with disabilities, including veterans, with rides to doctors' appointments, work, school, and other critical destinations. This curb-to-curb service is tailored for those who because of their disability are unable independently use PSTA's regular accessible buses.

In FY 2018, with a discretionary grant award from the Federal Transit Administration, PSTA launched a new pilot service for same day service for DART customers within 30 minutes of the request for service.

This gives passengers the opportunity to take a same day trip they could not plan for in advance, such as for urgent medical, getting a sick child home from school, or when doctor, grocery or social outings take longer than anticipated.

PSTA launched "Direct Connect" in February of 2016. This innovative service allows riders to use Uber, United Taxi or Wheelchair Transport to travel within a specific geographic zone to or from a series of now 24 popular designated stops up from 6 stops in 2016. From there, riders connect with the regular PSTA public transit system. PSTA was the first in the country to partner mass transit with ride hailing and has seen ridership grow to over 5,000 rides per month, providing higher quality mobility in areas where it doesn't make sense to run public transit.

The FY 2018 ridership for each mode compared to FY 2017 data is presented below:

| Mode | September 30, 2018 | September 30, 2017 | Percent of Change |
|---|---|---|---|
| Bus Operations | 11,566,201 | 12,078,879 | -4.24% |
| DART | 367,422 | 330,860 | 11.05% |
| Mobility Programs | 73,603 | 39,145 | 88.03% |
| **Total** | **12,007,226** | **12,448,884** | **-3.55%** |

With the foundation of the Path Forward, PSTA has financial stability in the short term, with a sustainable operating and capital plan, and an emphasis on PSTA's role in the community. As outlined below, staff is committed to continually build on our successes and on continuous improvement as we move forward:

| | |
|---|---|
| CUSTOMER | Focus on Customer Oriented Transit Services |
| GOVERNANCE | Develop a strong governance model for effective Pinellas transportation leadership |
| FINANCIALLY SUSTAINABLE | Provide effective, financially viable public transportation that supports our community |
| CAPITAL | Sustainable Capital Program |
| SERVICE | Customer oriented service redesign |
| EXPANSION | Incremental expansion |
| VISIONARY | Visionary service design: Increased Public Transit |

PSTA is at the forefront of the transit industry with the adoption of a Performance Management Program starting for FY 2018. The Program identifies PSTA's performance measurement metrics, the CEO quantitative evaluation system, department level measurements, and an employee quantitative evaluation system. Specifically, PSTA at the organizational level is measured on five key components including community support, financial stability, customer satisfaction, employee engagement and commitment to performance.

This commitment to transparency and visibility of PSTA's performance metrics is generating increased engagement, inter-departmental coordination, and sense of ownership among staff.

The overall performance ratio for FY 2018 was 99 out of 100.

Local Routes as of June, 2018

## Budget

Each year the Board is required to adopt an annual budget before the beginning of the fiscal year. The budget serves as a financial plan in support of the Authority's mission and strategic plan. It includes the fiscal year operating budget and capital plan necessary to accomplish the operational initiatives, along with a multi-year capital plan covering five years. The process for developing the Authority's budget begins with budget review and planning in February through May; and through a series of meetings and analysis from June through September, results in a balanced operating budget and a prioritized capital budget.

The PSTA Board adopted the FY 2019 fiscal year operating and capital budget totaling $133 million. The FY 2019 budget is $40.5 million or 43.8% over the FY 2018 budget with the majority of the increase related to the Central Avenue Bus Rapid Transit Project and replacement buses. This financial plan allows the Authority to focus resources where transit works best, with both route changes and service improvements based on a data-driven, customer sensitive and innovative approach.

Capital assets are funded by grants and local funds on a pay-as-you-go basis. The Authority does not anticipate issuing debt to fund capital assets.

## Factors Affecting Financial Planning

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

**Local Economy:** The regional economy currently enjoys a slightly favorable economic environment compared with other cities in Florida and local indicators point to continued stability. The regional economy has a diverse economic base that includes tourism, agriculture, construction, finance, healthcare, technology, and the Port of Tampa. Major industries with headquarters or divisions located within the regional area's boundaries or in close proximity include telephone and electric service companies, computer hardware and electrical controls manufacturers, tourist attractions, fertilizer manufacturers, MacDill Air Force Base, an Amazon Fulfillment Center and the Port of Tampa. Institutions of higher learning located in the regional area include the University of South Florida, the University of Tampa, St. Petersburg College, Eckerd College and the Stetson University College of Law.

The area's Metropolitan Statistical Area unemployment rate of 2.9% is currently lower than the national rate of 3.7% and lower than the statewide rate of 3.5%. The region's growth and economic diversity are expected to be the basis for continued health of the local economy in coming years.

The Authority's ability to fund its operations is heavily dependent on a millage levy generated from property taxes. The millage rate for FY 2018 was 0.7500. For FY 2019, the PSTA Board approved maintaining the millage rate of 0.7500 mills.

**Financial Policies:** During fiscal year 2018, Liability Debt Management, Cash Reserve and Investment Policies were reviewed and any revisions did not have any impact on the current period's financial statements.

**Long-Range Financial Planning:** Due to the significant investment in buses and bus facilities used for service delivery and the necessary funding required to refurbish and to replace those assets when needed, the Authority has been building up resources in the capital reserve. As of September 30, 2018, the Authority's unrestricted net position totaled $18.3 million.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PSTA for its CAFR for the fiscal year ended September 30, 2017. This was the fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgements

The preparation of this report would not have been without the efficient and dedicated service of the entire staff of the Finance Division. We wish to express our appreciation to all members of the Division who assisted and contributed to the preparation of this report. Credit also must be given to the governing Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the Pinellas Suncoast Transit Authority's finances.

Respectfully Submitted,

| | |
|---|---|
| Deborah C. Leous | Brad Miller |
| Chief Financial Officer | Chief Executive Officer |

**GFOA Certificate of Achievement**

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Pinellas Suncoast Transit Authority**

**Florida**

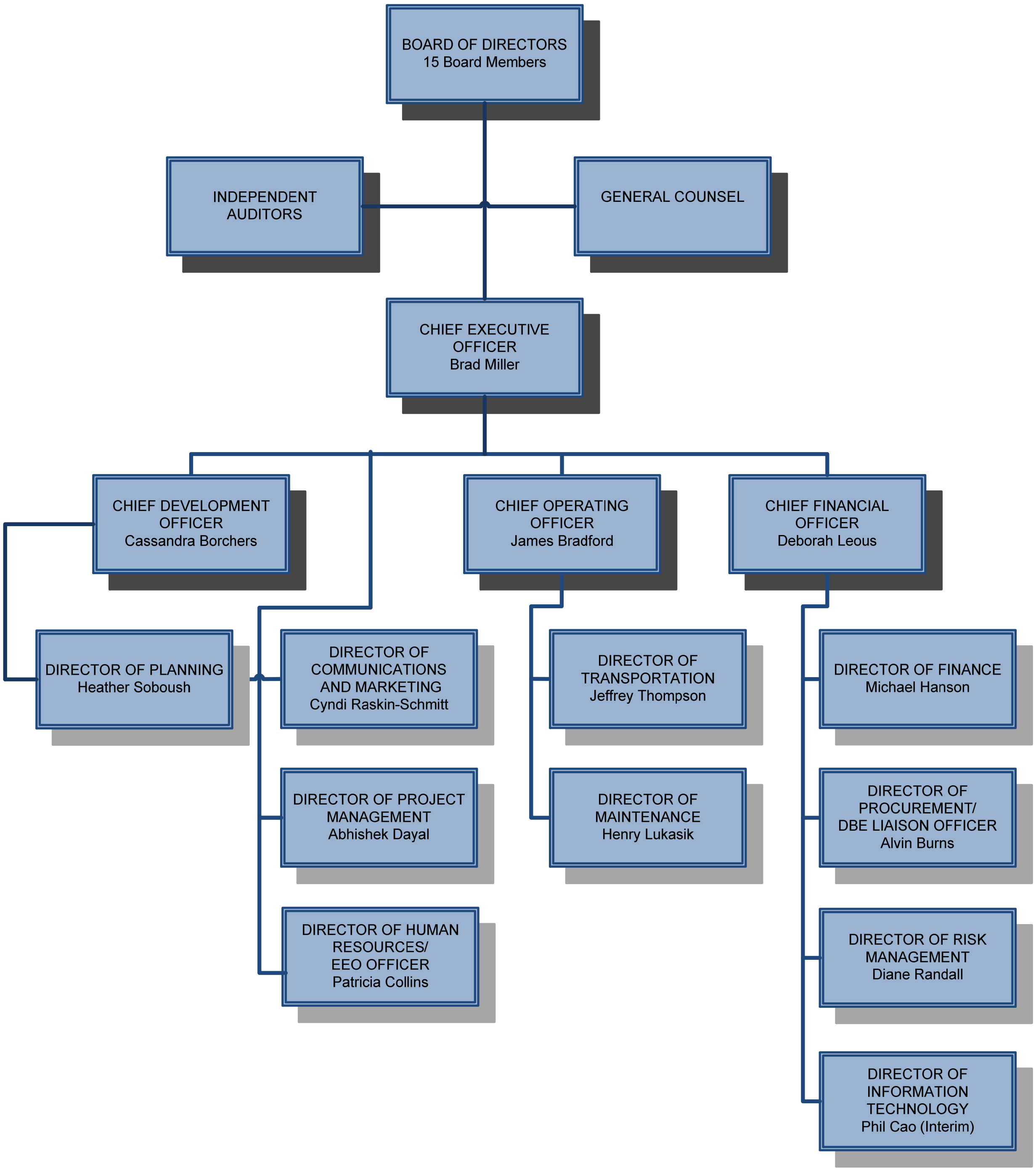
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**September 30, 2017**

Christopher P. Morrill

Executive Director/CEO

## Organization Chart
## (As of September 30, 2018)



**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Elected and Appointed Officials**
**(As of September 30, 2018)**

**Board of Directors**

**Officers**

Janet Long, Chairperson
Joseph Barkley, Vice-Chairperson
Pat Gerard, Secretary/Treasurer

**City of Belleair Bluffs**
Joseph Barkley

**City of Clearwater**
Doreen Caudell

**City of Dunedin**
John Tornga

**City of Largo**
Samantha Fenger

**City of Pinellas Park**
Patricia F. Johnson

**City of St. Petersburg**
Darden Rice
Joshua Shulman
Lisa Wheeler-Bowman

**North Redington Beach**
Richard Bennett

**Pinellas County**
Dave Eggers
Pat Gerard
Charlie Justice
Janet Long
Brian Scott

**Tarpon Springs**
David Banther

**Chief Executive Officer**

Brad Miller

**General Counsel**

Bryant Miller Olive

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**BOARD OF DIRECTORS**
**(As of September 30, 2018)**

**Chairperson**

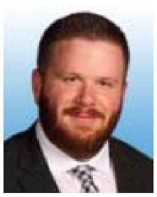
**Janet Long**
Commissioner
Pinellas County

**Vice-Chairperson**

**Joseph Barkley**
Commissioner
City of Belleair Bluffs

**Secretary / Treasurer**

**Pat Gerard**
Commissioner
Pinellas County



**David Banther**
Tarpon Springs
Vice-Mayor

**Richard Bennett**
Commissioner
North Redington Beach

**Doreen Caudell**
City of Clearwater
Vice-Mayor

**Dave Eggers**
Commissioner
Pinellas County

**Samantha Fenger**
Commissioner
City of Largo

**Patricia F. Johnson**
Councilmember
City of Pinellas Park

**Charlie Justice**
Commissioner
Pinellas County

**Darden Rice**
Councilmember
City of St. Petersburg

**Brian Scott**
Citizen
Pinellas County

**Joshua Shulman**
Citizen
City of St. Petersburg

**John Tornga**
Commissioner
City of Dunedin

**Lisa Wheeler-Bowman**
Councilmember
City of St. Petersburg

**Directory of Officials**
**(As of September 30, 2018)**

**Brad Miller, Chief Executive Officer**

**Cassandra Borchers, Chief Development Officer**

**James Bradford, Chief Operating Officer**

**Deborah C. Leous, Chief Financial Officer**

**Alvin Burns, Director of Procurement/DBE Liaison Officer**

**Phil Cao, Interim Director of Information Technology**

**Patricia Collins, Director of Human Resources/Acting EEO Officer**

**Abhishek Dayal, Director of Project Management**

**Michael Hanson, Director of Finance**

**Henry Lukasik, Director of Maintenance**

**Diane Randall, Director of Risk Management**

**Cyndi Raskin Schmitt, Director of Communications & Marketing**

**Heather Sobush, Director of Planning**

**Jeffrey Thompson, Director of Transportation**

**SECTION II**

**FINANCIAL SECTION**

CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Pinellas Suncoast Transit Authority
St. Petersburg, Florida

## Report on the Financial Statements

We have audited the accompanying financial statements of Pinellas Suncoast Transit Authority, a/k/a PSTA (the Authority), as of and for the year ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Board of Directors
Pinellas Suncoast Transit Authority

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2018 and 2017, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 1, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Plans Other than Pensions*. As a result of the implementation of GASBS No. 75, the Authority reported a restatement for the change in accounting principle. The auditors' opinion was not modified with respect to the restatement.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in liability and related ratios - other postemployment benefits, and schedules of the Authority's proportionate share of the net pension liability and of its contributions – pension plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Local Governmental Entity Audits,* Rules of the Auditor General of the State of Florida, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Tampa, Florida
March 25, 2019

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended September 30, 2018**
**(Unaudited)**

## INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the Pinellas Suncoast Transit Authority's ("The Authority") financial performance provides an overview of the financial activities for the fiscal year (FY) ended September 30, 2018. Information contained in this MD&A has been prepared by the Authority's management and should be considered in conjunction with the financial statements and the notes of the financial statements.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding pension and other post-employment benefits.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows.

Analysis of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position illustrate whether the Authority's financial position has improved as a result of the year's activities. The Statements of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, the increases and decreases in net position may serve as an indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Position reflect how the operating and non-operating activities of the Authority affected changes in the net position of the Authority. These activities are recorded under the accrual basis of accounting reflecting the timing of the underlying event regardless of the timing of related cash flows. The Statements of Cash Flows presents information on the Authority's cash and cash equivalent activities for the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalent balance at the end of the current fiscal year.

The financial statements also include notes that further explain certain information in the financial statements and provide more detailed data.

Although the financial statements provide useful information in assessing the financial health of the Authority, consideration of other factors not shown on the financial reports should be evaluated to assess the Authority's true financial condition. Factors such as changes in the Authority's tax base and the condition of the Authority's asset base are also important when assessing the overall financial condition of the Authority.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government entities typically account for activities by utilizing "fund" accounting. A fund is a grouping of related accounts that is used to maintain control or restrict the use of resources that have been segregated for specific activities or objectives. The Authority uses only one fund, an enterprise fund, which reports all business type activities of the Authority.

## FISCAL YEAR 2018 FINANCIAL ANALYSIS OF THE AUTHORITY

- For FY 2018 the net position of the Authority is $93.9 million. Of this amount, $18.3 million may be used to cover current liabilities and anticipated operating needs in the five year plan. The PSTA Board of Directors committed $13.5 million for two months of operating reserves, and $4.8 million for capital asset replacement, other projects and for future operations.
- Total assets decreased by $6.1 million or 4.5% in FY 2018. Current assets decreased by $2.7 million or 4.8%, and capital assets decreased by $3.4 million or 4.2%.
- The change in liabilities at the close of the fiscal year reflects a decrease of $3.1 million or 6.6% due primarily due to a decrease in current payables for buses that were received at the end of the FY 17 but not yet paid for.
- Based on the most recent actuarial valuation as of September 30, 2018, prepared by the Authority's independent actuary, PSTA risk management liabilities for general liability and workers' compensation decreased by approximately $86.7 thousand or 2.2% to $3.9 million.
- The Authority's total net position decreased by $4.7 million or 4.8% from FY 2017. The decrease is attributable to a decrease in total assets offset by a decrease in total liabilities.

## FISCAL YEAR 2017 FINANCIAL ANALYSIS OF THE AUTHORITY

- For FY 2017 the net position of the Authority is $98.6 million. Of this amount, $22.3 million may be used to cover current liabilities and anticipated operating needs in the five year plan. The PSTA Board of Directors committed $12.4 million for two months of operating reserves, and $9.9 million for capital asset replacement, other projects and for future operations.
- Total assets increased by $8.8 million or 6.9% in FY 2017. Current assets increased by $5.2 million or 10.1%, and capital assets increased by $3.7 million or 4.8%.
- The change in liabilities at the close of the fiscal year reflects an increase of $8.6 million or $22.7% due primarily due to an increase in accounts payable for buses received at the end of the fiscal year and an increase in the net pension liability.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended September 30, 2018**
**(Unaudited)**

- Based on the most recent actuarial valuation as of September 30, 2018, prepared by the Authority's independent actuary, PSTA risk management liabilities for general liability and workers' compensation decreased by approximately $88.9 thousand or 2.2% to $4.0 million.

- The Authority's total net position increased by $1.2 million or 1.3% from FY 2016. The increase is attributable to an increase in total assets.

## THE AUTHORITY'S CONDENSED STATEMENTS OF NET POSITION

| | 2018 | 2017 Restated | Dollar Increase (Decrease) | Percentage Change | 2016 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Current and other assets | $ 53,756,598 | $ 56,479,940 | $ (2,723,342) | (4.8%) | $ 51,309,726 |
| Capital assets | 76,316,083 | 79,674,544 | (3,358,461) | (4.2%) | 76,019,269 |
| Total assets | 130,072,681 | 136,154,484 | (6,081,803) | (4.5%) | 127,328,995 |
| Deferred outflow of resources | 11,351,659 | 11,965,345 (1) | (613,686) | (5.1%) | 8,931,887 |
| Liabilities: | | | | | |
| Current liabilities | 6,488,248 | 9,887,722 | (3,399,474) | (34.4%) | 5,438,110 (1) |
| Noncurrent liabilities | 37,089,016 | 36,788,701 (1) | 300,315 | 0.8% | 32,617,124 (1) |
| Total liabilities | 43,577,264 | 46,676,423 | (3,099,159) | (6.6%) | 38,055,234 |
| Deferred inflow of resources | 3,924,052 | 2,831,250 (1) | 1,092,802 | 38.6% | 841,861 |
| Net position: | | | | | |
| Net investment in capital assets | 75,483,987 | 75,861,244 | (377,257) | (0.5%) | 76,019,269 |
| Restricted | 55,289 | 381,789 | (326,500) | (85.5%) | 350,630 |
| Unrestricted | 18,383,748 | 22,369,123 | (3,985,375) | (17.8%) | 20,993,888 |
| Total net position | $ 93,923,024 | $ 98,612,156 | $ (4,689,132) | (4.8%) | $ 97,363,787 |

**(1)** This item has been reclassified to conform to current year's classifications.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended September 30, 2018**
**(Unaudited)**

## THE AUTHORITY'S OPERATING FINANCIAL ACTIVITY

As noted earlier, PSTA uses only one fund, an enterprise fund, to comply with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) mandated reporting requirements. The Authority's operations consist of providing virtually all public transportation services in Pinellas County, Florida. These services include fixed route, demand response, and specialized services.

The Statements of Revenues, Expenses and Changes in Fund Net Position show how the Authority's net position changed during the current and previous fiscal year as a result of operations. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement will only affect future cash flows.

**The Following Summary Represents The FY 2018 Operating Results Compared To FY 2017:**

**Revenues**

- Total operating and non-operating revenues for FY 2018 totaled $75,794,000 or $6,406,000 or 9.2% over FY 2017.
- Passenger fares, including demand response fares, increased $136,000 or 1.3% due to increased demand response trips.
- Advertising income increased $32,000 or 5.6%.
- Federal maintenance assistance increased $18,000 or 0.4%.
- State operating assistance increased $148,000 or 3.6% due to an increase in block grant funding.
- Other Federal grants increased by $538,000 or 55.6% primarily due development of the Transit Asset Management Plan and additional planning projects including the Community Bus Plan. Special project assistance - state grants increased $932,000 or 22.8% due to an increase in Transit Disadvantaged funding and Service Enhancement funding.
- Special project assistance – local grants increased $108,000 or 9.2% due to an increase in funding for trolley services.
- Property tax revenues increased $3,782,000 or 9.1% due to an increase in property values.
- Investment income increased $375,000 or 86.1% due to an increase in interest rates.
- Fuel tax refunds increased $6,000 or 0.9%.

- The net change in other revenues (expenses) of $333,000 or 317.2% was primarily due to a decrease on losses of disposal of capital assets.

**Expenses**

- Total operating expenses increased $5,370,000 or 7.5% over FY 2017. The majority of the increase is due to actuarially determined increase in pension and post-employment benefits.

- Operations expenses increased $2,304,000 or 6.4% primarily due to actuarial increases in pension and the post- employment benefits.

- Purchased transportation increased $1,990,000 or 20.7% due to an increase in DART program costs as well increased services provided by the Jolley Trolley.

- Maintenance expenses decreased $26,000 or 0.2%.

- Administration and finance expenses increased $978,000 or 7.6% due to an increase in wages, and fringe benefits and an increase in computer software services.

- Marketing expenses increased $123,000 or 15.1% due an increase in wages, fringe benefits and an increase in advertising.

**The Following Summary Represents the FY 2017 Operating Results Compared to FY 2016:**

**Revenues**

- Total operating and non-operating revenues for FY 2017 totaled $69,387,000 or $2,808,000 or 4.2% over FY 2016.

- Passenger fares, including demand response fares, decreased $1,151,000 or 9.6% due to decreased ridership as well as increased Transit Disadvantaged rides.

- Advertising income increased $6,000 or 1.0%.

- Federal maintenance assistance increased $30,000 or 0.6%.

- State operating assistance decreased $26,000 or 0.6% due to a decrease in block grant funding.

- Other Federal grants increased by $32,000 or 3.4% primarily due the replacement of office furniture that was funded by a federal grant.

- Special project assistance - state grants increased $469,000 or 13.0% due to an increase in Transit Disadvantaged funding.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

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**For the Year Ended September 30, 2018**
**(Unaudited)**

- Special project assistance – local grants increased $253,000 or 27.4% due to an increase in funding for trolley services.
- Property tax revenues increased $3,441,000 or 9.0% due to an increase in property values and an increase in the millage rate from .7305 to .7500.
- Investment income increased $184,000 or 73.4% due to an increase in interest rates.
- Fuel tax refunds decreased $11,000 or 1.7%.
- The net change in other revenues (expenses) of $419,000 or 133.5% was primarily due to a non-recurring settlement with Walmart in FY 2016 and a loss on disposal of capital assets.

## Expenses

- Total operating expenses increased $6,600,000 or 10.2% over FY 2016.
- Operations expenses increased $ 2,451,000 or 7.2% primarily due to an increase in wages and fringe benefits.
- Purchased transportation increased $1,899,000 or 24.5% due to an increase in DART program costs as well increased services provided by the Jolley Trolley.
- Maintenance expenses increased $1,358,000 or 13.3% due an increase in wages, fringe benefits and parts expense.
- Administration and finance expenses increased $729,000 or 6.0% due to an increase in wages, and fringe benefits and a decrease in insurance recoveries.
- Marketing expenses increased $162,000 or 24.7% due an increase in wages, fringe benefits and an increase in advertising.

## Capital Grants and Other Related Revenues

Capital grants and other related revenues decreased $10,099,000 in FY 2018 due to a decrease in bus procurements in FY 2018 compared to FY 2017. Capital grants and other related revenues increased 11,945,000 in FY 2017 due to delivery of the 2016 order of buses in FY 2017 as well as the 2017 buses. In addition, the HVAC Chillers replacement and the significant progress made on the Regional Revenue Collection Project accounted for the majority of the balance of the increase.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

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## THE AUTHORITY'S STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | 2018 | 2017 Restated | | Dollar Increase (Decrease) | Percentage Change | 2016 |
|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | |
| Passenger fares | $ 9,473,561 | $ 9,535,246 | | $ (61,685) | (0.6%) | $ 10,791,925 |
| Demand response | 1,501,156 | 1,303,510 | | 197,646 | 15.2% | 1,197,937 |
| Advertising revenue | 615,234 | 582,761 | | 32,473 | 5.6% | 577,046 |
| Total operating revenues | 11,589,951 | 11,421,517 | | 168,434 | 1.5% | 12,566,908 |
| Nonoperating revenues: | | | | | | |
| Federal maintenance assistance | 5,026,849 | 5,009,268 | | 17,581 | 0.4% | 4,979,539 |
| State operating assistance | 4,303,778 | 4,155,670 | | 148,108 | 3.6% | 4,181,314 |
| Other federal grants | 1,504,617 | 967,084 | | 537,533 | 55.6% | 935,330 |
| Special project assistance - state grants | 5,022,559 | 4,090,853 | | 931,706 | 22.8% | 3,621,648 |
| Special project assistance - local grants | 1,282,808 | 1,174,823 | | 107,985 | 9.2% | 922,275 |
| Property tax revenues | 45,389,030 | 41,607,265 | | 3,781,765 | 9.1% | 38,166,312 |
| Investment income | 809,788 | 435,080 | | 374,708 | 86.1% | 250,882 |
| Fuel tax refunds | 636,416 | 630,827 | | 5,589 | 0.9% | 641,838 |
| Other, net | 228,008 | (104,959) | | 332,967 | (317.2%) | 313,578 |
| Total nonoperating revenues | 64,203,853 | 57,965,911 | | 6,237,942 | 10.8% | 54,012,716 |
| Total operating and nonoperating revenues | 75,793,804 | 69,387,428 | | 6,406,376 | 9.2% | 66,579,624 |
| Operating expenses: | | | | | | |
| Operations | 38,570,917 | 36,266,463 | **(1)** | 2,304,454 | 6.4% | 33,815,879 |
| Purchased transportation | 11,627,971 | 9,637,695 | | 1,990,276 | 20.7% | 7,738,429 |
| Maintenance | 11,510,788 | 11,536,994 | **(1)** | (26,206) | (0.2%) | 10,178,517 |
| Administration and finance | 13,898,829 | 12,921,156 | **(1)** | 977,673 | 7.6% | 12,192,055 |
| Marketing | 943,235 | 819,842 | **(1)** | 123,393 | 15.1% | 657,700 |
| Total operating expenses | 76,551,740 | 71,182,150 | | 5,369,590 | 7.5% | 64,582,580 |
| Depreciation | 8,372,047 | 9,976,763 | | (1,604,716) | (16.1%) | 10,249,547 |
| Total operating expenses and depreciation | 84,923,787 | 81,158,913 | | 3,764,874 | 4.6% | 74,832,127 |
| (Loss) before capital grants | (9,129,983) | (11,771,485) | | 2,641,502 | (22.4%) | (8,252,503) |
| Capital grants and other related revenues | 3,764,851 | 13,863,703 | | (10,098,852) | (72.8%) | 1,918,427 |
| Contributed capital - local government | 637,254 | 9,000 | **(1)** | 628,254 | 6980.6% | 9,000 |
| Contributed capital - private sources | 38,746 | 23,320 | **(1)** | 15,426 | 66.1% | - |
| Increase (decrease) in net position | (4,689,132) | 2,124,538 | | (6,813,670) | (320.7%) | (6,325,076) |
| Net position, beginning of year | 98,612,156 | 96,487,618 | | 2,124,538 | 2.2% | 103,688,863 |
| Net position, end of year | $ 93,923,024 | $ 98,612,156 | | $ (4,689,132) | (4.8%) | $ 97,363,787 |

**(1)** This item has been reclassified to conform to current year's classifications.

## CAPITAL ASSETS

The Authority has invested $76.3 million in capital assets (net of accumulated depreciation). Approximately 38% of the investment represents revenue-generating equipment and 41% represents the building and improvements at the close of fiscal year September 30, 2018.

### Capital Assets, Net of Accumulated Depreciation

| | 2018 | 2017 | Percent of Total 2018 | Percent of Total 2017 | 2016 |
|---|---|---|---|---|---|
| Land | $ 6,961,677 | $ 6,961,677 | 9% | 9% | $ 6,961,677 |
| Buildings and improvements | 31,029,316 | 31,074,987 | 41% | 39% | 32,651,374 |
| Revenue equipment | 29,138,921 | 32,399,664 | 38% | 40% | 33,784,720 |
| Furniture and other | 1,345,173 | 1,312,734 | 2% | 2% | 1,298,374 |
| Capital assets in progress | 7,840,996 | 7,925,482 | 10% | 10% | 1,323,124 |
| Total | $ 76,316,083 | $ 79,674,544 | 100% | 100% | $ 76,019,269 |

Significant projects in fiscal year 2018 include the purchase and installation of a bridge crane in the Maintenance Facility, completion of the fare box equipment rebuild project, implementation of the hybrid component replacement program, and design of the Central Avenue Bus Rapid Transit.

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 budget looks to increase non-traditional sources of revenue such as partnerships with municipalities for capital projects and increased operating assistance for purchased transportation. Increased property values increases estimated property tax revenues by 9.1%. The budget also includes PSTA introducing a key innovative initiative through the FTA Sandbox Grant process to demonstrate the use of on-demand transportation for paratransit services. PSTA was again awarded a grant for complimentary night-time service for 2nd and 3rd shift low-income workers through a new transportation disadvantaged program.

In addition, PSTA along with transit agencies from Hillsborough, Pasco, Hernando, and Sarasota counties are implementing a regional revenue collection system through electronic fare payments. The goal of the project is to enhance mobility of passengers between its respective jurisdictions. The project will be complete in Fiscal Year 2019.

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## FY 2019 BUDGET

The PSTA Board approved the FY 2019 budget on September 26, 2018. The FY 2019 budget totaled $132,969,160 compared to the FY 2018 budget of $99,821,567 or $33,147,593 (33.2% more than the FY 2018 budget). The Operating budget totaled $81,233,908 and the Capital budget totaled $51,735,252 in FY 2019. In FY 2019, total operating budget expenses of $80,838,053 and operating and non-operating revenues of $79,047,587 will result in an operating deficit of $1,790,466 that will be funded by a transfer from reserves.

The Authority also developed a multi-year operating plan covering FY 2019 through FY 2023.

In addition, the Authority developed a five-year Capital Improvement Program Budget covering FY 2019 through FY 2023 with available funding for capital acquisition of vehicles and equipment and the use of PSTA Capital Reserves for the Central Avenue Bus Rapid Transit Project and bus replacements.

### 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 Chief Financial Officer, Pinellas Suncoast Transit Authority, and 3201 Scherer Drive, St. Petersburg, Florida 33716.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Statements of Net Position**

**September 30, 2018 and 2017**

| **Assets** | | **2018** | | **2017 Restated** |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | $ | 46,845,367 | $ | 47,402,462 |
| Accounts receivable, net of allowance of $78,279 and $101,904 | | 1,674,973 | | 1,146,267 |
| Grants receivable | | 2,562,745 | | 5,659,569 |
| Inventories | | 2,144,431 | | 1,814,916 |
| Prepaid expenses | | 529,082 | | 456,726 |
| Total current assets | | 53,756,598 | | 56,479,940 |
| Capital assets: | | | | |
| Land | | 6,961,677 | | 6,961,677 |
| Buildings and improvements | | 53,694,194 | | 52,846,632 |
| Revenue equipment | | 95,494,471 | | 94,749,183 |
| Furniture and other | | 8,969,106 | | 9,579,162 |
| Capital assets in progress | | 7,840,996 | | 7,925,482 |
| | | 172,960,444 | | 172,062,136 |
| Less accumulated depreciation | | 96,644,361 | | 92,387,592 |
| Total capital assets | | 76,316,083 | | 79,674,544 |
| Total assets | | 130,072,681 | | 136,154,484 |
| **Deferred Outflows of Resources** | | | | |
| Deferred outflow of resources - other post-employment benefit related amounts | | 85,009 | | 18,170 |
| Deferred outflow of resources - pension related amounts | | 11,266,650 | | 11,947,175 |
| **Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable | | 2,846,375 | | 5,828,587 |
| Accrued expenses | | 1,639,444 | | 1,840,501 |
| Total other post-employment benefit liability | | 124,146 | | 99,659 |
| Compensated absences | | 43,363 | | 173,210 |
| Claims and judgments | | 1,287,110 | | 1,403,825 |
| Unearned revenue | | 300,966 | | 251,480 |
| Net pension liability due within one year | | 246,844 | | 290,460 |
| Total current liabilities | | 6,488,248 | | 9,887,722 |
| Noncurrent liabilities: | | | | |
| Total other post-employment benefit obligation | | 1,943,019 | | 1,823,350 |
| Compensated absences | | 2,416,602 | | 2,196,529 |
| Claims and judgments | | 2,645,506 | | 2,615,475 |
| Net pension liability | | 30,083,889 | | 30,153,347 |
| Total noncurrent liabilities | | 37,089,016 | | 36,788,701 |
| Total liabilities | | 43,577,264 | | 46,676,423 |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflow of resources - other post-employment benefit obligations | | 644,249 | | 792,646 |
| Deferred inflow of resources - pension related amounts | | 3,279,803 | | 2,038,604 |
| **Net Position** | | | | |
| Net investment in capital assets | | 75,483,987 | | 75,861,244 |
| Restricted grantor resources and contractually restricted cash | | 55,289 | | 381,789 |
| Unrestricted | | 18,383,748 | | 22,369,123 |
| Total net position | $ | 93,923,024 | $ | 98,612,156 |

See accompanying notes to financial statements.

## PINELLAS SUNCOAST TRANSIT AUTHORITY

### Statements of Revenues, Expenses and Changes in Net Position

### For the Years Ended September 30, 2018 and 2017

| | 2018 | 2017 Restated |
|---|---|---|
| Operating revenues: | | |
| Passenger fares | $ 9,473,561 | $ 9,535,246 |
| Demand response | 1,501,156 | 1,303,510 |
| Advertising revenue | 615,234 | 582,761 |
| Total operating revenues | 11,589,951 | 11,421,517 |
| Operating expenses: | | |
| Operations | 38,570,917 | 36,266,463 |
| Purchased transportation | 11,627,971 | 9,637,695 |
| Maintenance | 11,510,788 | 11,536,994 |
| Administration and finance | 13,898,829 | 12,921,156 |
| Marketing | 943,235 | 819,842 |
| Total operating expenses, before depreciation | 76,551,740 | 71,182,150 |
| Operating loss before depreciation | (64,961,789) | (59,760,633) |
| Depreciation | 8,372,047 | 9,976,763 |
| Operating loss | (73,333,836) | (69,737,396) |
| Nonoperating revenues (expenses): | | |
| Federal maintenance assistance grants | 5,026,849 | 5,009,268 |
| State operating assistance grants | 4,303,778 | 4,155,670 |
| Other federal grants | 1,504,617 | 967,084 |
| Special project assistance – state grants | 5,022,559 | 4,090,853 |
| Special project assistance – local grants | 1,282,808 | 1,174,823 |
| Property tax revenues | 45,389,030 | 41,607,265 |
| Investment income | 809,788 | 435,080 |
| Fuel tax refunds | 636,416 | 630,827 |
| Other, net | 228,008 | (104,959) |
| Total nonoperating revenues | 64,203,853 | 57,965,911 |
| (Loss) before capital grants | (9,129,983) | (11,771,485) |
| Capital grants and other related revenues | 3,764,851 | 13,863,703 |
| Contributed capital - local government | 637,254 | 9,000 |
| Contributed capital - private sources | 38,746 | 23,320 |
| Increase (decrease) in net position | (4,689,132) | 2,124,538 |
| Net position, beginning of year, as restated (See Note 1) | 98,612,156 | 96,487,618 |
| Net position, end of year | $ 93,923,024 | $ 98,612,156 |

See accompanying notes to financial statements.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Statements of Cash Flows

## For the Years Ended September 30, 2018 and 2017

| | 2018 | 2017 Restated |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers | $ 11,061,245 | $ 12,987,016 |
| Payments to suppliers | (31,125,819) | (26,973,619) |
| Payments to and on behalf of employees | (44,288,745) | (41,161,714) |
| Net cash used in operating activities | (64,353,319) | (55,148,317) |
| Cash flows from noncapital financing activities: | | |
| Property tax revenues | 45,389,030 | 41,607,265 |
| Operating and special project assistance grants | 17,549,209 | 14,317,358 |
| Fuel tax refunds | 636,416 | 630,827 |
| Non-transportation revenue | 218,985 | 149,471 |
| Net cash provided by noncapital financing activities | 63,793,640 | 56,704,921 |
| Cash flows from capital and related financing activities: | | |
| Purchases of capital assets | (7,963,070) | (10,196,570) |
| Capital grants | 6,826,958 | 10,373,452 |
| Proceeds from sale of capital assets | 328,908 | 109,382 |
| Net cash provided by (used in) capital financing activities | (807,204) | 286,264 |
| Cash flows from investing activities: | | |
| Investment income | 809,788 | 435,080 |
| Net cash provided by investing activities | 809,788 | 435,080 |
| Net (Decrease) increase in cash and cash equivalents | (557,095) | 2,277,948 |
| Cash and cash equivalents, beginning of year | 47,402,462 | 45,124,514 |
| Cash and cash equivalents, end of year | $ 46,845,367 | $ 47,402,462 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | $ (73,333,836) | $ (69,737,396) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 8,372,047 | 9,976,763 |
| (Increase) decrease in accounts receivable | (528,706) | 1,565,499 |
| (Increase) in inventories | (329,515) | (202,324) |
| (Increase) decrease in prepaid expenses | (72,356) | 347,471 |
| Increase in accounts payable | (1,008) | 579,743 |
| (Decrease) increase in accrued expenses, other liabilities, and OPEB and pension-related deferred inflows and outflows | 1,540,055 | 2,321,927 |
| Net cash used in operating activities | $ (64,353,319) | $ (55,148,317) |
| Schedule of noncash transactions: | | |
| Purchase of capital assets included in accounts payable | $ 832,096 | $ 3,813,300 |
| Contributed capital assets | 302,119 | - |
| Total Noncash Investing, Capital and Financing Activities | $ 1,134,215 | $ 3,813,300 |

See accompanying notes to financial statements.

## (1) 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 following is a summary of the more significant accounting policies:

### (a) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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, including that the eligible expenses have been incurred.

### (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. Cash temporarily idle during the year was invested at BankUnited, Florida Community Bank and SunTrust Bank. At September 30, 2018, 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. This mix of asset allocation provides a strong diversity for a balanced portfolio and has allowed for increased interest income through a competitive bidding process. The Authority has no investments measured at fair value.

### (c) Accounts Receivable

All trade and other receivables are shown net of an allowance for uncollectible accounts. 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 cost (using the moving weighted average cost method).

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

## (1) Summary of Significant Accounting Policies - Continued

### (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 $5,000 or more with an estimated useful life greater than one year. Major renewals and betterments are treated as capital additions. Expenses for maintenance, repairs, and minor renewals are expensed as incurred. Contributed assets are stated at acquisition 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 | 3 - 10 years |

### (g) Compensated Absences

The Authority's policy permits substantially all employees to accumulate a limited amount of earned but unused vacation, certain 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) Pensions

In the statements of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## (1) Summary of Significant Accounting Policies - Continued

### (i) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the Authority's statement of net position are related to other post-employment benefit obligation and the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in post-employment benefit expense and pension expense in future years.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Authority's statement of net position are related to other post-employment benefit obligation and the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in post-employment benefit expense and pension expense in future years.

### (j) Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

### (k) Net Position

**Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and related liabilities against those capital assets.

**Restricted net position** - Consists of net position 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.

**Unrestricted net position** - All other components of net position that do not meet the definition of "restricted" or "net investment in capital assets".

### (l) 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.

## (1) Summary of Significant Accounting Policies - Continued

### (l) Grants - Continued

Capital grants are reported in a separate line item in the statements of revenues, expenses, and changes in net position. Proceeds equal or greater than $5,000 from the sale of capital assets originally purchased with funds from federal grants must be reinvested in capital asset purchases approved by the Federal Transit Administration (FTA).

### (m) 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 depreciation, the reserve for workers' compensation, general liability claims, pension related amounts, and post-employment benefits other than pensions. Actual amounts could differ from those estimates.

### (n) 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 non-operating revenue and expense.

### (o) Fare Revenues

Cash fares are recorded as revenue at the time services are performed. Pass fares are recorded as revenue at the time passes are sold.

### (p) 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 rates for fiscal years 2018 and 2017 were 0.7500.

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.

## (1) Summary of Significant Accounting Policies - Continued

### (p) Property Tax Revenue - Continued

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 at least 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, 2017 - Property taxes are based on assessed property value at this date as determined by the Pinellas County Property Appraiser.

  July 1, 2017 - Property assessment roll and certificates of value provided to the Authority by the Pinellas County Property Appraiser.

  July 26, 2017 - 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 20, 2017 - Property tax millage rate resolution approved by the Board of Directors.

  October 1, 2017 - Beginning of the year for which property taxes have been levied.

  November 1, 2017 - Property taxes are due and payable.

  April 1, 2018 - Unpaid property taxes become delinquent.

  June 1, 2018 - Tax certificates are sold by the Pinellas County Tax Collector.

## (2) Description of Business

The Pinellas Suncoast Transit 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.

## (3) Change in Accounting Principle

During the year ended September 30, 2017, the Authority adopted GASB Statement No. 75 Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This pronouncement requires the restatement of the September 30, 2017 and 2016 net position as follows:

| | | |
|---|---|---|
| Total OPEB obligation, September 30, 2017, as Previously Reported | $ | 2,458,441 |
| Cumulative Effect of Application of GASB Statement No. 75 | | (535,432) |
| Total OPEB liability, September 30, 2017, as Restated | $ | 1,923,009 |
| Deferred outflow of resources - OPEB related amounts, as Previously Reported | $ | - |
| Cumulative Effect of Application of GASB Statement No. 75 | | 18,170 |
| Deferred outflow of resources - OPEB related amounts, as Restated | $ | 18,170 |
| Deferred inflow of resources - OPEB related amounts, as Previously Reported | $ | - |
| Cumulative Effect of Application of GASB Statement No. 75 | | 792,646 |
| Deferred inflow of resources - OPEB related amounts, as Restated | $ | 792,646 |
| Net Position, September 30, 2017, as Previously Reported | $ | 98,851,200 |
| Cumulative Effect of Application of GASB Statement No. 75 | | (239,044) |
| Net Position, September 30, 2017, as Restated | $ | 98,612,156 |
| Net Position, September 30, 2016, as Previously Reported | $ | 97,363,787 |
| Cumulative Effect of Application of GASB Statement No. 75 | | (876,169) |
| Net Position, September 30, 2016, as Restated | $ | 96,487,618 |

## (4) Cash and Cash Equivalents

At September 30, 2018 and 2017, the carrying value of the Authority's cash, cash equivalents, and investments was as follows:

| Type | | 2018 | | 2017 |
|---|---|---|---|---|
| Cash on hand | $ | 25,000 | $ | 25,000 |
| Petty cash | | 1,700 | | 1,700 |
| Demand deposits | | 46,818,667 | | 47,375,762 |
| Total cash and cash equivalents | $ | 46,845,367 | $ | 47,402,462 |

The investment returns through fiscal year end September 30, 2018, totaled an average of 152 basis points compared to an average of 87 basis points for FY 2017.

**(a) Custodial Credit Risk**

At September 30, 2018 and 2017, all of 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**

The Authority's Investment Guidelines were reviewed and approved by the Board in August 2017 and reviewed and approved by the Finance and Performance Management Committee in September, 2018 with no changes. Pursuant to Florida Statute 218.415 and the Authority's Investment Guidelines, investments of surplus funds may be made in the following:

- State of Florida Board of Administration Local Government Surplus Funds Trust Fund (Florida PRIME)
- State of Florida Board of Administration Comingled Asset management (CAMPMM)
- Direct Obligations of the US Treasury
- Non-negotiable Interest Bearing Savings Accounts, Demand Deposit Accounts or Time Certificates of Deposit
- Repurchase Agreements
- Commercial Paper
- Asset Backed Corporate Notes
- Securities and Exchange Commission (SEC) registered Money Market Funds
- Investment Pools/Mutual Funds

As of September 30, 2018 and 2017, the Authority's cash equivalents consisted of interest bearing money market accounts and non-negotiable certificates of deposit held by a financial institution.

The investments 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 $809,788 and $435,080 of interest income on cash and cash equivalents for the years ended September 30, 2018 and 2017, respectively.

## (4) Cash and Cash Equivalents - Continued

### (c) Interest Rate Risk

Interest rate risk is the risk that the fair value of the Authority's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the investment policy states that the Authority is to consider safety of principal, liquidity, and finally yield. Also as a means of limiting its exposure, the Authority's investment policy prohibits investments in U.S. Treasuries with maturities greater than five years. As of September 30, 2018, the Authority's fixed income holdings consisted of five 12 month term non-negotiable certificates of deposits for $5,000,000 each, with a maximum maturity date of August 22, 2019, and interest rates ranging from 1.55% to 2.40%. As of September 30, 2017, the Authority's fixed income holdings consisted of three 12 month term non-negotiable certificates of deposits for $5,000,000 each, with a maximum maturity date of March 9, 2018, and interest rates ranging from 1.045% to 1.19%.

### (d) Concentration of Credit Risk

During FY 2018 and 2017, the Authority Investment Guidelines has recommended limits on the amount the Authority may place with each type of investment and with issuers as follows:

**Diversification Guidelines**

| | Investment | Portfolio Maximum | Issuer Limitation | Maximum Maturity |
|---|---|---|---|---|
| A. | State of Florida Board of Administration Local Government Surplus Funds Trust Fund (Florida Prime) | 30% | N/A | N/A |
| B. | State of Florida Board of Administration Commingled Asset Management Program Money Market Funds (CAMP MM) | 20% | N/A | N/A |
| C. | Direct Obligations of the U.S. Treasury and instruments backed by the full faith and credit of the U.S. Federal Government | 75% | N/A | 5 years |
| D. | Interest Bearing Savings Accounts, Demand Deposit Accounts, Negotiable Order of Withdrawal Accounts, or Certificates of Deposit | 100% | N/A | 2 yrs. for CDs |
| E. | Repurchase Agreements | 20% **(1)** | 10% | 60 days |
| F. | Commercial Paper | 10% | 5% | 5 years |
| G. | Asset-Backed Corporate Notes | 10% | 3% | 5 years **(2)** |
| H. | SEC-Registered Money Market Mutual Funds | 10% | 10% | 90 days **(3)** |
| I. | Investment Pools/Mutual Funds | 10% | 10% | N/A |

**(1)** With the exception of one (1) business day agreements and overnight sweep agreements.
**(2)** Total Asset-Backed Corporate Notes shall have a weighted average duration up to 2 years.
**(3)** The maximum length to maturity (average weighted) shall be 90 days.

## (5) Capital Assets

Capital asset activity for the years ended September 30, 2018 and 2017, were as follows:

| | October 1, 2017 | Additions | Transfers and Disposals | September 30, 2018 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 6,961,677 | $ - | $ - | $ 6,961,677 |
| Capital assets in progress | 7,925,482 | 4,481,477 | 4,565,963 | 7,840,996 |
| Total nondepreciable assets | 14,887,159 | 4,481,477 | 4,565,963 | 14,802,673 |
| Depreciable assets: | | | | |
| Buildings and improvements | 52,846,632 | 1,806,541 | 958,979 | 53,694,194 |
| Revenue equipment | 94,749,183 | 2,894,979 | 2,149,691 | 95,494,471 |
| Furniture and other | 9,579,162 | 666,951 | 1,277,007 | 8,969,106 |
| Total depreciable assets | 157,174,977 | 5,368,471 | 4,385,677 | 158,157,771 |
| Total at historical cost | 172,062,136 | 9,849,948 | 8,951,640 | 172,960,444 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 21,771,645 | 1,818,185 | 924,952 | 22,664,878 |
| Revenue equipment | 62,349,519 | 5,927,405 | 1,921,374 | 66,355,550 |
| Furniture and other | 8,266,428 | 626,459 | 1,268,954 | 7,623,933 |
| | 92,387,592 | 8,372,049 | 4,115,280 | 96,644,361 |
| Capital assets, net | $ 79,674,544 | $ 1,477,899 | $ 4,836,360 | $ 76,316,083 |

| | October 1, 2016 | Additions | Transfers and Disposals | September 30, 2017 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 6,961,677 | $ - | $ - | $ 6,961,677 |
| Capital assets in progress | 1,323,124 | 7,341,017 | 738,659 | 7,925,482 |
| Total nondepreciable assets | 8,284,801 | 7,341,017 | 738,659 | 14,887,159 |
| Depreciable assets: | | | | |
| Buildings and improvements | 52,800,242 | 635,998 | 589,608 | 52,846,632 |
| Revenue equipment | 91,964,865 | 6,052,514 | 3,268,196 | 94,749,183 |
| Furniture and other | 8,961,160 | 666,001 | 47,999 | 9,579,162 |
| Total depreciable assets | 153,726,267 | 7,354,513 | 3,905,803 | 157,174,977 |
| Total at historical cost | 162,011,068 | 14,695,530 | 4,644,462 | 172,062,136 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 20,148,868 | 1,986,467 | 363,690 | 21,771,645 |
| Revenue equipment | 58,180,145 | 7,338,654 | 3,169,280 | 62,349,519 |
| Furniture and other | 7,662,786 | 651,642 | 48,000 | 8,266,428 |
| | 85,991,799 | 9,976,763 | 3,580,970 | 92,387,592 |
| Capital assets, net | $ 76,019,269 | $ 4,718,767 | $ 1,063,492 | $ 79,674,544 |

## (5) Capital Assets – Continued

On February 6, 2018, a revenue bus was struck by a private vehicle resulting in significant damage, and it was out of service eleven months for repairs. This event resulted in an impairment loss of $228,317. A recovery from the insurance carrier totaled $312,405, resulting in a net gain on impairment of $84,087 for the year ended September 30, 2018, which is reported within Other Revenue and Expense, Net, in the Statement of Revenues, Expenses, and Changes in Net Position.

## (6) Net Position

Unrestricted net position at September 30, 2018 and 2017, consists of the following:

| | 2018 | 2017 |
|---|---|---|
| Operating reserves | $ 13,538,985 | $ 12,363,530 |
| Capital asset replacement and other projects | 4,844,763 | 10,005,593 |
| Unrestricted net position | $ 18,383,748 | $ 22,369,123 |

Restricted net position represents the Federal Transit Administration's interest in a disposed grant asset that the Authority received permission for a like-kind exchange in the future, and a contractual requirement under the Authority's health plan to maintain a minimum balance within an imprest account to pay future claims. The balances at September 30, 2018 and 2017, are as follows:

| | 2018 | 2017 |
|---|---|---|
| Grantor resources for specific use and contractually restricted cash | $ 55,289 | $ 381,789 |

## (7) Long-Term Liabilities

Activity relating to the Authority's long-term liabilities during the years ending September 30, 2018 and 2017, consists of the following:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year | More Than One Year |
|---|---|---|---|---|---|---|
| **Balance at September 30, 2018** | | | | | | |
| Compensated absences | $ 2,363,888 | $ 3,070,895 | $ 2,974,818 | $ 2,459,965 | $ 43,363 | $ 2,416,602 |
| Claims and judgements | 4,019,300 | 1,762,779 | 1,849,463 | 3,932,616 | 1,287,110 | 2,645,506 |
| Total long term liabilities | $ 6,383,188 | $ 4,833,674 | $ 4,824,281 | $ 6,392,581 | $ 1,330,473 | $ 5,062,108 |
| **Balance at September 30, 2017** | | | | | | |
| Compensated absences | $ 1,832,900 | $ 3,474,118 | $ 2,860,487 | $ 2,363,888 | $ 167,359 | $ 2,196,529 |
| Claims and judgements | 4,108,238 | 1,673,307 | 1,762,245 | 4,019,300 | 1,403,825 | 2,615,475 |
| Total long term liabilities | $ 5,941,138 | $ 5,147,425 | $ 4,622,732 | $ 6,383,188 | $ 1,571,184 | $ 4,812,004 |

## (8) 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. 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 these self-insurance programs currently recorded as claims and judgments were determined by actuarial valuation not discounted and include estimates for incurred but not reported claims. Non-incremental claims adjustment expenses are also included as part of the liability for claims.

The Authority's health plans are also self-insured up to an aggregate claim limit of $7,675,861 and $6,181,864 for the years ending September 30, 2018 and 2017, respectively. The Authority carries insurance coverage for all claims in excess of those maximum limits. Since the Authority met those limits as of September 30, 2018 and 2017, no liability for claims payable and incurred but not reported claims has been established.

The incurred claims in the following reconciliation of claims liabilities includes prior years' estimated claims settled without payment and year-end adjustment to estimated claims liability.

| | Workers' Compensation | General Liability | Total |
|---|---|---|---|
| Claims reserve - September 30, 2015 | $ 1,023,267 | $ 3,435,206 | $ 4,458,473 |
| Claims incurred | 834,400 | 822,382 | 1,656,782 |
| Claim payments | (1,068,667) | (938,350) | (2,007,017) |
| Claims reserve - September 30, 2016 | 789,000 | 3,319,238 | 4,108,238 |
| Claims incurred | 1,365,295 | 308,012 | 1,673,307 |
| Claim payments | (1,237,856) | (524,389) | (1,762,245) |
| Claims reserve - September 30, 2017 | 916,439 | 3,102,861 | 4,019,300 |
| Claims incurred | 1,449,138 | 313,641 | 1,762,779 |
| Claim payments | (1,230,352) | (619,111) | (1,849,463) |
| Claims reserve - September 30, 2018 | $ 1,135,225 | $ 2,797,391 | $ 3,932,616 |

| | 2018 | 2017 |
|---|---|---|
| Claims and judgments | | |
| Due within one year | $ 1,287,110 | $ 1,403,825 |
| Due in more than one year | 2,645,506 | 2,615,475 |
| | $ 3,932,616 | $ 4,019,300 |

## (9) Defined Benefit Pension Plans

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website.

(www.dms.myflorida.com/workforce_operations/retirement/publications).

The Authority's aggregate pension expense totaled $4,282,650 and $4,508,870 for the fiscal year ended September 30, 2018 and 2017, respectively.

### *Florida Retirement System Pension Plan*

#### (a) Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

Regular Class – Members of the FRS who do not qualify for membership in the other classes.

Elected County Officers Class – Members who hold specified elective offices in local government.

Senior Management Service Class (SMSC) – Members in senior management level positions.

Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued

### (a) Plan Description - Continued

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to four years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued

### (b) Benefits Provided – Continued

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned.

| Class, Initial Enrollment, and Retirement Age/Years of Service: | % Value |
|---|---|
| **Regular Class members initially enrolled before July 1, 2011** | |
| Retirement up to age 62 or up to 30 years of service | 1.60 |
| Retirement up to age 63 or up to 31 years of service | 1.63 |
| Retirement up to age 64 or up to 32 years of service | 1.65 |
| Retirement up to age 65 or up to 33 years of service | 1.68 |
| **Regular Class members initially enrolled on or after July 1, 2011** | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement up to age 66 or up to 34 years of service | 1.63 |
| Retirement up to age 67 or up to 35 years of service | 1.65 |
| Retirement up to age 68 or up to 36 years of service | 1.68 |

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued

### (c) Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The employer contribution rates by job class in the tables below were applied to employee salaries to determine monthly contributions. The Authority's contributions to the FRS Plan were $1,954,193 and $1,733,196 for the years ended September 30, 2018 and 2017, respectively.

**Contribution Rates - Employer - 2018**

| Job Class | October 1, 2017 - June 30, 2018 | July 1, 2018 - September 30, 2018 |
|---|---|---|
| Regular | 7.92% | 8.26% |
| Special Risk | 23.27% | 24.50% |
| Special Risk Administrative Support | 34.63% | 34.98% |
| Elected County Officers | 45.50% | 48.70% |
| Senior Management | 21.71% | 24.06% |
| DROP Participants | 13.26% | 14.03% |
| Above rates include HIS Plan subsidy of: | 1.66% | 1.66% |

**Contribution Rates - Employer - 2017**

| Job Class | October 1, 2016 - June 30, 2017 | July 1, 2017 - September 30, 2017 |
|---|---|---|
| Regular | 7.52% | 7.92% |
| Special Risk | 22.57% | 23.27% |
| Special Risk Administrative Support | 28.06% | 34.63% |
| Elected County Officers | 42.27% | 45.50% |
| Senior Management | 21.77% | 22.71% |
| DROP Participants | 12.99% | 13.26% |
| Above rates include HIS Plan subsidy of: | 1.66% | 1.66% |

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued

### (d) Pension Costs

At September 30, 2018 and 2017, the Authority reported a liability of $20,168,800 and $20,115,090, respectively, for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of July 1. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1 through June 30, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2018, the Authority's proportion was 0.06696%, which was an increase of 0.0010% from its proportion measured as of June 30, 2017. At June 30, 2017, the Authority's proportion was 0.0680%, which was a increase of 0.0045% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2018, the Authority recognized pension expense of $3,422,038, for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

**FRS Deferred Inflows/Outflows - 2018**

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 1,708,601 | $ 62,014 |
| Changes in Actuarial Assumptions | 6,590,183 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 1,558,286 |
| Changes in Proportion and Differences Between Entity Contributions and Proportionate Share of Contributions | 565,238 | 516,633 |
| Entity Contributions Subsequent to the Measurement Date | 473,070 | - |
| Total | $ 9,745,162 | $ 2,136,933 |

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan*) - Continued

### (d) Pension Costs - Continued

**Pension Costs - Continued**

$473,070 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Year Ended June 30 | Amount |
|---|---|
| 2019 | $ 2,550,611 |
| 2020 | 1,791,495 |
| 2021 | 254,065 |
| 2022 | 1,225,144 |
| 2023 | 800,622 |
| Thereafter | 105,512 |

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued

### (d) Pension Costs – Continued

For the year ended September 30, 2017, the Authority recognized pension expense of $3,342,454 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

**FRS Deferred Inflows/Outflows – 2017**

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 1,846,081 | $ 111,427 |
| Changes in Actuarial Assumptions | 6,760,090 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 498,502 |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 711,798 | 514,034 |
| Authority Contributions Subsequent to the Measurement Date | 427,193 | - |
| Total | $ 9,745,162 | $ 1,123,963 |

$427,193 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Year Ended June 30 | Amount |
|---|---|
| 2018 | $ 1,035,874 |
| 2019 | 2,766,277 |
| 2020 | 1,986,935 |
| 2021 | 440,665 |
| 2022 | 1,418,810 |
| Thereafter | 545,445 |

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued

### (e) Actuarial Assumptions

The total pension liability in the July 1, 2018 and the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---|---|---|
| Valuation Date | July 1, 2018 | July 1, 2017 |
| Measurement Date | June 30, 2018 | June 30, 2017 |
| Inflation per year | 2.60% | 2.60% |
| Salary Increases, including inflation | 3.25% | 3.25% |
| Investment Rate of Return Net of Pension Plan Investment Expense, Including Inflation | 7.00% | 7.10% |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2018 and the July 1, 2017 valuation were based on the results of an actuarial experience study completed in 2014 for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following tables:

**FRS Investment Rate of Return – 2018**

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.0% | 2.9% | 2.9% | 1.8% |
| Fixed Income | 18.0% | 4.4% | 4.3% | 4.0% |
| Global Equity | 54.0% | 7.6% | 6.3% | 17.0% |
| Real Estate (Property) | 11.0% | 6.6% | 6.0% | 11.3% |
| Private Equity | 10.0% | 10.7% | 7.8% | 26.5% |
| Strategic Investments | 6.0% | 6.0% | 5.7% | 8.6% |
| Totals | 100% | | | |
| Assumed Inflation – Mean | | | 2.6% | 1.9% |

## (9) Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* – Continued

### (e) Actuarial Assumptions - Continued

**FRS Investment Rate of Return - 2017**

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1% | 3.0% | 3.0% | 1.8% |
| Fixed Income | 18% | 4.5% | 4.4% | 4.2% |
| Global Equity | 53% | 7.8% | 6.6% | 17.0% |
| Real Estate (Property) | 10% | 6.6% | 5.9% | 12.8% |
| Private Equity | 6% | 11.5% | 7.8% | 30.0% |
| Strategic Investments | 12% | 6.1% | 5.6% | 9.7% |
| Totals | 100% | | | |
| Assumed Inflation – Mean | | | 2.6% | 1.9% |

### (f) Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.10% for the FRS Plan for the actuarial valuation date July 1, 2018 and July 1, 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**(9) <u>Defined Benefit Pension Plans (*Florida Retirement System Pension Plan)* - Continued</u>**

**(g) <u>Pension Liability Sensitivity</u>**

The following presents the Authority's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

**FRS Pension Liability Sensitivity – 2018**

| Description | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| FRS Plan Discount Rate | 6.00% | 7.00% | 8.00% |
| Authority's Proportionate Share of the FRS Plan Net Pension Liability | $ 36,808,906 | $ 20,168,800 | $ 6,348,208 |

**FRS Pension Liability Sensitivity - 2017**

| Description | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| FRS Plan Discount Rate | 6.10% | 7.10% | 8.10% |
| Authority's Proportionate Share of the FRS Plan Net Pension Liability | $ 36,407,098 | $ 20,115,090 | $ 6,588,991 |

**(h) <u>Pension Plan Fiduciary Net Position</u>**

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at:
www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

## (9) Defined Benefit Pension Plans (*Retiree Health Insurance Subsidy Program)*

### *Retiree Health Insurance Subsidy Program*

#### (a) Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

#### (b) Benefits Provided

For the fiscal years ended June 30, 2018 and 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

#### (c) Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2018 and 2017, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statues. The Authority contributed 100% of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were $526,712 and $501,622 for the years ended September 30, 2018 and 2017, respectively.

#### (d) Pension Costs

At September 30, 2018 and 2017, the Authority reported a liability of $10,161,933 and $10,328,717, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by annual actuarial valuations as of July 1. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1 through June 30, relative to the total employer contributions received from all participating employers. At June 30, 2018, the Authority's proportion was 0.0960% which was an decrease of 0.00059% from its proportion measured as of June 30, 2017. At June 30, 2017, the Authority's proportion was 0.0966% which was an increase of 0.0005% from its proportion measured as of June 30, 2016.

## (9) Defined Benefit Pension Plans (*Retiree Health Insurance Subsidy Program*) - Continued

### (d) Pension Costs - Continued

For the year ended September 30, 2018, the Authority recognized pension expense of $860,612 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

**HIS Deferred Inflows/Outflows - 2018**

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $155,575 | $ 17,265 |
| Changes in Actuarial Assumptions | 1,130,133 | 1,074,405 |
| Net Difference Between Projected and Actual Earnings on HIS Program Investments | 6,134 | - |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 515,456 | 51,200 |
| Authority Contributions Subsequent to the Measurement Date | 122,260 | - |
| Total | $ 1,929,558 | $ 1,142,870 |

$122,260 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the HIS Subsidy Program subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Year Ended June 30 | Amount |
|---|---|
| 2019 | $ 244,293 |
| 2020 | 243,776 |
| 2021 | 195,169 |
| 2022 | 117,789 |
| 2023 | (76,676) |
| Thereafter | (59,923) |

## (9) Defined Benefit Pension Plans (*Retiree Health Insurance Subsidy Program*) - Continued

### (d) Pension Costs - Continued

For the year ended September 30, 2017, the Authority recognized pension expense of $898,363 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

**HIS Deferred Inflows/Outflows – 2017**

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ - | $ 21,506 |
| Changes in Actuarial Assumptions | 1,451,863 | 893,135 |
| Net Difference Between Projected and Actual Earnings on HIS Program Investments | 5,728 | - |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 628,203 | - |
| Authority Contributions Subsequent to the Measurement Date | 116,219 | - |
| Total | $ 2,202,013 | $ 914,641 |

$116,219 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the HIS Subsidy Program subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Year Ended June 30 | Amount |
|---|---|
| 2018 | $ 282,007 |
| 2019 | 280,923 |
| 2020 | 280,402 |
| 2021 | 231,539 |
| 2022 | 153,690 |
| Thereafter | (57,408) |

## (9) Defined Benefit Pension Plans (*Retiree Health Insurance Subsidy Program*) - Continued

### (e) Actuarial Assumptions

The total pension liability in the July 1, 2018 and July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---|---|---|
| Valuation Date | July 1, 2018 | July 1, 2017 |
| Measurement Date | June 30, 2018 | June 30, 2017 |
| Inflation per year | 2.60% | 2.60% |
| Salary Increases, including inflation | 3.25% | 3.25% |
| Municipal Bond Rate | 3.87% | 3.58% |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2018 and July 1, 2017, valuation were based on the results of an actuarial experience study of the FRS Pension Plan completed in 2014 for the period July 1, 2008 through June 30, 2013.

### (f) Discount Rate

The discount rate used to measure the total pension liability was 3.87% and 3.58% for the HIS Plan for the actuarial valuation date July 1, 2018 and July 1, 2016, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

## (9) Defined Benefit Pension Plans (*Retiree Health Insurance Subsidy Program*) - Continued

### (g) Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

**HIS Pension Liability Sensitivity - 2018**

| Description | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| HIS Plan Discount Rate | 2.87% | 3.87% | 4.87% |
| Authority's Proportionate Share of the HIS Plan Net Pension Liability | $ 11,573,847 | $ 10,161,933 | $ 8,985,022 |

**HIS Pension Liability Sensitivity - 2017**

| Description | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| HIS Plan Discount Rate | 2.58% | 3.58% | 4.58% |
| Authority's Proportionate Share of the HIS Plan Net Pension Liability | $ 11,786,434 | $ 10,328,717 | $ 9,114,520 |

### (h) Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at:
www.dms.myflorida.com/workforce_operations/retirement/publications.

## (9) Defined Benefit Pension Plans - Continued

### (i) Defined Contribution Plan

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll through June 30, 2018 then 0.06% of payroll through September 30, 2018 and by forfeited benefits of plan members. Allocations to the member accounts during the 2017-18 fiscal year and the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, were based on a percentage of gross compensation, by class, as follows: During the 2017-18, Regular class 6.60%, Special Risk Administrative Support class 8.43%, Special Risk class 16.48%, Senior Management Service class 7.98% and County Elected Officers class 11.95%. During 2016-17 fiscal year, Regular class 6.55%, Special Risk Administrative Support class 8.40%, Special Risk class 13.96%, Senior Management Service class 7.93% and County Elected Officers class 11.75%. These allocations include a required employee contribution of 3% of gross compensation for each member class.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the years ended September 30, 2018 and 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

## (9) Defined Benefit Pension Plans - Continued

### (i) Defined Contribution Plan - Continued

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled $372,561 and $268,053 for the years ended September 30, 2018 and 2017, respectively. Employee contributions to the Investment Plan totaled $139,615 and $105,475 for the years ended September 30, 2018 and 2017, respectively.

## (10) Postemployment Benefits Other Than Pensions (OPEB)

The Authority has adopted the provisions of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 requires governments to recognize their total OPEB obligation, and deferred outflows of resources, deferred inflows of resources, and OPEB expense in the financial statements based on the actuarial present value of projected benefit payments, rather than the smaller net OPEB obligation based on the contribution requirements. 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 blended premium cost (rate) for the retiree to participate in the Authority's insurance program. These blended premium 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. Since the retiree pays 100% of the blended premium cost rate, there is no explicit rate subsidy provided by the Authority to retirees.

### (a) Plan Description

The authority administers an employer defined benefit healthcare plan that provides medical insurance benefits to its employees and their eligible dependents. 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 the plan. Retirees and their dependents are charged the full premium for coverage through the plan. 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 six years of service, or 30 years of service with no age requirement for persons hired before July 1, 2011. The requirements for eligibility for benefits are age 65 with eight years of service, or 33 years of service with no age requirement for persons hired on or after July 1, 2011.

## (10) Postemployment Benefits Other Than Pensions (OPEB) - Continued

### (a) Plan Description - Continued

The benefits are provided through Cigna and provide hospital, medical and prescription coverage. Benefit duration is through age 65.

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, restricted, or held in trust to pay for postemployment benefits.

The number of employees covered by benefit terms as of October 1, 2017, the most recent actuarial valuation date, are as follows:

| | |
|---|---|
| Retirees and dependents receiving benefits | 13 |
| Retirees entitled to but not yet receiving benefits | - |
| Active Employees | 547 |
| Total participants covered by OPEB plan | 560 |

### (b) Total OPEB Liability

At September 30, 2018 and 2017, the Authority reported a liability of $2,067,165 and $1,923,009, respectively, for its total OPEB liability. The total OPEB liability was measured as of September 30, and was determined by an actuarial valuation as of October 1, 2017.

## (10) Postemployment Benefits Other Than Pensions (OPEB) - Continued

### (c) Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Valuation Date | October 1, 2017 |
| Healthcare Cost Trend Rates: | |
| Current Year Trend | 4.99% |
| Second Year Trend | 9.50% |
| Decrement | 0.50% |
| Ultimate Trend | 5.00% |
| Year Ultimate Trend is Reached | 2028 |
| Actuarial Cost Method | Entry Age Normal |

The discount rate of 3.64% was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of October 1, 2017. Mortality rates were based on the RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

## (10) Postemployment Benefits Other Than Pensions (OPEB) - Continued

### (d) Changes in Total OPEB Liability

| | 2018 | 2017 |
|---|---|---|
| Changes for the Year: | | |
| Service cost | $ 89,211 | $ 107,472 |
| Interest on OPEB obligation | 68,184 | 77,647 |
| Experience | 86,420 | (844,549) |
| Assumptions | - | (96,494) |
| Employer contributions | (99,659) | (227,046) |
| Change in total OPEB liability | 144,156 | (982,970) |
| Total OPEB liability - beginning of year | 1,923,009 | 2,905,979 |
| Total OPEB liability - end of year | $ 2,067,165 | $ 1,923,009 |

### (e) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Authority's total OPEB liability for the OPEB plan, calculated using the discount rate disclosed in the actuarial assumptions, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

**Total OPEB Liability Sensitivity Discount Rate- 2018**

| Description | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| OPEB Plan Discount Rate | 2.64% | 3.64% | 4.64% |
| Total OPEB liability | $ 2,264,040 | $ 2,067,165 | $ 1,940,378 |

**Total OPEB Liability Sensitivity Discount Rate- 2017**

| Description | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| OPEB Plan Discount Rate | 2.64% | 3.64% | 4.64% |
| Total OPEB liability | $ 2,077,863 | $ 1,923,009 | $ 1,806,012 |

**(10) Postemployment Benefits Other Than Pensions (OPEB) - Continued**

**(f) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the Authority's total OPEB liability for the OPEB plan, calculated using the healthcare cost trend rate disclosed in the actuarial assumptions, as well as what the Authority's total OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower or one percentage point higher than the current discount rate:

**Total OPEB Liability Sensitivity Healthcare Cost Trend Rate – 2018**

| Description | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| OPEB Plan Healthcare Cost Trend Rate | 3.99% | 4.99% | 5.99% |
| Total OPEB Obligation | $ 1,901,445 | $ 2,067,165 | $ 2,257,434 |

**Total OPEB Obligation Sensitivity Healthcare Cost Trend Rate – 2017**

| Description | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| OPEB Plan Healthcare Cost Trend Rate | 3.99% | 4.99% | 5.99% |
| Total OPEB Obligation | $ 1,771,352 | $ 1,923,009 | $ 2,097,295 |

**(g) OPEB Costs**

For the year ended September 30, 2018, the Authority recognized OPEB expense of $28,579. In addition, the Authority reported OPEB deferred outflows of resources and deferred inflows of resources from the following sources:

**OPEB Deferred Inflows/Outflows – 2018**

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 85,009 | $ 578,189 |
| Changes in Actuarial Assumptions | - | 66,060 |
| Total | $ 85,009 | $ 644,249 |

**(10) Postemployment Benefits Other Than Pensions (OPEB) - Continued**

**(g) OPEB Costs - Continued**

Amounts reported as deferred outflows and inflows of resources will be recognized as an increase (decrease) in OPEB expense as follows:

| Year Ended September 30 | Amount |
|---|---|
| 2019 | $ (128,816) |
| 2020 | (128,816) |
| 2021 | (128,816) |
| 2022 | (128,816) |
| 2023 | (43,976) |

For the year ended September 30, 2017, the Authority recognized OPEB expense of $40,124. In addition, the Authority reported OPEB deferred outflows of resources and deferred inflows of resources from the following sources:

**OPEB Deferred Inflows/Outflows – 2017**

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 18,170 | $ 711,369 |
| Changes in Actuarial Assumptions | - | 81,277 |
| Total | $ 18,170 | $ 792,646 |

Amounts reported as deferred outflows and inflows of resources will be recognized as an increase (decrease) in OPEB expense as follows:

| Year Ended September 30 | Amount |
|---|---|
| 2019 | $ (144,995) |
| 2020 | (144,995) |
| 2021 | (144,995) |
| 2022 | (144,995) |
| 2023 | (144,995) |
| Thereafter | (49,501) |

## (11) 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) Fuel Contract Commitment

The Authority periodically enters into fuel purchase contracts to help mitigate against the possibility of fluctuating fuel prices throughout the year. At September 30, 2018, the Authority has committed to buy approximately $4.2 million in fuel over the next fiscal year.

## (11) Commitments and Contingencies - Continued

### (d) Construction and Service Contract Commitments

The Authority has active construction projects as of September 30, 2018. The major projects and contracts include the Central Avenue BRT and purchase of buses.

| Project / Contracts | Committed to Date | Remaining Commitment |
|---|---|---|
| ADA Landing Pads | $ 225,000 | $ 128,469 |
| Benefits Cost Analysis | 84,978 | 56,310 |
| Bus Shelters | 93,000 | 69,473 |
| Community Bus Plan | 440,564 | 35,735 |
| Performance Brake Tester | 148,850 | 148,850 |
| Regional Fare Collection Project | 3,686,375 | 316,637 |
| Revenue Connector Vehicle Purchase 2017 | 1,184,231 | 731,468 |
| Revenue Electric Vehicle Purchase 2017 | 1,719,445 | 1,697,515 |
| On Route Charging Station | 375,000 | 375,000 |
| Revenue Hybrid Vehicle Purchase 2018 | 6,623,960 | 6,623,960 |
| Revenue Hybrid Vehicle Purchase 2019 | 6,618,429 | 6,618,429 |
| Sandbox Project | 204,336 | 142,827 |
| Safety, Security, & Training Plan Update | 53,750 | 53,750 |
| Transit Asset Management Plan | 209,564 | 44,396 |
| Tire Lease | 495,000 | 376,613 |
| Total | $ 22,162,482 | $ 17,419,432 |

## SECTION III

## REQUIRED SUPPLEMENTARY INFORMATION
## (UNAUDITED)

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Required Supplementary Information**

**Schedule of Changes in Other Postemployment Benefits Liability and Related Ratios**

**Last Ten Measurement Periods**
**(Unaudited)**

| **Other Postemployment Benefits (OPEB) Plan**<br>**Last Ten Fiscal Years*** | **2018** | **2017** |
|---|---|---|
| OPEB Liability Beginning of Year | $ 1,923,009 | $ 2,905,979 |
| Changes for the Year: | | |
| Service Cost | 89,211 | 107,472 |
| Interest on OPEB Liability | 68,184 | 77,647 |
| Changes of Benefit Terms | - | - |
| Difference Between Actual and Expected Experience | 86,420 | (844,549) |
| Changes of Assumptions | - | (96,494) |
| Benefit Payments | (99,659) | (227,046) |
| OPEB Liability End of Year | $ 2,067,165 | $ 1,923,009 |
| Covered Payroll | $ 30,388,585 | $ 29,753,116 |

* The Amounts Presented for Each Fiscal Year were Determined as of September 30.

Note 1: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

Note 2: The Authority has no assets segregated, restricted, or held in a irrevocable trust to pay for OPEB benefits.

Note 3: In the fiscal year ended September 30, 2017, the actuarial assumption for healthcare cost trend rates decreased and the discount rate increased.

**PINELLAS SUNCOAST TRANSIT AUTHORITY**

**Required Supplementary Information**

**Schedule of Proportionate Share of Net Pension Liability – Pension Plans**

**Last Ten Measurement Periods**
**(Unaudited)**

| **Florida Retirement System Pension Plan**<br>**Last Ten Fiscal Years*** | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability | 0.066960334% | 0.068003875% | 0.063517223% | 0.066955424% | 0.065424235% |
| Authority's Proportionate Share of the Net Pension Liability | $ 20,168,800 | $ 20,115,090 | $ 16,038,149 | $ 8,648,191 | $ 3,991,840 |
| Authority's Covered Payroll ** | $ 31,365,733 | $ 30,821,174 | $ 28,037,676 | $ 27,438,151 | $ 26,402,185 |
| Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 64.30% | 65.26% | 57.20% | 31.52% | 15.12% |
| Plan Fiduciary Net Position as a percentage of the total Pension Liability | 84.26 % | 83.89% | 84.88% | 92.00% | 96.09% |

* The Amounts Presented for Each Fiscal Year were Determined as of June 30.

** Authority's covered payroll represents pensionable wages of all FRS participants in the traditional FRS pension and in the investment plan as of the measurement date. Authority's covered payroll is defined by GASB Statement 82 and applied to 2017 through 2014 for comparative purposes.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only

| **Retiree Health Insurance Subsidy Program**<br>**Last Ten Fiscal Years*** | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability | 0.096011200% | 0.096598126% | 0.090789279% | 0.090450945% | 0.088831612% |
| Authority's Proportionate Share of the Net Pension Liability | $ 10,161,933 | $ 10,328,717 | $ 10,581,114 | $ 9,224,574 | $ 8,305,972 |
| Authority's Covered Payroll** | $ 31,365,733 | $ 30,821,174 | $ 28,037,676 | $ 27,438,151 | $ 26,402,185 |
| Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll | 32.40% | 33.51% | 37.74% | 33.62% | 31.46% |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% |

* The Amounts Presented for Each Fiscal Year were Determined as of June 30.

** Authority's covered payroll represents pensionable wages of all FRS participants in the traditional FRS pension and in the investment plan as of the measurement date. Authority's covered payroll is defined by GASB Statement 82 and applied to 2017 through 2014 for comparative purposes.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

# PINELLAS SUNCOAST TRANSIT AUTHORITY

## Required Supplementary Information

## Schedule of Contributions – Pension Plan

## Last Ten Fiscal Years
## (Unaudited)

| Florida Retirement System Pension Plan<br>Last Ten Fiscal Years* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $ 1,954,193 | $ 1,733,196 | $ 1,608,061 | $ 1,607,344 | $ 1,547,917 |
| Contributions in Relation to the Contractually Required Contribution | (1,954,193) | (1,733,196) | (1,608,061) | (1,607,344) | (1,547,917) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - |
| Authority's Covered Payroll | $ 31,729,648 | $ 30,248,671 | $ 28,199,337 | $ 27,229,593 | $ 26,777,717 |
| Contributions as a Percentage of Covered Payroll | 6.16% | 5.73% | 5.70% | 5.90% | 5.78% |

*The Amounts Presented for Each Fiscal Year were Determined as of September 30.

** Authority's covered payroll represents pensionable wages of all FRS participants in the traditional FRS pension and in the investment plan as of the measurement date. Authority's covered payroll is defined by GASB Statement 82 and applied to 2017 through 2014 for comparative purposes.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

| Retiree Health Insurance Subsidy Program<br>Last Ten Fiscal Years* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $ 526,712 | $ 501,622 | $ 468,518 | $ 376,752 | $ 325,698 |
| Contributions in Relation to the Contractually Required Contribution | (526,712) | (501,622) | (468,518) | (376,752) | (325,698) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - |
| Authority's Covered Payroll | $ 31,729,648 | $ 30,248,671 | $ 28,199,337 | $ 27,229,593 | $ 26,777,717 |
| Contributions as a Percentage of Covered Payroll | 1.66% | 1.66% | 1.66% | 1.38% | 1.22% |

*The Amounts Presented for Each Fiscal Year were Determined as of September 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

## SECTION IV

## STATISTICAL SECTION
## (UNAUDITED)

## STATISTICAL SECTION
## (UNAUDITED)

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

**CONTENTS**

## STATISTICAL SECTION
## (UNAUDITED)

**Financial Trends**

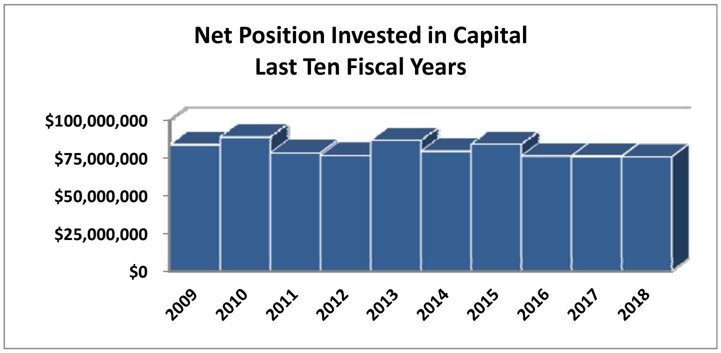
- ♦ Net Position by Components (FY 2009 - FY 2018)
- ♦ Changes in Net Position (FY 2009 - FY 2018)
- ♦ Revenues by Function/Program (FY 2009 - FY 2018)
- ♦ Expenses by Function/Program (FY 2009 - FY 2018)
- ♦ Property Tax Revenue by Year (FY 2009 - FY 2018)

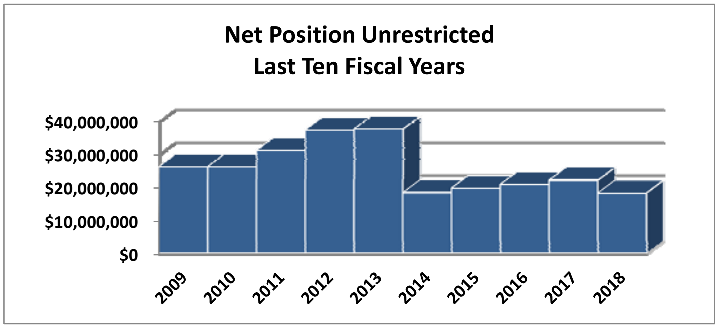
# Net Position by Components

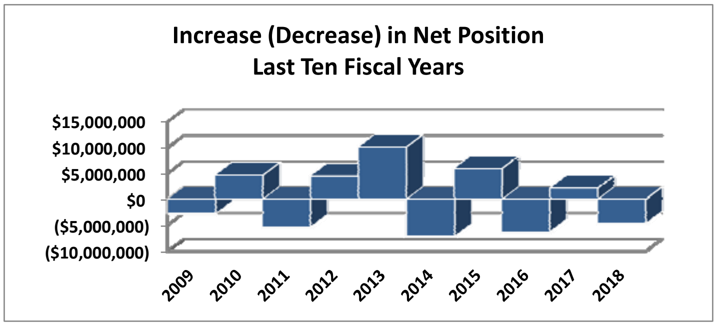
# Fiscal Years 2009 – 2018

| | Fiscal Year 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Business Type Activities** | | | | | |
| Net investment in capital assets | $ 83,476,413 | $ 88,538,927 | $ 78,170,420 | $ 76,411,608 | $ 86,156,611 |
| Restricted | - | - | 26,619 | 51,229 | 61,972 |
| Unrestricted | 26,833,931 | 26,396,501 | 31,318,850 | 37,554,309 | 37,862,802 |
| Total net position | $ 110,310,344 | $ 114,935,428 | $ 109,515,889 | $ 114,017,146 | $ 124,081,385 |

| | Fiscal Year 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Business Type Activities** | | | | | |
| Net investment in capital assets | $ 79,199,247 | $ 83,810,021 | $ 76,019,269 | $ 75,914,243 | $ 75,483,987 |
| Restricted | 74,992 | 13,020 | 350,630 | 381,789 | 55,289 |
| Unrestricted | 18,489,859 | 19,865,822 | 20,993,888 | 22,316,124 (1) | 18,383,748 |
| Total net position | $ 97,764,098 | $ 103,688,863 | $ 97,363,787 | $ 98,612,156 | $ 93,923,024 |




(1) Restated to conform to GASB Statement 75.

**Note: The statistical section contains "Unaudited" data.**

## Changes in Net Position

## Fiscal Years 2009 – 2018

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
| Operating revenues: | | | | | | | | | | |
| Passenger fares | $ 11,500,513 | | $ 10,850,676 | (1) | $ 12,788,411 | (1) | $ 14,279,728 | (1) | $ 14,098,511 | (1) |
| Demand response | 802,546 | (1) | 906,548 | (1) | 1,032,194 | (1) | 1,056,808 | (1) | 1,098,822 | (1) |
| Advertising revenue | 163,586 | (1) | 247,725 | (1) | 395,847 | (1) | 439,557 | (1) | 417,851 | (1) |
| Total operating revenues | 12,466,645 | | 12,004,949 | | 14,216,452 | | 15,776,093 | | 15,615,184 | |
| Operating expenses: | | | | | | | | | | |
| Operations | 32,628,559 | | 30,500,001 | | 30,351,762 | | 32,524,451 | | 33,907,097 | |
| Purchased Transportation | 4,969,031 | (1) | 5,917,169 | (1) | 6,421,346 | (1) | 5,854,472 | (1) | 6,556,558 | (1) |
| Maintenance | 6,817,534 | | 6,791,680 | | 7,604,823 | | 7,256,709 | | 8,172,956 | |
| Administration and finance | 10,248,034 | | 10,980,462 | | 10,243,021 | | 9,333,777 | | 9,762,130 | |
| Marketing | 1,796,891 | | 1,750,723 | | 1,826,406 | | 1,702,420 | | 2,202,059 | |
| Total operating expenses , before depreciation | 56,460,049 | | 55,940,035 | | 56,447,358 | | 56,671,829 | | 60,600,800 | |
| Operating loss before depreciation | (43,993,404) | | (43,935,086) | | (42,230,906) | | (40,895,736) | | (44,985,616) | |
| Depreciation | 8,666,368 | | 7,366,225 | | 8,156,263 | | 7,694,806 | | 8,487,063 | |
| Operating loss | (52,659,772) | | (51,301,311) | | (50,387,169) | | (48,590,542) | | (53,472,679) | |
| Nonoperating revenues: | | | | | | | | | | |
| Federal maintenance assistance | 1,414,206 | | 2,033,508 | | 2,453,338 | | 7,213,949 | (1) | 6,045,338 | (1) |
| State operating assistance | 3,340,209 | | 3,521,850 | | 3,567,209 | | 3,847,388 | | 3,917,007 | |
| Other federal grants | 1,423,661 | | 5,835,531 | | 5,898,891 | | 1,916,693 | (1) | 1,189,876 | (1) |
| Special project assistance - state grants | 912,185 | | 469,226 | | 777,813 | | 1,124,795 | | 3,004,543 | |
| Special project assistance - local grants | 533,329 | | 631,817 | | 638,668 | | 672,877 | | 767,849 | |
| Property tax revenues, net | 34,156,128 | | 29,893,863 | | 26,868,560 | | 33,009,275 | | 32,282,955 | |
| Investment income | 419,287 | | 271,233 | | 127,470 | | 221,905 | | 146,824 | |
| Fuel tax refunds | 595,739 | | 580,860 | | 560,059 | | 610,910 | | 610,172 | |
| Other, net | 52,950 | | 104,946 | | 155,824 | | 130,357 | | 16,544 | |
| Total nonoperating revenues | 42,847,694 | | 43,342,834 | | 41,047,832 | | 48,748,149 | | 47,981,108 | |
| (Loss) income before capital grants and special item | (9,812,078) | | (7,958,477) | | (9,339,337) | | 157,607 | | (5,491,571) | |
| Capital grants and other related revenues | 6,990,339 | | 12,583,561 | | 3,919,798 | | 4,343,650 | | 15,555,810 | |
| Contributed capital - local government | - | | - | | - | | - | | - | |
| Contributed capital - private sources | - | | - | | - | | - | | - | |
| Increase (decrease) in net position | (2,821,739) | | 4,625,084 | | (5,419,539) | | 4,501,257 | | 10,064,239 | |
| Net position, beginning of year | 113,132,083 | | 110,310,344 | | 114,935,428 | | 109,515,889 | | 114,017,146 | |
| Net position, end of year | $ 110,310,344 | | $ 114,935,428 | | $ 109,515,889 | | $ 114,017,146 | | $ 124,081,385 | |

(1) This has been reclassified to conform to current year's classifications.

**Note: The statistical section contains "Unaudited" data.**

## Changes in Net Position

## Fiscal Years 2009 – 2018

| | Fiscal Year 2014 | | 2015 | | 2016 | 2017 | | 2018 |
|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | |
| Passenger fares | $ 13,585,399 | | $ 12,194,799 | | $ 10,791,925 | $ 9,535,246 | | $ 9,473,561 |
| Demand response | 1,079,160 | (1) | 1,143,997 | | 1,197,937 | 1,303,510 | | 1,501,156 |
| Advertising revenue | 248,224 | | 485,359 | | 577,046 | 582,761 | | 615,234 |
| Total operating revenues | 14,912,783 | | 13,824,155 | | 12,566,908 | 11,421,517 | | 11,589,951 |
| Operating expenses: | | | | | | | | |
| Operations | 33,663,536 | | 34,879,734 | | 33,815,879 | 36,266,463 | (1) | 38,570,917 |
| Purchased Transportation | 6,846,800 | (1) | 7,444,573 | | 7,738,429 | 9,637,695 | | 11,627,971 |
| Maintenance | 8,374,708 | | 8,902,528 | | 10,178,517 | 11,536,994 | (1) | 11,510,788 |
| Administration and finance | 10,767,137 | | 11,465,894 | | 12,192,055 | 12,921,156 | (1) | 13,898,829 |
| Marketing | 2,591,069 | | 708,839 | | 657,700 | 819,842 | (1) | 943,235 |
| Total operating expenses , before depreciation | 62,243,250 | | 63,401,568 | | 64,582,580 | 71,182,150 | | 76,551,740 |
| Operating loss before depreciation | (47,330,467) | | (49,577,413) | | (52,015,672) | (59,760,633) | | (64,961,789) |
| Depreciation | 9,723,423 | | 10,436,619 | | 10,249,547 | 9,976,763 | | 8,372,047 |
| Operating loss | (57,053,890) | | (60,014,032) | | (62,265,219) | (69,737,396) | | (73,333,836) |
| Nonoperating revenues (expenses): | | | | | | | | |
| Federal maintenance assistance | 4,819,162 | (1) | 5,016,216 | (1) | 4,979,539 | 5,009,268 | | 5,026,849 |
| State operating assistance | 4,015,888 | | 4,086,490 | | 4,181,314 | 4,155,670 | | 4,303,778 |
| Other federal grants | 1,946,552 | (1) | 1,378,600 | (1) | 935,330 | 967,084 | | 1,504,617 |
| Special project assistance - state grants | 2,994,467 | | 3,169,227 | | 3,621,648 | 4,090,853 | | 5,022,559 |
| Special project assistance - local grants | 833,222 | | 873,441 | | 922,275 | 1,174,823 | | 1,282,808 |
| Property tax revenues, net | 33,365,462 | | 35,592,336 | | 38,166,312 | 41,607,265 | | 45,389,030 |
| Investment income | 55,618 | | 193,039 | | 250,882 | 435,080 | | 809,788 |
| Fuel tax refunds | 613,721 | | 649,202 | | 641,838 | 630,827 | | 636,416 |
| Other, net | 67,955 | | (14,055) | | 313,578 | (104,959) | | 228,008 |
| Total nonoperating revenues | 48,712,047 | | 50,944,496 | | 54,012,716 | 57,965,911 | | 64,203,853 |
| (Loss) income before capital grants and special item | (8,341,843) | | (9,069,536) | | (8,252,503) | (11,771,485) | | (9,129,983) |
| Capital grants and other related revenues | 1,052,867 | | 14,994,301 | | 1,918,427 | 13,863,703 | | 3,764,851 |
| Contributed capital - local government | 100,000 | | - | | 9,000 | 9,000 | | 637,254 |
| Contributed capital - private sources | - | | - | | - | 23,320 | | 38,746 |
| Increase (decrease) in net position | (7,188,976) | | 5,924,765 | | (6,325,076) | 2,124,538 | | (4,689,132) |
| Net position, beginning of year | 104,953,074 | (2) | 97,764,098 | | 103,688,863 | 96,487,618 | (3) | 98,612,156 |
| Net position, end of year | $ 97,764,098 | | $ 103,688,863 | | $ 97,363,787 | $ 98,612,156 | | $ 93,923,024 |

(1) This has been reclassified to conform to current year's presentation.
(2) This has been restated to conform to GASB Statements 68 and 71.
(3) This has been restated to conform to GASB Statement 75.

**Note: The statistical section contains "Unaudited" data.**

# Revenues by Function/Program
## Last Ten Fiscal Years

## Fiscal Years 2009 - 2018

| | Fiscal Year 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | |
| Passenger fares | $ 11,500,513 | | $ 10,850,676 | | $ 12,788,411 | | $ 14,279,728 | | $ 14,098,511 | |
| Demand response | 802,546 | (1) | 906,548 | (1) | 1,032,194 | (1) | 1,056,808 | (1) | 1,098,822 | (1) |
| Advertising revenue | 163,586 | | 247,725 | | 395,847 | | 439,557 | | 417,851 | |
| Total operating revenues | 12,466,645 | | 12,004,949 | | 14,216,452 | | 15,776,093 | | 15,615,184 | |
| Nonoperating revenues: | | | | | | | | | | |
| Federal maintenance assistance | 1,414,206 | | 2,033,508 | | 2,453,338 | | 7,213,949 | | 6,045,338 | |
| State operating assistance | 3,340,209 | | 3,521,850 | | 3,567,209 | | 3,847,388 | | 3,917,007 | |
| Other federal grants | 1,423,661 | | 5,835,531 | | 5,898,891 | | 1,916,693 | | 1,189,876 | |
| Special project assistance - state grants | 912,185 | | 469,226 | | 777,813 | | 1,124,795 | | 3,004,543 | |
| Special project assistance - local grants | 533,329 | | 631,817 | | 638,668 | | 672,877 | | 767,849 | |
| Property tax revenues, net | 34,156,128 | | 29,893,863 | | 26,868,560 | | 33,009,275 | | 32,282,955 | |
| Investment income | 419,287 | | 271,233 | | 127,470 | | 221,905 | | 146,824 | |
| Fuel tax refunds | 595,739 | | 580,860 | | 560,059 | | 610,910 | | 610,172 | |
| Other, net | 52,950 | | 104,946 | | 155,824 | | 130,357 | | 16,544 | |
| Total nonoperating revenues | 42,847,694 | | 43,342,834 | | 41,047,832 | | 48,748,149 | | 47,981,108 | |
| Capital grants and other related revenues | 6,990,339 | | 12,583,561 | | 3,919,798 | | 4,343,650 | | 15,555,810 | |
| Contributed capital - local government | - | | - | | - | | - | | - | |
| Contributed capital - private sources | - | | - | | - | | - | | - | |
| Special items - loss on sale of facilities and abandonment of software package | - | | - | | - | | - | | - | |
| Total all revenues | $ 62,304,678 | | $ 67,931,344 | | $ 59,184,082 | | $ 68,867,892 | | $ 79,152,102 | |

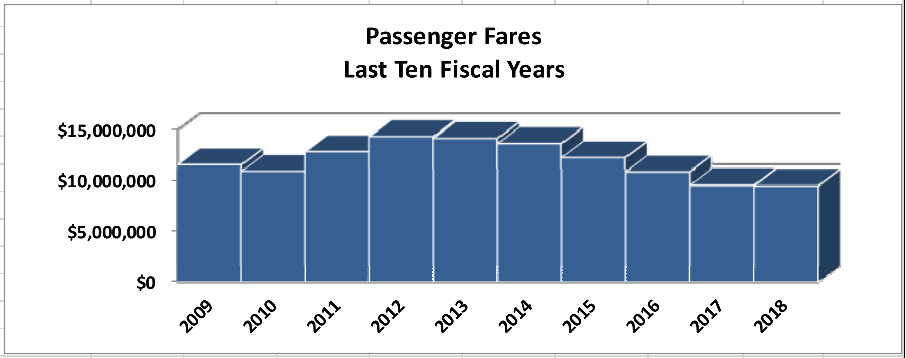
| | Fiscal Year 2014 | | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | |
| Passenger fares | $ 13,585,399 | | $ 12,194,799 | $ 10,791,925 | $ 9,535,246 | $ 9,473,561 |
| Demand response | 1,079,160 | (1) | 1,143,997 | 1,197,937 | 1,303,510 | 1,501,156 |
| Advertising revenue | 248,224 | | 485,359 | 577,046 | 582,761 | 615,234 |
| Total operating revenues | 14,912,783 | | 13,824,155 | 12,566,908 | 11,421,517 | 11,589,951 |
| Nonoperating revenues (expenses): | | | | | | |
| Federal maintenance assistance | 4,819,162 | | 5,016,216 | 4,979,539 | 5,009,268 | 5,026,849 |
| State operating assistance | 4,015,888 | | 4,086,490 | 4,181,314 | 4,155,670 | 4,303,778 |
| Other federal grants | 1,946,552 | | 1,378,600 | 935,330 | 967,084 | 1,504,617 |
| Special project assistance - state grants | 2,994,467 | | 3,169,227 | 3,621,648 | 4,090,853 | 5,022,559 |
| Special project assistance - local grants | 833,222 | | 873,441 | 922,275 | 1,174,823 | 1,282,808 |
| Property tax revenues, net | 33,365,462 | | 35,592,336 | 38,166,312 | 41,607,265 | 45,389,030 |
| Investment income | 55,618 | | 193,039 | 250,882 | 435,080 | 809,788 |
| Fuel tax refunds | 613,721 | | 649,202 | 641,838 | 630,827 | 636,416 |
| Other, net | 67,955 | | (14,055) | 313,578 | (104,959) | 228,008 |
| Total nonoperating revenues | 48,712,047 | | 50,944,496 | 54,012,716 | 57,965,911 | 64,203,853 |
| Capital grants and other related revenues | 1,052,867 | | 14,994,301 | 1,918,427 | 13,863,703 | 3,764,851 |
| Contributed capital - local government | 100,000 | | - | 9,000 | 9,000 | 637,254 |
| Contributed capital - private sources | - | | - | - | 23,320 | 38,746 |
| Special items - loss on sale of facilities and abandonment of software package | - | | - | - | - | - |
| Total all revenues | $ 64,777,697 | | $ 79,762,952 | $ 68,507,051 | $ 83,283,451 | $ 80,234,655 |

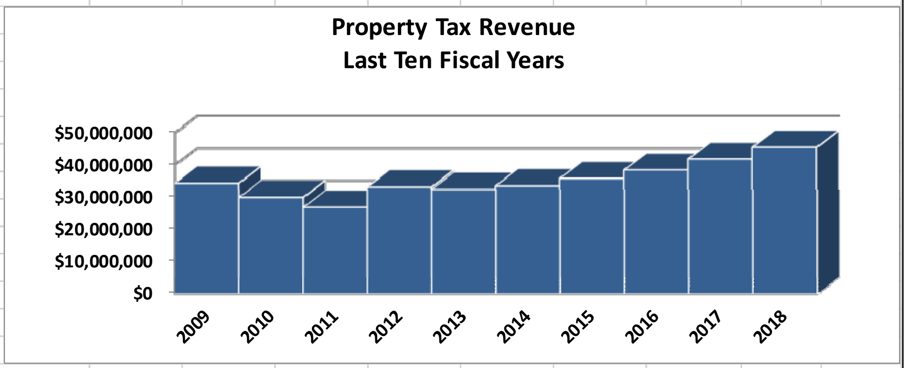
(1) This has been reclassified to conform to current year's classifications.

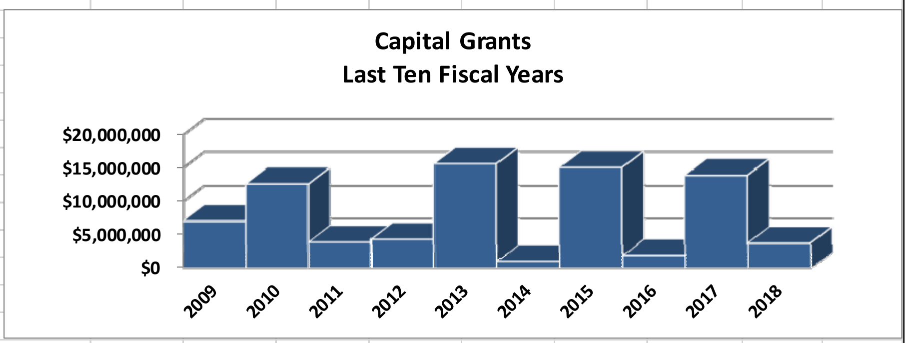
**Note: The statistical section contains "Unaudited" data.**

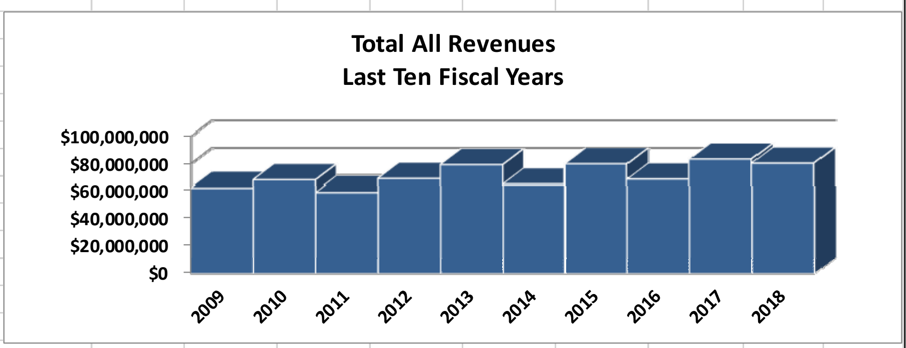
**Revenues by Function/Program**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**



## Expenses by Function/Program
## Last Ten Fiscal Years

## Fiscal Years 2009 – 2018

| | Fiscal Year 2009 | | Fiscal Year 2010 | | Fiscal Year 2011 | | Fiscal Year 2012 | | Fiscal Year 2013 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating expenses: | | | | | | | | | | |
| Operations | $ 32,628,559 | | $ 30,500,001 | | $ 30,351,762 | | $ 32,524,451 | | $ 33,907,097 | |
| Purchased Transportation | 4,969,031 | (1) | 5,917,169 | (1) | 6,421,346 | (1) | 5,854,472 | (1) | 6,556,558 | (1) |
| Maintenance | 6,817,534 | | 6,791,680 | | 7,604,823 | | 7,256,709 | | 8,172,956 | |
| Administration and finance | 10,248,034 | | 10,980,462 | | 10,243,021 | | 9,333,777 | | 9,762,130 | |
| Marketing | 1,796,891 | | 1,750,723 | | 1,826,406 | | 1,702,420 | | 2,202,059 | |
| Total operating expenses, before depreciation | 56,460,049 | | 55,940,035 | | 56,447,358 | | 56,671,829 | | 60,600,800 | |
| Depreciation | 8,666,368 | | 7,366,225 | | 8,156,263 | | 7,694,806 | | 8,487,063 | |
| Total all expenses | $ 65,126,417 | | $ 63,306,260 | | $ 64,603,621 | | $ 64,366,635 | | $ 69,087,863 | |

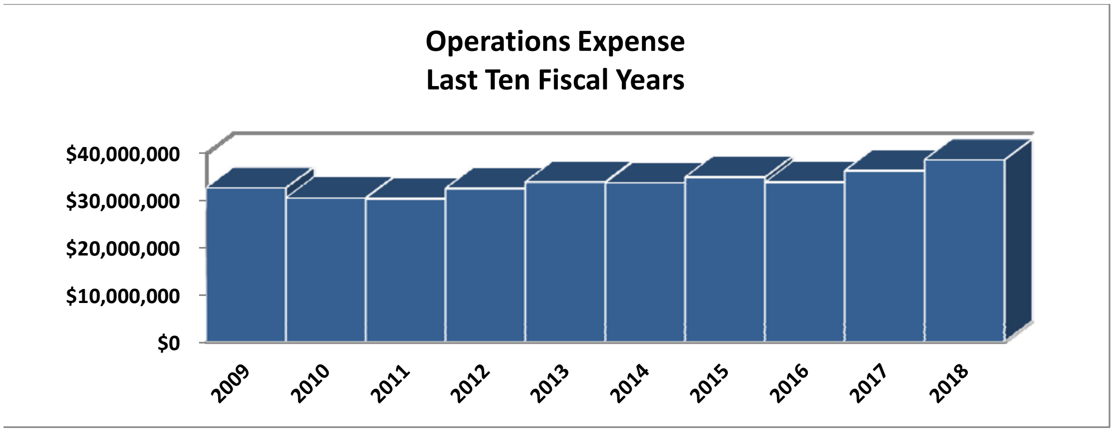
| | Fiscal Year 2014 | | Fiscal Year 2015 | | Fiscal Year 2016 | | Fiscal Year 2017 | | Fiscal Year 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Operating expenses: | | | | | | | | | |
| Operations | $ 33,663,536 | | $ 34,879,734 | | $ 33,815,879 | | $ 36,266,463 | (1) | $ 38,570,917 |
| Purchased Transportation | 6,846,800 | (1) | 7,444,573 | | 7,738,429 | | 9,637,695 | | 11,627,971 |
| Maintenance | 8,374,708 | | 8,902,528 | | 10,178,517 | | 11,536,994 | (1) | 11,510,788 |
| Administration and finance | 10,767,137 | | 11,465,894 | | 12,192,055 | | 12,921,156 | (1) | 13,898,829 |
| Marketing | 2,591,069 | | 708,839 | | 657,700 | | 819,842 | (1) | 943,235 |
| Total operating expenses, before depreciation | 62,243,250 | | 63,401,568 | | 64,582,580 | | 71,182,150 | | 76,551,740 |
| Depreciation | 9,723,423 | | 10,436,619 | | 10,249,547 | | 9,976,763 | | 8,372,047 |
| Total all expenses | $ 71,966,673 | | $ 73,838,187 | | $ 74,832,127 | | $ 81,158,913 | | $ 84,923,787 |

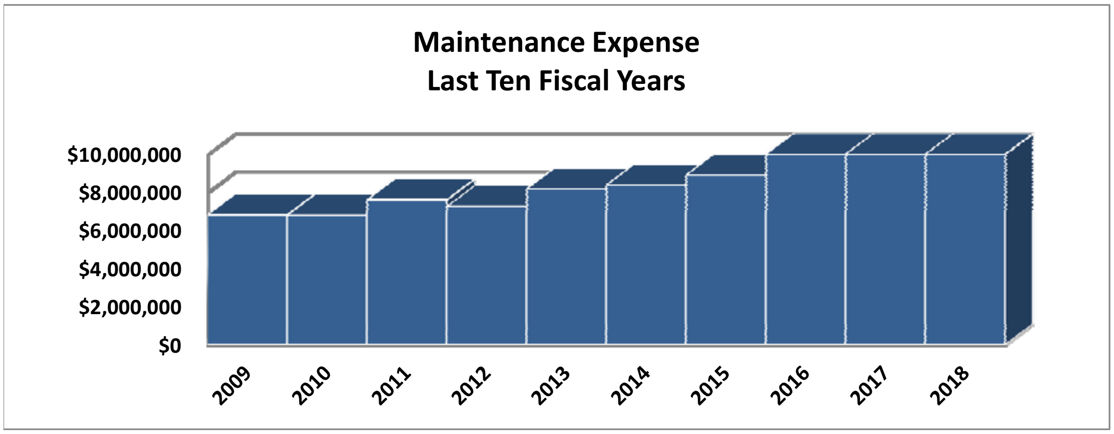
(1) This has been reclassified to conform to current year's classifications.

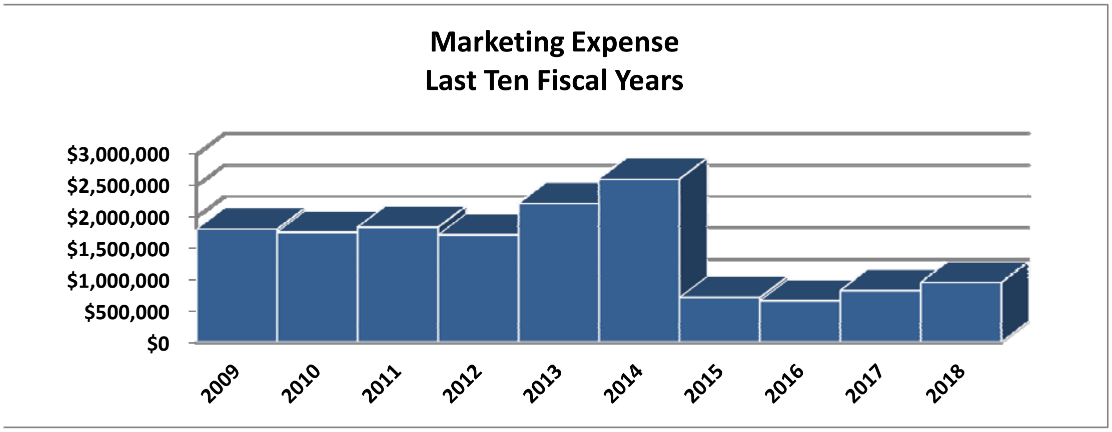
**Note: The statistical section contains "Unaudited" data.**

**Expenses by Function/Program**
**Last Ten Fiscal Years**

**Fiscal Years 2009 – 2018**



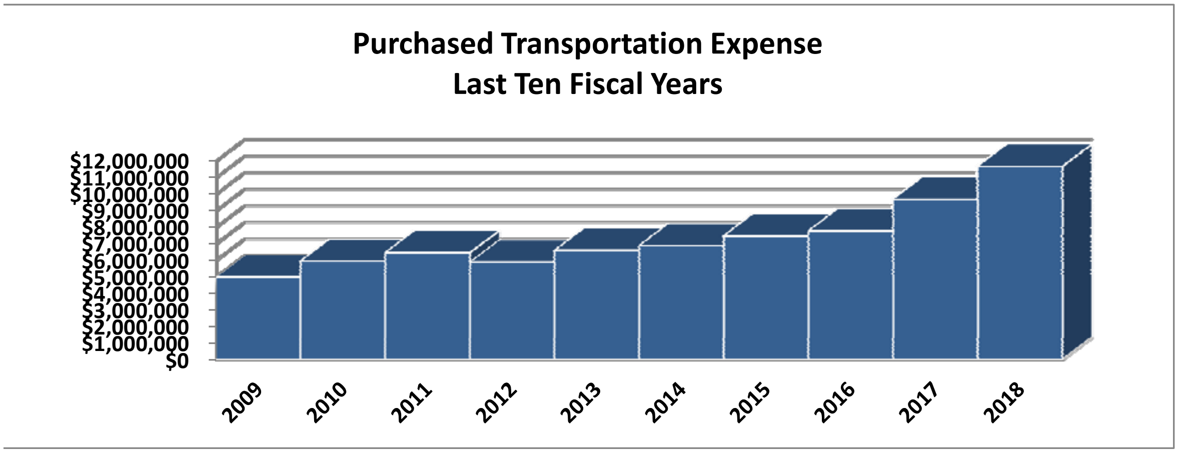



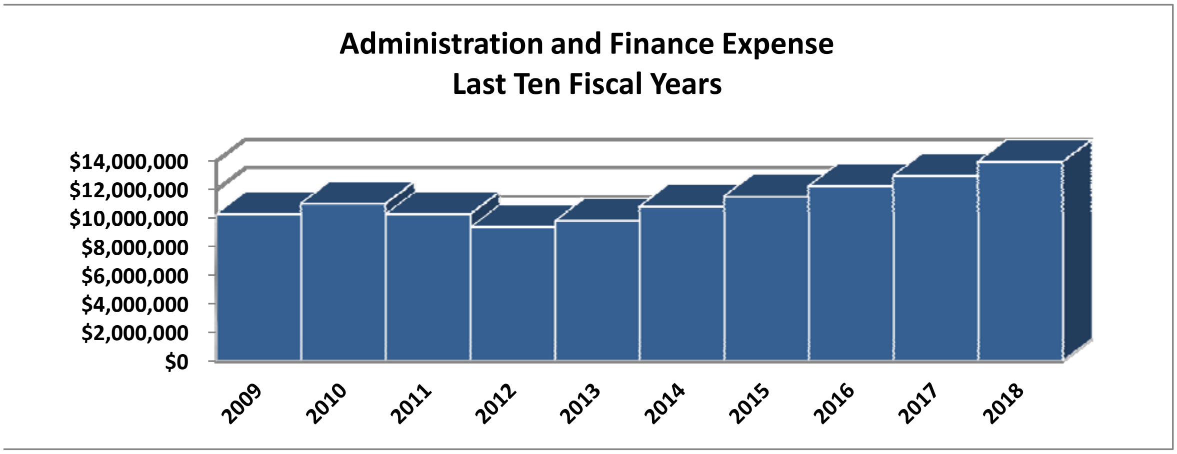



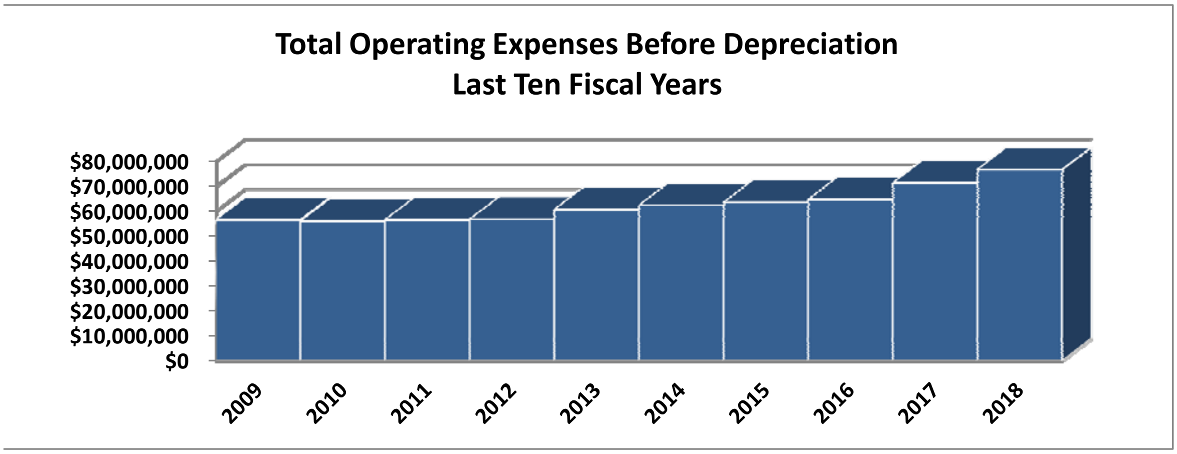

**Note: The statistical section contains "Unaudited" data.**

## Expenses by Function/Program
## Last Ten Fiscal Years

## Fiscal Years 2009 – 2018



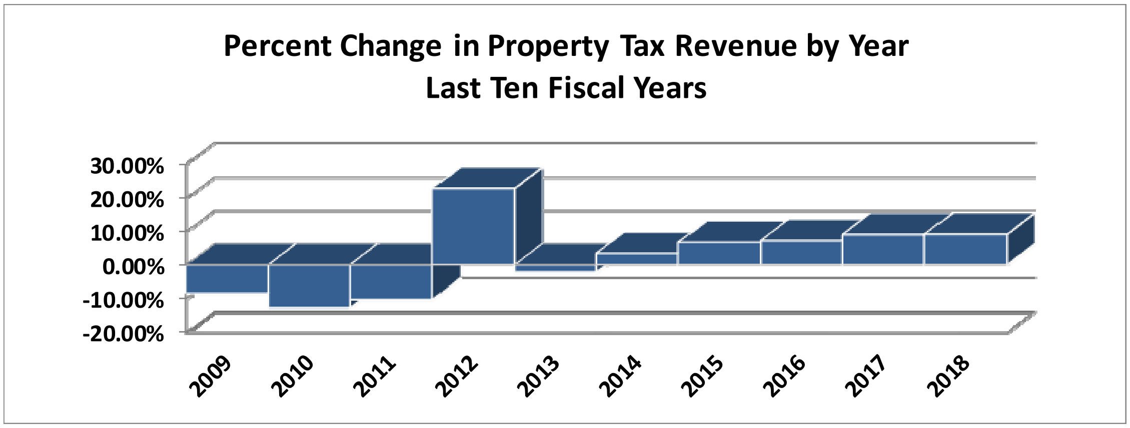

**Note: The statistical section contains "Unaudited" data.**

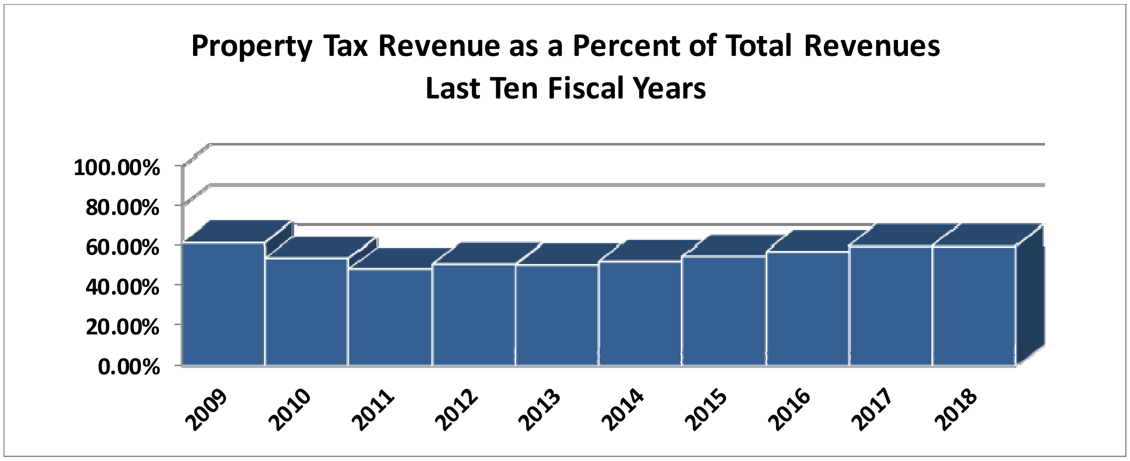
**Property Tax Revenue by Year**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**

| Fiscal Year | Property Tax Dollars | Percent Change | Total Revenues * | Percent of Total | Millage Rate |
|---|---|---|---|---|---|
| 2009 | 34,156,128 | -8.26% | 55,314,339 | 61.75% | 0.5601 |
| 2010 | 29,893,863 | -12.48% | 55,347,783 | 54.01% | 0.5601 |
| 2011 | 26,868,560 | -10.12% | 55,264,284 | 48.62% | 0.5601 |
| 2012 | 33,009,275 | 22.85% | 64,524,242 | 51.16% | 0.7305 |
| 2013 | 32,282,955 | -2.20% | 63,596,292 | 50.76% | 0.7305 |
| 2014 | 33,365,462 | 3.35% | 63,624,830 | 52.44% | 0.7305 |
| 2015 | 35,592,336 | 6.67% | 64,768,651 | 54.95% | 0.7305 |
| 2016 | 38,166,312 | 7.23% | 66,579,624 | 57.32% | 0.7305 |
| 2017 | 41,607,265 | 9.02% | 69,387,428 | 59.96% | 0.7500 |
| 2018 | 45,389,030 | 9.09% | 75,793,804 | 59.88% | 0.7500 |

* excludes capital grants and contributed capital.




**Note: The statistical section contains "Unaudited" data.**

## STATISTICAL SECTION
## (UNAUDITED)

**Revenue Capacity**

- Taxable Assessed Value and Estimated Actual Value of Taxable Property (FY 2009 - FY 2018)
- Direct and Overlapping Property Tax Rates (FY 2009 - FY 2018)
- Principal Property Tax Payers (FY 2009 and FY 2018)
- Property Tax Levies and Collections (FY 2009 - FY 2018)
- Farebox Recovery Percentage (FY 2009 - FY 2018)

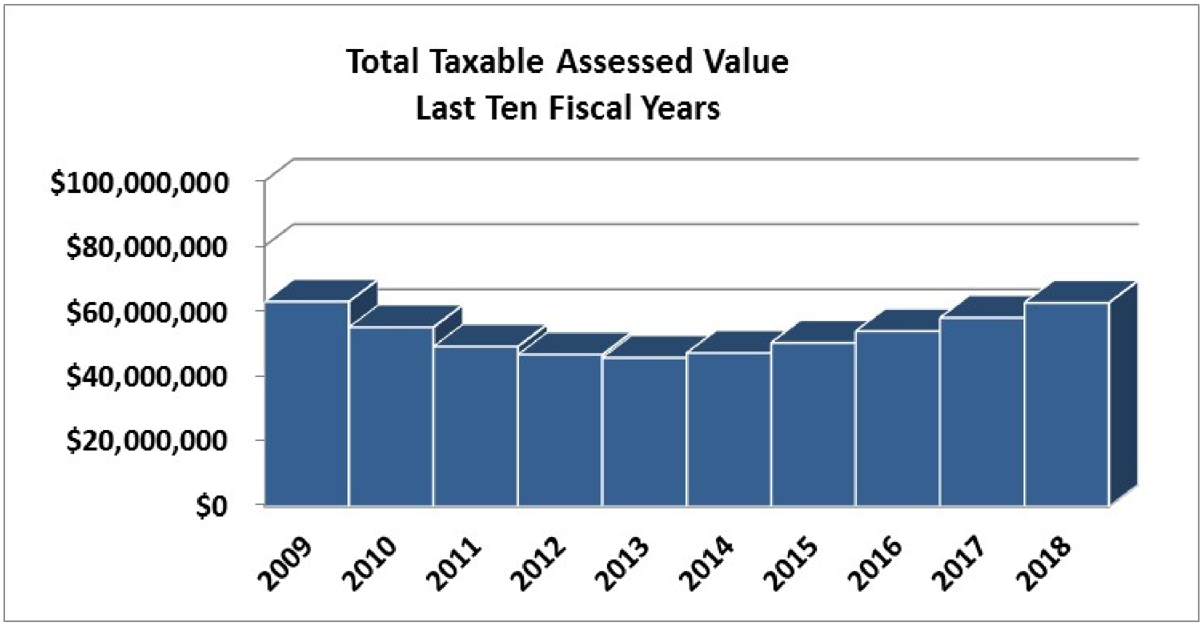
## Taxable Assessed Value and Estimated Actual Value of Taxable Property
## Last Ten Fiscal Years
## (Dollars in Thousands)

### Fiscal Years 2009 - 2018

| | Estimated Actual Value (a) | | | | |
|---|---|---|---|---|---|
| Fiscal Year | Real Property | Centrally Assessed Property (b) | Exemptions (c) | Total Taxable Assessed Value | Total Direct Tax Rate (d) |
| 2009 | 95,175,252 | 5,564 | 32,217,853 | 62,962,963 | 0.5601 |
| 2010 | 82,584,246 | 5,928 | 27,504,794 | 55,085,380 | 0.5601 |
| 2011 | 71,085,388 | 5,421 | 21,948,052 | 49,142,757 | 0.5601 |
| 2012 | 67,013,602 | 6,100 | 20,353,324 | 46,666,378 | 0.7305 |
| 2013 | 64,892,654 | 6,150 | 19,197,776 | 45,701,028 | 0.7305 |
| 2014 | 67,950,230 | 6,263 | 20,785,617 | 47,170,876 | 0.7305 |
| 2015 | 75,375,232 | 6,506 | 25,059,878 | 50,321,860 | 0.7305 |
| 2016 | 82,866,812 | 6,957 | 29,015,580 | 53,858,189 | 0.7305 |
| 2017 | 75,953,105 | 7,171 | 17,975,184 | 57,977,920 | 0.7500 |
| 2018 | 97,076,057 | 6,603 | 18,426,193 | 62,614,865 | 0.7500 |

**Taxable Assessed Value and Estimated Actual Value of Taxable Property, Continued**
**Last Ten Fiscal Years**
**(Dollars in Thousands)**

**Fiscal Years 2009 - 2018**




Source: Pinellas County Property Appraiser's Forms DR-403CC, DR-403V, DR-403AM and DR-403AC.

**(a)** Section 192.001(2), Florida Statutes, defines assessed value of property as "an annual determination of the just or fair market of item or property…." Therefore, grossed assessed value is "Estimated Actual Value." Assessed value is estimated and adjusted annually with a physical inspection every third year.

**(b)** Centrally assessed property is property that is assessed by the State of Florida rather than by the Property Appraiser since the property is located in more than one county. Real Property only included.

**(c)** Exemptions are provided for agricultural, government, institutional and historic preservation property. Exemptions available solely to residential property include, but are not limited to, widows/widowers, disabled/blind, $50,000 homestead and homestead differential (capped).

**(d)** Total Direct Rate is the average of the direct rates levied (taxes levied to total taxable value). PSTA levies taxes only on real property within the PSTA's geographic area.

**Note: The statistical section contains "Unaudited" data.**

## Principal Property Tax Payers
## Fiscal Year 2018 and Nine Years Ago

| | Direct Rates | | | Overlapping Rates (b) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Municipalities | |
| Fiscal Year | Basic Rate | Total Direct Rate | PSTA Maximum Allowed Rate | County Board Rate | School Board Rate | Emergency Medical Service | Others District Rate (c) | Lowest | Highest |
| 2009 | 0.5601 | 0.5601 | 0.7500 | 4.8730 | 8.0610 | 0.5832 | 1.5551 | 0.7511 | 5.9125 |
| 2010 | 0.5601 | 0.5601 | 0.7500 | 4.8730 | 8.3460 | 0.5832 | 1.5106 | 0.7511 | 5.9125 |
| 2011 | 0.5601 | 0.5601 | 0.7500 | 4.8730 | 8.3400 | 0.5832 | 1.4410 | 0.7511 | 5.9125 |
| 2012 | 0.7305 | 0.7305 | 0.7500 | 4.8730 | 8.3850 | 0.8506 | 1.2390 | 0.7511 | 5.9125 |
| 2013 | 0.7305 | 0.7305 | 0.7500 | 5.0727 | 8.3020 | 0.9158 | 1.3034 | 0.7511 | 6.7742 |
| 2014 | 0.7305 | 0.7305 | 0.7500 | 5.2755 | 8.0600 | 0.9158 | 1.2959 | 0.7511 | 6.7700 |
| 2015 | 0.7305 | 0.7305 | 0.7500 | 5.2755 | 7.8410 | 0.9158 | 1.2799 | 0.7511 | 6.7700 |
| 2016 | 0.7305 | 0.7305 | 0.7500 | 5.2755 | 7.7700 | 0.9158 | 1.2629 | 0.7283 | 6.7700 |
| 2017 | 0.7500 | 0.7500 | 0.7500 | 5.3377 | 7.3180 | 0.9158 | 1.2448 | 0.7294 | 6.7550 |
| 2018 | 0.7500 | 0.7500 | 0.7500 | 5.2755 | 7.0090 | 0.9158 | 1.2262 | 0.6594 | 6.7550 |

Source: Pinellas County Tax Collector

**(a)** Direct rates support the ad valorem revenue base recognized by PSTA.

**(b)** Overlapping rates are those rates levied by other local governments who overlap PSTA's geographic area.

**(c)** Other Districts includes Pinellas County Planning Council 0.015; Juvenile Welfare Board 0.8981;
SW Florida Water Management District 0.3131.

**Note: The statistical section contains "Unaudited" data.**

## Principal Property Tax Payers
## Fiscal Year 2018 and Nine Years Ago

| Taxpayer | Business | 2018 Taxable Assessed Value | 2018 Percentage of Total PSTA Taxable Assessed Value | 2009 Taxable Assessed Value | 2009 Percentage of Total PSTA Taxable Assessed Value |
|---|---|---|---|---|---|
| Bellwether Properties, Inc. | Real Estate | $ 160,850,000 | 0.26% | $ 127,898,000 | 0.17% |
| Publix Super Markets, Inc. | Grocery | 118,323,415 | 0.19% | | |
| Wal-Mart Stores East, LP | Retail Stores | 112,036,917 | 0.18% | | |
| De Bartolo Capital PTNSHP | Retail Mall | 105,600,000 | 0.17% | 122,500,000 | 0.17% |
| B W C W Hospitality LLC | Hospitality | 91,144,021 | 0.15% | | |
| Duke Energy Florida Inc. | Electric Utility | 90,811,841 | 0.15% | 811,826,000 | 1.11% |
| Raymond James & Associates, Inc. | Financial Services | 85,512,537 | 0.14% | 143,263,000 | 0.20% |
| Beacon430 G E N1814 LLC | Real Estate | 73,775,000 | 0.12% | | |
| T G M Bay Isle LLC | Real Estate | 69,125,000 | 0.11% | | |
| CREA 330 Third LLC | Real Estate | 68,054,500 | 0.11% | | |
| Verizon Florida Inc. | Phone Utility | | | 306,135,000 | 0.42% |
| Bright House Networks LLC | Communications | | | 160,468,000 | 0.22% |
| Val-Pak Direct Marketing | Mail Marketing | | | 99,173,000 | |
| McRae & Stolz St. Petersburg LLC | Real Estate | | | 74,799,000 | 0.10% |
| Franklin/Templeton Investor Services | Financial Services | | | 71,005,000 | 0.10% |
| Prospect-Marathon Coquina LLC | Real Estate | | | 70,058,000 | 0.10% |
| | | $ 975,233,231 | 1.56% | $ 1,987,125,000 | 2.72% |
| Total Taxable Assessed Value | | $ 62,614,864,523 | | $ 73,118,247,000 | |

Source: Pinellas County Property Appraiser

Methodology: Top ten taxpayers identified for Real Property only.

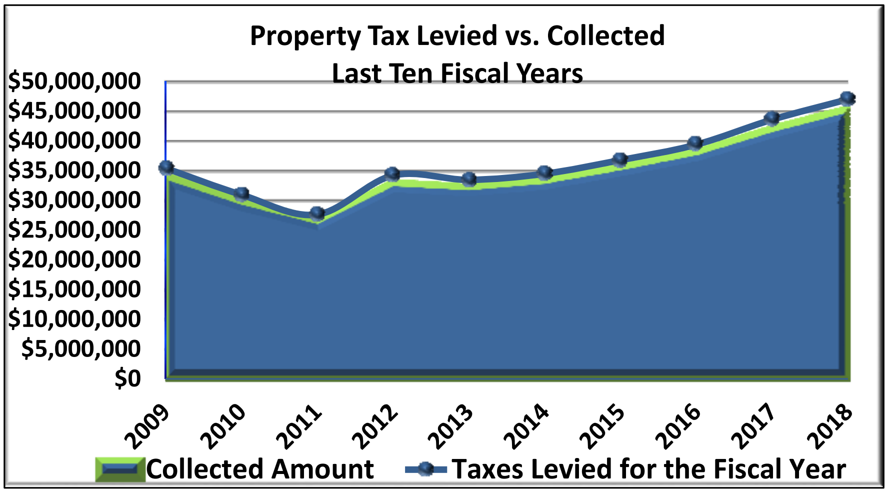
**Note: The statistical section contains "Unaudited" data.**

## Property Tax Levies and Collections

### Last Ten Fiscal Years

### Fiscal Years 2009 - 2018

| Fiscal Year | Taxes Levied for the Fiscal Year (b) | Collected Within the Fiscal Year of Levy (a) Collected Amount | Percentage of Levy | Collections in Subsequent Years (c) | Total Collections to Date Amount | Percentage of Levy |
|---|---|---|---|---|---|---|
| 2009 | 35,427,486 | 34,055,595 | 96.13% | 58,657 | 34,114,252 | 96.29% |
| 2010 | 30,966,619 | 29,835,206 | 96.35% | 285,698 | 30,120,904 | 97.27% |
| 2011 | 27,609,711 | 26,582,862 | 96.28% | 84,751 | 26,667,613 | 96.59% |
| 2012 | 34,182,509 | 32,924,524 | 96.32% | 64,634 | 32,989,158 | 96.51% |
| 2013 | 33,455,349 | 32,218,321 | 96.30% | 52,495 | 32,270,816 | 96.46% |
| 2014 | 34,458,263 | 33,312,967 | 96.68% | 33,011 | 33,345,978 | 96.77% |
| 2015 | 36,760,049 | 35,559,325 | 96.73% | 88,692 | 35,648,017 | 96.97% |
| 2016 | 39,343,407 | 38,077,620 | 96.78% | 148,565 | 38,226,184 | 97.16% |
| 2017 | 43,549,763 | 41,954,890 | 96.34% | 84,224 | 42,039,114 | 96.53% |
| 2018 | 46,961,234 | 45,304,807 | 96.47% | - | 45,304,807 | 96.47% |




Source: Pinellas County Tax Collector's Form DR-502.

**(a)** Section 197.162, Florida Statutes, provide a 1% per month discount up to 4% for payments between November and February. Taxes collected after July 1st are categorized as delinquent.

**(b)** This is the revenue to be generated based on PSTA's direct rates; see page 84.

**(c)** All delinquent tax collections received during the year are applied to Collections Amount the year prior to collection, regardless of the year in which the taxes were originally levied. Therefore this may result in the Percentage of Levy in Total Collections to be greater than 100%.

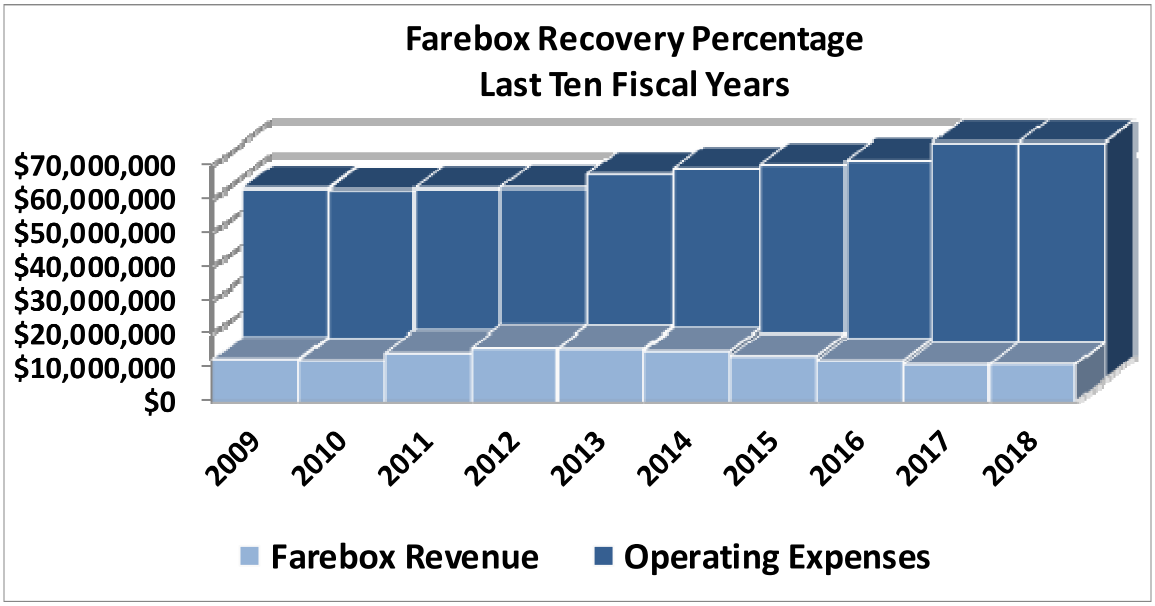
Delinquent taxes by levy year are not available.

**Note: The statistical section contains "Unaudited" data.**

**Farebox Recovery Percentage**
**Last Ten Fiscal Years**

**Fiscal Years 2009 – 2018**

| Fiscal Year | Farebox Revenue | Percent Change | Operating Expenses (a) | Percent Change | Farebox Recovery |
|---|---|---|---|---|---|
| 2009 | 12,466,645 | 2.76% | 56,460,049 | 0.79% | 22.08% |
| 2010 | 12,004,949 | -3.70% | 55,940,035 | -0.92% | 21.46% |
| 2011 | 14,216,452 | 18.42% | 56,447,358 | 0.91% | 25.19% |
| 2012 | 15,776,093 | 10.97% | 56,671,829 | 0.40% | 27.84% |
| 2013 | 15,615,184 | -1.02% | 60,600,800 | 6.93% | 25.77% |
| 2014 | 14,912,783 | -4.50% | 62,243,250 | 2.71% | 23.96% |
| 2015 | 13,338,796 | -10.55% | 63,401,568 | 1.86% | 21.04% |
| 2016 | 11,989,862 | -10.11% | 64,582,580 | 1.86% | 18.57% |
| 2017 | 10,838,756 | -9.60% | 71,819,275 | 11.21% | 15.09% |
| 2018 | 10,974,717 | 1.25% | 76,551,740 | 6.59% | 14.34% |




**(a)** Excludes depreciation.

**Note: The statistical section contains "Unaudited" data.**

**STATISTICAL SECTION**
**(UNAUDITED)**

**Demographic and Economic Information**

- Demographic and Economic Statistics (FY 2009 - FY 2018)
- Principal Employers (FY 2009 and FY 2018)

**Demographics, Population and Economic Statistics**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**

| Fiscal Year | Population (a) | Personal Income (dollars in thousands) (b) | | Per Capita Personal Income (b) | | School Enrollment (c) | | Unemployment Rate (d) |
|---|---|---|---|---|---|---|---|---|
| 2018 | 970,532 | N/A | (e) | N/A | (e) | N/A | (e) | 2.7% |
| 2017 | 962,003 | N/A | (e) | N/A | (e) | 102,181 | | 3.1% |
| 2016 | 954,569 | 47,254,865 | | 49,186 | | 103,242 | | 4.4% |
| 2015 | 944,971 | 45,336,665 | | 47,731 | | 103,779 | | 4.7% |
| 2014 | 933,258 | 43,082,259 | | 45,925 | | 104,104 | | 6.2% |
| 2013 | 926,610 | 42,340,365 | | 45,574 | | 102,672 | | 6.7% |
| 2012 | 915,680 | 43,784,138 | | 47,523 | | 122,012 | | 8.5% |
| 2011 | 918,496 | 41,677,239 | | 45,428 | | 136,396 | | 10.3% |
| 2010 | 927,994 | 39,598,328 | | 43,211 | | 130,396 | | 11.5% |
| 2009 | 931,113 | 37,447,664 | | 40,912 | | 138,167 | | 10.6% |

**(a)** Source: Bureau of Economic & Business Research, University of Florida 2009-2018. Data available at State of Florida Office of Economic and Demographic Research.

**(b)** Source: Bureau of Economic Analysis, U.S. Department of Commerce (2009-2018).

**(c)** Source: The School Board of Pinellas County.

**(d)** Source: U.S. Department of Labor, September annually (not seasonally adjusted).

**(e)** Information not available.

**Note: The statistical section contains "Unaudited" data.**

## Principal Employers
## Current Year and Nine Years Ago

| | 2018 (a) | | | 2009 (a) | | |
|---|---|---|---|---|---|---|
| Employer | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| The Pinellas County School Board | 15,200 | 1 | 3.22% | 13,850 | 1 | 3.46% |
| Walmart | 5,200 | 2 | 1.10% | | | |
| U.S. Dept. of Veteran Affairs | 4,300 | 3 | 0.91% | 3,500 | | 0.87% |
| Publix Super Markets, Inc. | 4,200 | 4 | 0.89% | | | |
| All Children's Hospital | 3,400 | 5 | 0.72% | | | |
| Raymond James Financial Inc. | 3,400 | 6 | 0.72% | 2,600 | 7 | 0.65% |
| HSN Inc. | 3,000 | 7 | 0.64% | 4,000 | 3 | 1.00% |
| City of St. Petersburg | 2,967 | 8 | 0.63% | 2,748 | 6 | 0.69% |
| St. Petersburg College | 2,885 | 9 | 0.61% | | | |
| Pinellas County Sherriff Office | 2,362 | 10 | 0.50% | 2,509 | 8 | |
| Fidelity Information Systems | | | | 4,000 | 2 | 1.00% |
| Nielsen Media Research | | | | 3,000 | 5 | 0.75% |
| Tech Data Corp | | | | 2,500 | 8 | 0.62% |
| Pinellas County Government | | | | 2,041 | 10 | 0.51% |
| Total County Employment | 471,855 | | | 400,055 | | |

**(a)** Source: Florida Research and Economic Database and Pinellas County Department of Economic Development

**Note: The statistical section contains "Unaudited" data.**

**STATISTICAL SECTION**
**(UNAUDITED)**

**Operating Information**

- Bus Service Effort and Accomplishments Per Mile (FY 2009 - FY 2018)
- Bus Service Effort and Accomplishments Per Hour (FY 2009 - FY 2018)
- Unlinked Passenger Changes (FY 2009 - FY 2018)
- Vehicles Operated in Maximum Service (FY 2009 - FY 2018)
- Number of Employees (FY 2009 - FY 2018)
- Miscellaneous Statistical Data (FY 2009 - FY 2018)

**Bus Service Effort and Accomplishments**
**Per Mile**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**

| Fiscal Year | | Revenue Vehicle Miles (a) | Percent of Change | Operating Expense (b) Per Revenue Mile | Operating Expense (b) Per Passenger Mile | Unlinked Passenger Trips Per Revenue Mile (c) |
|---|---|---|---|---|---|---|
| 2009 | | 8,762,280 | -6.15% | 5.87 | 0.83 | 1.36 |
| 2010 | | 9,000,501 | 2.72% | 5.59 | 0.76 | 1.42 |
| 2011 | | 8,796,952 | -2.26% | 5.76 | 0.71 | 1.45 |
| 2012 | | 8,877,809 | 0.92% | 5.78 | 0.72 | 1.54 |
| 2013 | | 9,073,836 | 2.21% | 6.21 | 0.78 | 1.56 |
| 2014 | | 9,176,346 | 1.13% | 6.23 | 0.83 | 1.55 |
| 2015 | | 9,339,357 | 1.78% | 6.17 | 0.85 | 1.56 |
| 2016 | (d) | 9,064,013 | -2.95% | 6.25 | 0.96 | 1.39 |
| 2017 | | 8,635,597 | -4.73% | N/A | N/A | 1.34 |
| 2018 | | 8,772,256 | 1.58% | N/A | N/A | 1.28 |

Source: PSTA

All bus data includes directly operated and purchased bus service.
**(a)** Does not include demand response.
**(b)** Operating expense excludes depreciation.
**(c)** Unlinked passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.
**(d)** National Transportation Database revised reporting policy on two purchased bus service routes.
**N/A -** Information not available.

**Note: The statistical section contains "Unaudited" data.**

**Bus Service Effort and Accomplishments**
**Per Hour**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**

| Fiscal Year | | Revenue Vehicle Hours (a) | Percent of Change | Operating Expense (b) Per Revenue Hour | Operating Expense (b) Per Passenger Trip | Unlinked Passenger Trips Per Revenue Hour (c) |
|---|---|---|---|---|---|---|
| 2009 | | 611,629 | -6.26% | 84.02 | 4.30 | 19.54 |
| 2010 | | 628,430 | 2.75% | 80.11 | 3.93 | 20.39 |
| 2011 | | 614,318 | -2.25% | 82.45 | 3.96 | 20.83 |
| 2012 | | 620,760 | 1.05% | 82.65 | 3.74 | 22.09 |
| 2013 | | 636,039 | 2.46% | 85.83 | 3.86 | 22.25 |
| 2014 | | 641,039 | 0.79% | 89.20 | 4.03 | 22.13 |
| 2015 | | 651,199 | 1.58% | 88.50 | 3.95 | 22.39 |
| 2016 | (d) | 627,579 | -3.63% | 90.25 | 4.48 | 14.44 |
| 2017 | | 630,734 | 0.50% | - | N/A | 18.38 |
| 2018 | | 647,873 | 2.72% | N/A | N/A | 18.38 |

Source: PSTA

All bus data includes directly operated and purchased bus service.
**(a)** Does not include demand response.
**(b)** Operating expense excludes depreciation.
**(c)** Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.
**(d)** National Transportation Database revised reporting policy on two purchased bus service routes.
**N/A -** Information not available.

**Note: The statistical section contains "Unaudited" data.**

**Unlinked Passenger Changes**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**

| Fiscal Year | Bus (a) | Percent of Change |
|---|---|---|
| 2009 | 11,953,082 | -5.24% |
| 2010 | 12,811,835 | 7.18% |
| 2011 | 12,798,221 | -0.11% |
| 2012 | 13,713,027 | 7.15% |
| 2013 | 14,150,506 | 3.19% |
| 2014 | 14,183,941 | 0.24% |
| 2015 | 14,578,287 | 2.78% |
| 2016 | 13,081,180 | -10.27% |
| 2017 | 12,078,879 | -7.66% |
| 2018 | 11,566,201 | -4.24% |

Source: PSTA

All bus data includes directly operated and purchased bus service.
**(a)** Unlinked passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

**Note: The statistical section contains "Unaudited" data.**

## Vehicles Operated in Maximum Service
## Last Ten Fiscal Years

### Fiscal Years 2009 - 2018

| Fiscal Year | Bus (a) | | Percent of Change |
|---|---|---|---|
| 2009 | 172 | | -0.58% |
| 2010 | 167 | | -2.91% |
| 2011 | 170 | | 1.80% |
| 2012 | 170 | | 0.00% |
| 2013 | 179 | | 5.29% |
| 2014 | 177 | | -1.12% |
| 2015 | 185 | | 4.52% |
| 2016 | 178 | | -3.78% |
| 2017 | 164 | (b) | -7.87% |
| 2018 | 193 | | 17.68% |

Source: PSTA

**(a)** Includes only buses in directly operated bus service.
(b) Data revised.

**Note: The statistical section contains "Unaudited" data.**

**Number of Employees**
**Last Ten Fiscal Years**

**Fiscal Years 2009 - 2018**

| Fiscal Year | Full-Time | Part-Time | Total | Percent of Change |
|---|---|---|---|---|
| 2009 | 584 | 0 | 584 | -4.26% |
| 2010 | 576 | 0 | 576 | -1.37% |
| 2011 | 559 | 0 | 559 | -2.95% |
| 2012 | 556 | 0 | 556 | -0.54% |
| 2013 | 574 | 17 | 591 | 6.29% |
| 2014 | 589 | 6 | 595 | 0.68% |
| 2015 | 607 | 1 | 608 | 2.18% |
| 2016 | 603 | 2 | 605 | -0.49% |
| 2017 | 606 | 2 | 608 | 0.50% |
| 2018 | 617 | 2 | 619 | 1.81% |

Source: PSTA

Note: Budgeted authorized positions.

**Note: The statistical section contains "Unaudited" data.**

## Miscellaneous Statistical Data
## Last Ten Fiscal Years

## Fiscal Years 2009 - 2018

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population served by Bus | 883,631 | 871,480 | 922,616 | 922,616 | 922,616 | 933,258 | 944,971 | 954,569 | 962,003 | 970,532 |
| Size of land area served by Bus (in square miles) | 240 | 238 | 243 | 243 | 243 | 243 | 243 | 243 | 243 | 243 |
| Number of Bus Routes | 38 | 38 | 37 | 37 | 40 | 40 | 40 | 38 | 40 | 40 |
| Annual PSTA Bus Passenger Miles (in millions) (Excludes Demand Response) | 61,549 | 66,145 | 71,534 | 67,977 | 67,078 | 65,266 | 67,813 | 64,047 | 55,773 | 54,491 |
| Miles of Bus Route - Directional Miles | 912.9 | 892.1 | 898.8 | 907.2 | 907.2 | 885.18 | 929.1 | 1,016.3 | 893.0 | 862.0 |
| Average Annual On Time Performance Percentage | 89.4 | 91.2 | 90.5 | 90.4 | 82.3 | 83.4 | 80.5 | 78.6 | 64.8 | 65.2 |
| Number of Bus Stop Locations | 5,691 | 5,172 | 5,159 | 5,105 | 5,141 | 5157 | 4,929 | 4,906 | 4,752 | 4,752 |
| Number of Bus Park and Ride Facilities | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Transit Centers | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Number of Transfer Hubs | N/A | N/A | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Number of Passenger Shelters | 639 | 712 | 742 | 707 | 707 | 707 | 682 | 531 | 530 | 530 |
| No. of Buses in Active Fleet | 195 | 191 | 191 | 186 | 194 | 199 | 210 | 210 | 210 | 210 |
| Average Vehicle Age (in years) | 4.49 | 4.40 | 5.40 | 6.40 | 7.40 | 6.00 | 7.39 | 8.25 | 8.80 | 8.80 |
| Investment in Property and Equipment (in thousands) | $ 83,476 | $ 88,539 | $ 78,170 | $ 76,412 | $ 86,157 | $ 79,199 | $ 83,810 | $ 76,019 | $ 79,754 | $ 79,754 |

Source: PSTA

N/A : Information not available.

**Note: The statistical section contains "Unaudited" data.**

**SECTION V**

**REGULATORY SECTION**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Pinellas Suncoast Transit Authority
St. Petersburg, Florida

We have audited, in accordance with the 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, the financial statements of Pinellas Suncoast Transit Authority or PSTA (the Authority), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Tampa, Florida
March 25, 2019

CliftonLarsonAllen LLP
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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA

Board of Directors
Pinellas Suncoast Transit Authority
St. Petersburg, Florida

## Report on Compliance for Each Major Federal Program and State Project

We have audited Pinellas Suncoast Transit Authority or PSTA (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2018. The Authority's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits. Those standards, the Uniform Guidance 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 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Authority's compliance.

A member of Nexia International

***Opinion on Each Major Federal Program and State Project***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2018.

***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and Chapter 10.550 and is disclosed in the accompanying schedule of findings and questioned costs as item **2018-001**. Our opinion on each major federal program and state project is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as items **2018-001**, **2018-002**, and **2018-003** that we consider to be significant deficiencies.

Board of Directors
Pinellas Suncoast Transit Authority

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Tampa, Florida
March 25, 2019

**PINELLAS SUNCOAST TRANSIT AUTHORITY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**SEPTEMBER 30, 2018**

## *Section I – Summary of Auditors' Results*

### *Financial Statements*

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be a material weakness(es) | None reported |
| Noncompliance material to financial statements noted? | No |

### *Federal Awards*

| | |
|---|---|
| Internal control over compliance: | |
| Material weakness identified? | No |
| Were significant deficiency(ies) identified not considered to be a material weakness(es) | Yes |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | Yes |

Identification of major federal programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 20.500/20.507/20.525/20.526 | Federal Transit Cluster |

| | |
|---|---|
| Dollar threshold used to determine Type A Federal programs | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

## *Section I – Summary of Auditors' Results (Continued)*

***State Financial Assistance***

| | |
|---|---|
| Internal control over compliance: | |
| Material weakness(es) identified? | No |
| Were significant deficiency(ies) identified not considered to be a material weakness(es)? | Yes |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with state requirements? | Yes |

Identification of major state projects:

| CSFA Number | Name of State Project |
|---|---|
| 55.001 | Florida Commission for the Transportation Disadvantaged Trip and Equipment Grant Program |
| 55.012 | Public Transit Service Development Program |
| 55.013 | Transit Corridor Development Program |

Dollar threshold used to determine Type A State Projects $300,000

## *Section II – Financial Statement Findings*

This section identifies the matters required to be reported in accordance with *Government Auditing Standards.*

None

## *Section III – Findings and Questioned Costs – Major Federal Programs*

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) as well as any abuse findings involving federal awards that is material to a major program.

### 2018-001 Allowable Costs

Federal Agency: United States Department of Transportation
Federal Program: Federal Transit Formula Grant
CFDA Number: 20.507
Grant Award Number: FL 2017-024
Award Year: 2017
Type of Finding: Significant Deficiency in Internal Control Over Compliance and Other Matter

Criteria

The Authority is required to provide reasonable assurance that federal awards are expended only for allowable activities and that the cost of goods and services charged to federal awards are allowable in accordance with applicable cost principles.

Condition

The Authority requested reimbursement for its purchase of tires for its revenue vehicles, which is an allowable cost under the grant. However, upon inspection of the invoices for certain purchases, sales taxes were applied. The Authority was reimbursed under the grant for the full cost of the tires, inclusive of the sales tax charged on the purchases.

Context

Two transactions out of our statistically valid sample of 25 non-payroll disbursements included sales tax amounts paid by the Authority and reimbursed by the grantor.

Cause

The Authority's internal controls did not detect the error until subsequent to receiving reimbursement from the granting agency.

Effect

Sales and other local taxes are not an allowable cost; however, the total amount reimbursed is not material to the program.

Repeat Finding

No

***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

Recommendation

We recommend the Authority request the vendor to refund the total amount of sales taxes that were erroneously applied to the purchases, since the Authority is a tax-exempt entity. The Authority should also remit the full amount of reimbursements for sales tax charges back to the granting agency. To prevent future occurrences, the Authority should place additional emphasis on scrutinizing vendor invoices to ensure that amounts for sales tax are properly excluded.

Views of Responsible Officials

Management agrees with recommendation and requested the reimbursement for sales tax in August 2018. That reimbursement is currently in process with the vendor and will be remitted back to the granting agency once finalized. Finance staff has been reminded to review in detail each invoice. The Finance team is the last check in the payment process and we take full responsibility to ensure invoices and requests for reimbursement are handled properly.

**2018-002 – Verification of Excluded Parties Relating to Federal Awards**

Federal Agency: United States Department of Transportation
Federal Program: Federal Transit Formula Grant
CFDA Number: 20.507
Grant Award Number: FL 90-0758
Award Year: 2012
Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. The System for Award Management (SAM) is an official website of the U.S. government and contains search capabilities within the Excluded Parties List System (EPLS) that allows a federal grant recipient to verify whether a vendor is a suspended or debarred or otherwise excluded party.

Condition

During our testing of this program, documentation of the required EPLS search via SAM was not retained in order to support that a selected vendor tested is not suspended or debarred.

Context

One procurement out of our statistically valid sample of seven transactions selected for testing did not contain the requested evidence of the SAM search.

Cause

The Authority staff has been trained on the required documentation that is needed to execute a purchase order or contract that is federally funded and has controls in place that require that staff to perform a responsibility check which includes a search via SAM for excluded parties. However, in this instance the Director of Procurement was not available to review this particular purchase order before it was sent to the vendor. When a self-imposed audit was conducted the Director noticed the documentation was missing and directed staff to insert even though it was after the purchase order was issued.

### *Section III – Findings and Questioned Costs – Major Federal Programs (Continued)*

Effect

The Authority did not contract with a party that was suspended or debarred; therefore, the Authority is in compliance with the program requirements. However, if the Authority would have contracted with a suspended or debarred party who is ineligible to participate in any federal transaction, the Federal agency may disallow such costs or take other remedies as deemed appropriate.

Repeat Finding

No

Recommendation

We recommend that prior to entering into a contract over $25,000, the Authority should not only verify that the vendor is not suspended and debarred but also maintain documentation in the grant files that this verification took place.

Views of Responsible Officials

Management agrees with the recommendation and has a checklist to ensure all compliance documents are in place prior to execution of a purchase order or contract. In the event the Procurement Director is not available, the checklist and documentation proof will be evidenced and reviewed for compliance by the person delegated authority to sign.

### *Section IV – Findings and Questioned Costs – Major State Projects*

This section identifies the audit findings required to be reported under rule 10.554(1)(I)4, Rules of the Auditor General.

**2018-003 – Verification of Eligibility Requirements**

State Agency: State of Florida, Commission for the Transportation Disadvantaged
State Program: Trips & Equipment
CSFA Number: 55.001
Grant Award Number: G0M74 and G0X56
Award Year: FY17/18
Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria

In order to qualify for Transportation Disadvantaged (TD) services in Pinellas County, a person must live in Pinellas County, not be able to get a ride from household members or others for life sustaining trips (such as medical, grocery, work, job-related training/education and other vital services), and have documented household income that does not exceed 150 percent of poverty.

### *Section IV – Findings and Questioned Costs – Major State Projects (Continued)*

Condition

The Authority was not able to demonstrate that certain individuals are eligible to participate in the TD program.

Context

The Authority could not produce documentation for 8 out of a statistically valid sample of 40 individuals selected for testing to support that eligibility requirements have been met.

Cause

The Authority did not maintain documentation retention requirements for both individuals who submitted applications directly to the Authority as well as those who applied through other support agencies, who were not able to provide the Authority with the documentation necessary to validate that eligibility requirements have been met for certain individuals selected for testing within a statistically valid sample.

Effect

Without maintaining proper documentation verifying that all participants in the program are eligible, there is an increased risk that TD services could be provided for ineligible recipients.

Repeat Finding

No

Recommendation

We recommend the Authority establish protocols, both internally and among supporting agencies within the program that are responsible for approving eligible recipients, to obtain and preserve all relevant documentation, such as applications, re-certifications, and required proof of income, to support that individuals included in the program have met the eligibility requirements.

Views of Responsible Officials

We concur with the recommendation and will work on establishing protocols to ensure all necessary eligibility documentation is maintained.

**Prior - Year Findings and Questioned Costs**

No prior year findings.

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

## Year Ended September 30, 2018

| Federal or State Grantor/Pass-Through Grantor/Program title | CFDA# / CSFA# | Contract Number | FPN Number | Expenditures | Transfers to Subrecipients |
|---|---|---|---|---|---|
| U.S. Department of Transportation: | | | | | |
| *Direct Program:* | | | | | |
| Federal Transit Capital Investments Grant | 20.500 | FL 04-0135 | - | $ 5,879 | $ - |
| Total CFDA 20.500 | | | | 5,879 | |
| Federal Transit Formula Grant | 20.507 | FL 90-0689 | - | 185,886 | - |
| Federal Transit Formula Grant | 20.507 | FL 90-0723 | - | 157,643 | - |
| Federal Transit Formula Grant | 20.507 | FL 90-0758 | - | 327,617 | - |
| Federal Transit Formula Grant | 20.507 | FL 90-0783 | - | 553,630 | - |
| Federal Transit Formula Grant | 20.507 | FL 90-0841 | - | 355,286 | - |
| Federal Transit Formula Grant | 20.507 | FL 90-0873 | - | 150,099 | - |
| Federal Transit Formula Grant | 20.507 | FL 2017-024 | - | 2,172,414 | - |
| Federal Transit Formula Grant | 20.507 | FL 2017-047 | - | 7,835 | - |
| Federal Transit Formula Grant | 20.507 | FL 2017-109 | - | 5,143,239 | - |
| Federal Transit Formula Grant | 20.507 | FL 2018-080 | - | 4,457 | - |
| Total CFDA 20.507 | | | | 9,058,106 | - |
| Federal Transit Formula Grant | 20.525 | FL 2017-016 | - | 6,077 | - |
| Total CFDA 20.525 | | | | 6,077 | - |
| Federal Transit Formula Grant | 20.526 | FL 2017-015 | - | 3,189 | - |
| Total CFDA 20.526 | | | | 3,189 | - |
| Total Federal Transit Cluster | | | | $ 9,073,251 | $ - |
| Public Transportation Research | 20.514 | FL 2017-031 | - | 33,806 | - |
| Total CFDA 20.514 Public Transportation Research | | | | 33,806 | - |
| *Passed through the Florida Department of Transportation:* | | | | | |
| Mobility Manager Program: Section 5310 Program | 20.513 | G0H80 | 440952-1-94-01 | $ 18,547 | $ - |
| Mobility Manager Program: Section 5310 Program | 20.513 | G0T40 | 440952-1-94-02 | 45,046 | - |
| Rte. 813 (Dunedin/Palm Harbor Connector) Section 5310 Program | 20.513 | G0H78 | 437521-1-84-03 | 100,154 | - |
| Rte. 813 (Dunedin/Palm Harbor Connector) Section 5310 Program | 20.513 | G0T36 | 437521-1-84-04 | 237,170 | - |
| Wheelchair Ramp Replacement - Capital Assistance Program Section 5310 Program | 20.513 | FL-2018-014-00 | 435210-7-93-14 | 180,000 | - |
| Wheelchair Securement Replacement - Capital Assistance Program Section 5310 Program | 20.513 | N/A | 435210-7-93-12 | 1,378 | - |
| Replacement Buses - Capital Assistance Program Section 5310 Program | 20.513 | N/A | N/A | 286,119 | - |
| Total Transit Services Program Cluster | | | | $ 868,415 | $ - |
| *Passed through Pinellas County Metropolitan Planning Organization:* | | | | | |
| Section 5305(d) Planning Grant | 20.505 | G0R98 | - | $ 80,000 | $ - |
| Total U.S. Department of Transportation | | | | 10,055,472 | - |
| U.S. Department of Homeland Security: | | | | | |
| *Passed through Federal Emergency Management Agency* | | | | | |
| Transit Security Grant Program | 97.075 | MW-2015-RA-0002 | - | 238,492 | - |
| Total U.S. Department of Homeland Security | | | | 238,492 | |
| U.S. Department of Labor: | | | | | |
| *Passed through Worknet Pinellas d.b.a. CareerSource Pinellas* | | | | | |
| Workforce Innovation and Opportunity - Federal Formula Grant | 17.258 | 2017 | - | 2,352 | - |
| Total U.S. Department of Labor | | | | $ 2,352 | $ - |
| Total Expenditures of Federal Awards | | | | $ 10,296,317 | $ - |

*See Notes to Schedule of Expenditures of Federal Awards.*

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

## Year Ended September 30, 2018

| | | | | | |
|---|---|---|---|---|---|
| Florida Department of Transportation | | | | | |
| *Direct Program:* | | | | | |
| Block Grant Program | 55.010 | G0R26 | 402513-1-84-18 | $ 4,303,778 | $ - |
| Total CFSA 55.010 | | | | 4,303,778 | - |
| Service Development Program | 55.012 | G0587 | 436703-1-84-01 | 483,461 | - |
| Total CFSA 55.012 | | | | 483,461 | - |
| Transit Corridor Program (North County - Curlew Road) | 55.013 | G0R25 | 430320-1-84-07 | 211,000 | - |
| Transit Corridor Program (Route 100X) | 55.013 | G0P41 | 410695-1-84-18 | 155,100 | - |
| Transit Corridor Program (Route 100X Extension) | 55.013 | G0W59 | 430319-1-84-18 | 80,824 | - |
| Transit Corridor Program (Route 300X) | 55.013 | G0R24 | 418265-1-84-18 | 165,100 | - |
| Total CFSA 55.013 | | | | 612,024 | - |
| Total Florida Department of Transportation | | | | 5,399,264 | - |
| State of Florida, Commission for the Transportation Disadvantaged | | | | | |
| *Direct Program:* | | | | | |
| Trips & Equipment FY 17/18 | 55.001 | G0M74 | 432027-1-84-01/ 432028-1-84-01 | 2,464,452 | - |
| Trips & Equipment FY 18/19 | 55.001 | G0X56 | 432029-1-14-01 | 961,128 | - |
| Mobility Enhancement Grant FY 17/18 and FY 18/19 | 55.001 | G0D22 | 439396-1-84-01 | 492,238 | - |
| Local Program Administrative Support | 55.001 | G0Y36 | 432027-1-18-84-01 | 9,256 | 9,256 |
| | | | | 3,927,074 | 9,256 |
| Total Commission for the Transportation Disadvantaged | | | | 3,927,074 | 9,256 |
| Total Expenditures of Florida State Awards | | | | $ 9,326,337 | $ 9,256 |
| Total Expenditures of Federal Awards and State Financial Assistance | | | | $ 19,622,654 | $ 9,256 |

*See Notes to Schedule of Expenditures of Federal Awards.*

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**

**Year Ended September 30, 2018**

**(1) 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 2 CFR 200 Uniform Guidance, and Chapter 10.550 of the *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**(2) Capital Assets**

Approximately $3.36 million in capital assets was purchased using federal grant awards during the fiscal year ending September 30, 2018. These amounts have been capitalized for financial statement purposes and reflected as Capital Assets on the Statement of Net Position.

**(3) Subrecipients**

There was $9,256 transferred to a subrecipient relating to Local Program Administrative Support within the Commission for Transportation Disadvantaged grant for the year ending September 30, 2018.

**(4) Indirect Cost Rate**

The Authority has not elected to use the 10% de minimus cost rate.

CliftonLarsonAllen LLP
CLAconnect.com

**MANAGEMENT LETTER**

Board of Directors
Pinellas Suncoast Transit Authority
St. Petersburg, Florida

**Report on the Financial Statements**

We have audited the financial statements of Pinellas Suncoast Transit Authority, a/k/a PSTA, (the Authority), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 25, 2019.

**Auditor's Responsibility**

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 25, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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. There were no findings and recommendations made in the preceding annual financial audit report.

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**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been included in the notes to the financial statements.

**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Our current year findings and recommendations are listed in Appendix A to this Management Letter.

**Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The Authority does not have any component units.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Board of Directors
Pinellas Suncoast Transit Authority

**Purpose of this Letter**

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

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Tampa, Florida
March 25, 2019

### 2018-004 – Timecard Approvals

**Criteria**

All time submitted for all non-exempt employees and vacation hours submitted for all exempt employees within the Authority's timekeeping system require review and approval at the supervisory level.

**Condition**

We identified three instances of employee timecards that did not contain evidence of supervisory approval as required by the Authority's policy.

**Cause**

There does not appear to be strict adherence from all departments to the Authority's policy requiring supervisory review and approval for all employee time, even under circumstances in which an employee's direct supervisor is unavailable throughout a particular pay period.

**Effect**

An employee could potentially misstate the number of hours worked or amount of vacation time used in a given pay period if an employee's supervisor is not available to perform the review and provide approval.

**Recommendation**

We recommend that one or more alternate supervisors within each department be designated to provide approval within the system during instances in which the primary reviewer is not accessible in a given pay period. If circumstances arise in which supervisory approval cannot be documented within the timekeeping system prior to payroll processing, then some other form of evidence of approval should be obtained and provided to the Payroll Department to retain. The Payroll Department should also maintain a recordkeeping system to denote which departmental supervisors need to approve employee time subsequent to the processing of payroll and retain documentary evidence of the efforts made to contact departmental supervisors and obtain such approvals as soon as administratively possible.

**Management's Response**

Management agrees with the recommendation. PSTA will work with our software vendor on reports that will denote the exceptions in approval process to make sure every employee timesheet is approved timely and appropriately.

In addition, the Finance team will be renewing education efforts with management on the importance of timely time card approvals and communication for delegations of authority to approve when necessary.

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**INDEPENDENT ACCOUNTANTS' REPORT**

Board of Directors
Pinellas Suncoast Transit Authority
St. Petersburg, Florida

We have examined Pinellas Suncoast Transit Authority's, a/k/a PSTA, (the Authority) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management of the Authority is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018.

This report is intended solely for the information and use of the Authority and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Tampa, Florida
March 25, 2019

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