

# PIERCE TRANSIT 2014 CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

PIERCE COUNTY, WA





# PIERCE TRANSIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

PIERCE COUNTY, WA



JIM WALTON | Interim Chief Executive Officer

PREPARED BY  
THE FINANCE, AUDIT & ADMINISTRATION DEPARTMENT

WAYNE FANSHIER | Chief Financial Officer

KATHY SULLIVANT | Finance Manager

LIZ PASSMORE | Finance Assistant Manager

PIERCE TRANSIT IMPROVES  
PEOPLE'S QUALITY OF LIFE BY  
PROVIDING SAFE, RELIABLE,  
INNOVATIVE AND USEFUL  
TRANSPORTATION SERVICES  
THAT ARE LOCALLY BASED AND  
REGIONALLY CONNECTED.





**Pierce Transit  
Comprehensive Annual Financial Report  
Year Ended December 31, 2014 and 2013**

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TO BUILD AWARENESS OF PIERCE TRANSIT'S SERVICES WE OFTEN MEET WITH COMMUNITY GROUPS, SUCH AS SHAG'S SUNSET GARDEN SENIOR LIVING COMMUNITY IN PUYALLUP. THE CONSISTENT MESSAGE WE HEARD FROM THIS SELF-PROCLAIMED "FAN CLUB" IS HOW MUCH THEY APPRECIATE OUR PROFESSIONAL AND FRIENDLY OPERATORS AND HOW THE ROUTE 425 KEEPS THEM CONNECTED TO FRIENDS, FAMILY AND SERVICES.







June 25, 2015

Board of Commissioners  
Pierce County Public Transportation  
Benefit Area Corporation

## **I. TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

Pierce Transit's Comprehensive Annual Financial Report for the year ending December 31, 2014 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, Pierce Transit's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of Pierce Transit. All disclosures necessary to enable the reader to gain the maximum understanding of Pierce Transit's business have been included.

The Washington State Auditor's Office has issued an unqualified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2014. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis of the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A.

Pierce Transit's Board of Commissioners has adopted reserve policies in order to ensure that financial resources are managed in a prudent manner. Operating reserve, insurance reserve and capital reserve policies have been adopted. More information on these reserve policies can be found in the MD&A section of this report.

## **II. PROFILE OF THE AGENCY**

The Pierce County Public Transportation Benefit Area Corporation (PTBA), AKA "Pierce Transit," was formed in 1979 when voters passed a 0.3 % sales tax to fund public transportation. By authorizing this taxing authority, a municipal corporation (Pierce Transit), was formed under Chapter 36.57A of the revised Code of Washington. In February 2002, Pierce County voters approved a ballot measure increasing local sales tax support from 0.3% to 0.6%. The current rate remains at .6%. The maximum sales tax percentage authorized to be levied is .9%.

Pierce Transit is a single enterprise that uses the same accrual method of accounting as a private enterprise. Under this method of accounting, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received.

Pierce Transit is governed by an appointed, ten-member, Board of Commissioners. The Board is made of elected officials representing Pierce County, Tacoma, Lakewood, Puyallup, University Place, and the smaller towns and cities in Pierce Transit's service area, and one non-voting representative of the largest union representing Pierce Transit employees. Appointments are based on three-year terms.

The Chief Executive Officer (CEO) is responsible for implementation of the policies authorized by the Board of Commissioners. In order to provide overall management for the Agency, along with the Executive Office, three divisions have been established, Administration, Finance and Operations.

Pierce Transit provides fixed route, specialized transportation (SHUTTLE), vanpool and rideshare service. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers. Pierce Transit provides regional service through a contract with Sound Transit. These services are paid for by Sound Transit. The revenues and expenses for these services are included in the Comparative Statement of Revenues and Expenses.

Pierce Transit's fixed route bus service is provided along more than 37 routes throughout Pierce County. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Tacoma to Seattle has been funded by Sound Transit, and operated by Pierce Transit. Pierce Transit operates 12 routes for Sound Transit service. In 2014, Pierce Transit fixed route services carried 10.2 million passengers while Sound Transit services operated by Pierce Transit carried 5.2 million passengers for a combined total of 15.4 million passengers.

Specialized transportation services, known as SHUTTLE, provide transportation to individuals in the community, who, due to a disability, are unable to use fixed route bus services. SHUTTLE is provided directly by Pierce Transit employees and through contracts with local transportation providers. In 2014, total ridership was 372,631.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to 381 vans with 3,418 daily weekday riders. With 906,686 annual passenger boardings, the vanpool program accounted for 8% of the Agency's total ridership in 2014 (excluding Sound Transit ridership).

### **Long Term Financial Planning and Outlook**

The Six-Year Financial Plan is sustainable at 2015 budgeted fixed route service levels of 431,087 service hours. Pierce Transit's Board of Commissioners has directed staff to look for innovative service options to provide service to under-served communities as well as to look for ways to increase service and improve performance.

### **Major Initiatives**

Pierce Transit's Strategic Plan aligns its mission, vision and goals with the Board of Commissioners strategic direction. Seven goals have been identified in the Strategic Plan.

- **Service Excellence:** Achieve service excellence in the way the Agency performs its work and delivers transit service.
- **Financial Stability:** Maintain long-term financial stability in order to maximize and sustain a consistent level of service to the public.

- **Community Engagement:** Achieve a high level of confidence from our riders and the communities Pierce Transit serves.
- **Innovative Solutions:** Develop innovative transportation services with community involvement, tailored to meet the diverse needs of residents.
- **Economic Development:** Support local and regional development by increasing useful transit options in areas of economic activity.
- **Sustainability:** Integrate operations, planning and construction business practices and strategies to support environmentally friendly sustainable practices.
- **Engaged Workforce:** Involve employees in achieving the first six strategic goals.

Objectives and targets have been set for each of the strategic goals and will be monitored to track progress towards their completion.

The Agency has also identified the following initiatives and capital projects for 2015:

- Technology equipment replacements and upgrades in the amount of \$10.1 million. Projects include cameras on buses, a radio communication project and upgrades to core business systems.
- Capital maintenance and improvements in the amount of \$7.5 million at base, park and ride, and transit center facilities.
- Revenue vehicle fleet replacements totaling \$13.3 million.
- Administrative, shop equipment and tools in the amount of \$1.9 million.

Anticipated grant and partnership revenue on these projects total \$5.7 million.

### III. ECONOMIC CONDITION AND OUTLOOK

The U.S. economy is expected to grow by about 3.2 percent in 2015. Leading the national economic recovery is declining unemployment, declining oil prices, support from Federal Reserve policy, and pent-up demand as consumers regain confidence after nearly seven years of economic doldrums. Unemployment is expected to fall below 5% nationally, with about 3 million more Americans who found work in 2014, the largest number of jobs since 2008.

Somewhat offsetting these positive influences are factors outside the U.S. that have an impact on the economy. Russia is on the brink of a recession, with Russia's 2015 GDP forecast declining from two percent to one percent. Italy is reported to be in a recession, with Germany and France's economies slowing down.

Local economic conditions and retail spending play major roles in the generation of sales tax revenue which is Pierce Transit's primary operating revenue source. Pierce Transit relies heavily on sales tax collected within its Public Transportation Benefit Area (PTBA) for its operating revenue. Sales tax contributed 50% of total operating revenues in 2014 (70% excluding Sound Transit regional transit service revenue) and is expected to generate \$69.5 million in sales tax revenue in 2015.

Pierce Transit's sales tax collections made slow improvements during 2014, with year-end collections up 5.1% over 2013. Sales tax growth has continued through the most recent February 2015 sales tax collections. Changes in Gross Domestic Product (GDP), consumer disposable income and increased employment are some of the main drivers of the growth in sales tax. GDP is expected to grow by about 3.0% in 2015 and Washington State employment is expected to increase by about 1.1%. These factors are expected to contribute to a modest growth in Pierce Transit's sales tax revenue.

Though the economic recovery has been slow, there are signs that the 2015 Puget Sound economy will continue its slow improvement. The Port of Tacoma is expected to be a major driver of the Pierce County economy in 2015 with continued growth in container volumes. The proximity to King County, with its solid growth led in part by Amazon.com and Boeing, will remain an important source of employment for Pierce County residents in 2015. Another positive influence on the local economy is the 2015 U.S. Open which will be held in Pierce County at Chambers Bay Golf Course. The regional economic impacts of this event are expected to be \$100 million.

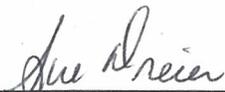
With slow but steady economic growth over the last several years, consumption is finally returning to pre-recession levels. In 2015, Pierce County's economy is expected to grow by about 2.7 percent. The Washington state unemployment rate, which ended 2014 at 6.3 percent, declined to 5.9 percent in March of 2015. Home sales are rebounding. Personal income growth is also expected to grow modestly in 2015, with 2014 personal income finally returning to pre-recession levels. Falling gas prices are also expected to add to a more robust 2015 economy.

#### IV. AWARDS AND ACKNOWLEDGEMENTS

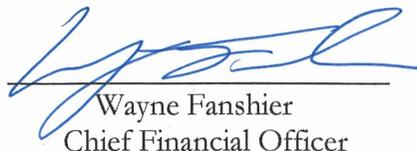
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pierce Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2013. This was the thirtieth year that Pierce Transit has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized comprehensive annual financial report. 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 comprehensive annual financial report continues to conform to Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Grateful acknowledgement is made to the entire staff of the Finance and Marketing Departments for their assistance in the preparation of this report. Special acknowledgement is also made to the willingness of the Office of the State Auditor to provide a timely audit and opinion so that this comprehensive annual financial report could be submitted to the Government Finance Officers Association for their review and evaluation in accordance with that organization's deadlines. Finally, we wish to thank the members of the Pierce Transit Board of Commissioners for their support and assistance in the development of a strong financial system.



Sue Dreier  
Chief Executive Officer



Wayne Fanshier  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Pierce Transit  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO



**BOARD OF COMMISSIONERS**

*Pierce Transit is a separate municipal corporation, not part of the City of Tacoma or Pierce County.*

*Pierce Transit is governed by a ten-member Board of Commissioners. The Board is made up of elected officials representing Pierce County, Tacoma, Lakewood, Puyallup, University Place, the smaller towns and cities of our service area, and one non-voting Union Representative.*



**Commissioner Rick Talbert**  
Pierce County Council  
**CHAIR**  
Term Expires 12/31/16



**Commissioner Steve Vermillion**  
Puyallup City Council  
**VICE CHAIR**  
Term Expires 5/1/15



**Commissioner Don Anderson**  
Lakewood Mayor  
Term Expires 12/31/15



**Commissioner Daryl Eidinger**  
Represents Fife, Milton and Edgewood  
Term Expires 4/30/15



**Commissioner Nancy Henderson**  
Represents Cities of: Pacific, Auburn, Ruston, Fircrest, Steilacoom and Gig Harbor  
Term Expires 4/30/15



**Commissioner Kent Keel**  
University Place Council  
Term Expires 12/31/15



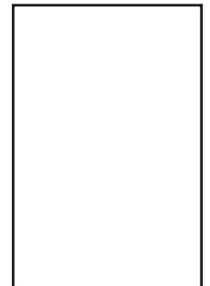
**Commissioner Pat McCarthy**  
Pierce County Executive  
Term Expires 5/1/15



**Commissioner Marilyn Strickland**  
Mayor of Tacoma  
Term Expires 12/31/15



**Commissioner Lauren Walker**  
Tacoma City Council  
Term Expires 12/31/15



**Vacant**  
Non-voting Union Representative  
Term Expires N/A



2015 ORGANIZATIONAL CHART

CITIZENS OF PIERCE COUNTY

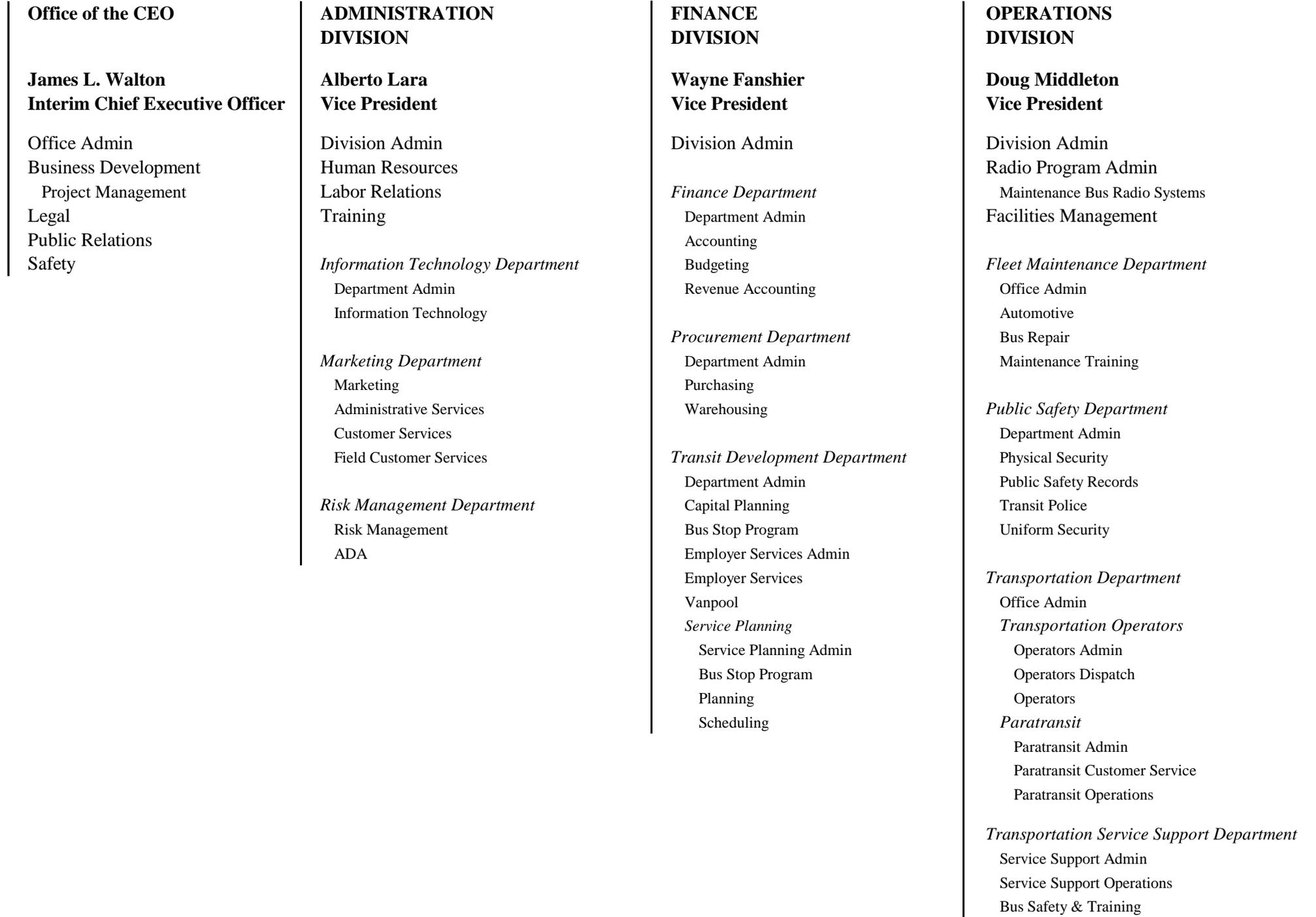
BOARD OF COMMISSIONERS

INTERIM CHIEF EXECUTIVE OFFICER

James L. Walton

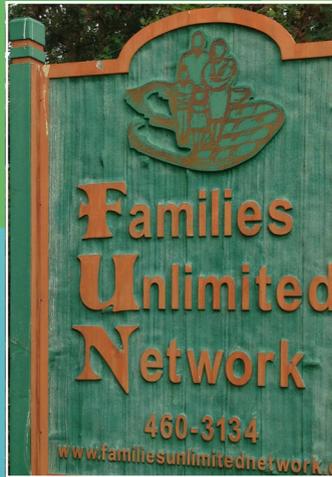
CLERK OF THE BOARD,  
ASSISTANT TO CEO

Deanne Jacobson



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**PIERCE TRANSIT**  
HAS A LONG HISTORY  
OF RUNNING AN ANNUAL  
AGENCY-WIDE UNITED WAY  
CAMPAIGN. EACH YEAR WE  
PARTICIPATE IN THE UNITED  
WAY "DAY OF CARING" WHERE  
OUR EMPLOYEES WORK ON  
A COMMUNITY PROJECT  
DESIGNATED BY UNITED WAY.  
PIERCE TRANSIT HAS ALSO  
PARTICIPATED IN THE BUILD-  
A-BACKPACK SCHOOL SUPPLY  
PROGRAM AND SEVERAL  
OTHER COMMUNITY-FOCUSED  
PROGRAMS TO PROMOTE  
**LIVE UNITED.**







# Washington State Auditor's Office

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 19, 2015

Board of Commissioners  
Pierce Transit  
Tacoma, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Transit 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 auditor's 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 Transit Authority'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 Transit Authority'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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Transit, Pierce County, Washington, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 22 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***

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Transit Authority. Such information has 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 it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 19, 2015, on our consideration of the Transit 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. That report will be issued under separate cover in the Transit Authority's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* in considering the Transit Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Jan M. Jutte". The signature is written in black ink and is positioned above the typed name.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

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Pierce Transit's operators are the "face" of the Agency, having direct daily contact with the communities we serve. They take pride in providing safe and reliable service. But transit operators do more than drive. They are customer relations experts, and in times of need, first responders. Each month an operator is chosen to be "Operator of the Month" for his or her dedication and commitment to providing the best service to our riders.

Simone received the award in February, 2014.

"I ENJOY PROVIDING A SAFE AND COMFORTABLE RIDE FOR THE FINE PEOPLE OF PIERCE COUNTY".





**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2014 and 2013**

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Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2014 and 2013. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

**Financial Highlights**

- Net revenue for 2014, before contributions, was \$.9 million, compared to \$1.8 million for 2013 and \$(2.0) million in 2012. The 2014 increase is due to an increase in regional transit service. The 2013 increase in net revenue came from a decrease in personnel and fuel expenses as a result of reductions in services. The increase capital contributions of \$7.8 million and a \$.9 million net gain accounted for the approximately \$8.7 million increase in net position in 2014.
- Due to declining sales tax revenues as a result of the recession, Pierce Transit has implemented fixed route service reductions over the last several years, providing reducing fixed route service hours of 429,535 in 2014 from a high of 660,657 hours in 2008. Sales tax revenues, while not yet at pre-recession levels, are increasing over the prior year and are expected to grow modestly in the future. Projected expenditures are now in alignment with projected revenues and 2015 service levels are anticipated to be sustainable over the next six years.
- Pierce Transit's assets exceeded its liabilities on December 31, 2014 by \$236.1 million (net position) compared to \$227.4 million in 2013 and \$219.7 million in 2012. Investments in capital assets increased by \$.2 million, \$7.4 million and \$7.4 million in 2014, 2013 and 2012 respectively. Unrestricted net position increased by \$8.4 million in 2014 and by \$12.1 million in 2013 and by \$7.9 million in 2012. These reserves are available to fund operating, capital and self-insurance commitments.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Pierce Transit's basic financial statements. The notes to the financial statements contain more detail on the information presented in the financial statements.

Pierce Transit's financial statements report information about the Agency using accounting methods similar to those used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received. The Comparative Statement of Net Position presents information on Pierce Transit's assets and liabilities, with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Pierce Transit's financial position is improving or deteriorating.

The Comparative Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Agency's net position changed during the current and prior fiscal years. All changes to net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2014 and 2013**

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The Comparative Statement of Cash Flows presents information on Pierce Transit's cash receipts, cash payments, and net changes in cash and cash equivalents for the most recent two fiscal years. Generally Accepted Accounting Principles require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from non-capital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

Pierce Transit's financial statements can be found on page 24 to 27 of this report.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided with the financial statements. The Notes to the Financial Statements can be found on page 28 to 44 of this report.

**Financial Statement Analysis**

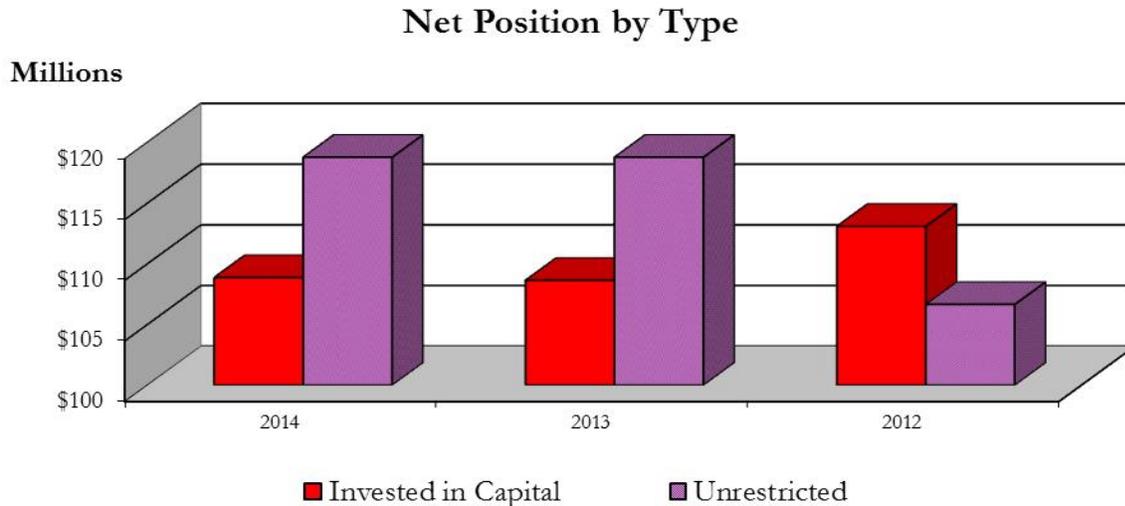
As noted earlier, net position may serve as a useful indication of the Agency's financial position. Total net position exceeds liabilities by \$236.1 million, \$227.4 million and \$219.7 million in 2014, 2013 and 2012 respectively.

**Summary Statement for Net Position**  
**For the years ending December 31, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>			
Current Assets	\$ 144,939,720	\$ 131,433,577	\$ 120,843,031
Non-Current Assets	108,863,153	108,630,726	113,079,561
<b>Total Assets</b>	<u>\$ 253,802,873</u>	<u>\$ 240,064,303</u>	<u>\$ 233,922,592</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 15,916,758	\$ 11,111,172	\$ 12,531,022
Other Non-Current Liabilities	1,831,511	1,552,869	1,666,324
<b>Total Liabilities</b>	<u>17,748,269</u>	<u>12,664,041</u>	<u>14,197,346</u>
<b>Net position:</b>			
Net Investment in Capital Assets	108,863,153	108,630,726	113,079,562
Unrestricted Net Position	127,191,451	118,769,537	106,645,684
Total Net Position	<u>236,054,604</u>	<u>227,400,262</u>	<u>219,725,246</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 253,802,873</u>	<u>\$ 240,064,303</u>	<u>\$ 233,922,592</u>

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2014 and 2013**

A large majority of Pierce Transit's 2014 capital assets (\$108.6 million) reflect its investment in capital assets (e.g. revenue vehicles, passenger facilities, and shop equipment). The Agency uses these capital assets to provide transportation to the community. These are committed assets and this portion of the net position balance is not available for future spending. A portion (\$20.2 million) of the remaining net position balance of \$127.2 million has been restricted or designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs) or by bond covenants. The remainder of \$107 million is available to support future obligations for transportation operations.



**Comparative Statement of Revenue, Expense and Change in Net Position  
For the years ended December 31, 2014, 2013 & 2012**

	2014	2013	2012
Operating Revenue:			
Passenger Fares	\$ 12,212,748	\$ 12,266,180	\$ 12,219,240
Advertising	710,527	952,540	658,345
Regional Transit Service	36,262,906	33,431,542	30,980,869
Non-Operating Revenue:			
Subsidies	77,542,137	73,898,968	75,370,259
Other Revenue	4,847,634	4,248,092	5,132,967
<b>Total Revenue</b>	<b>131,575,952</b>	<b>124,797,322</b>	<b>124,361,680</b>
Operating Expense	114,860,656	107,114,336	111,719,860
Non-Operating Expense	1,159,934	1,117,008	1,194,016
Depreciation	14,683,193	14,746,142	13,431,897
<b>Total Expense</b>	<b>130,703,783</b>	<b>122,977,486</b>	<b>126,345,773</b>
Net Position before Contributions	872,169	1,819,836	(1,984,093)
Capital Grants	7,782,173	5,855,179	2,516,365
<b>Change in Net Position</b>	<b>\$ 8,654,342</b>	<b>\$ 7,675,015</b>	<b>\$ 532,272</b>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2014 and 2013**

A description of operating & non-operating revenue follows:

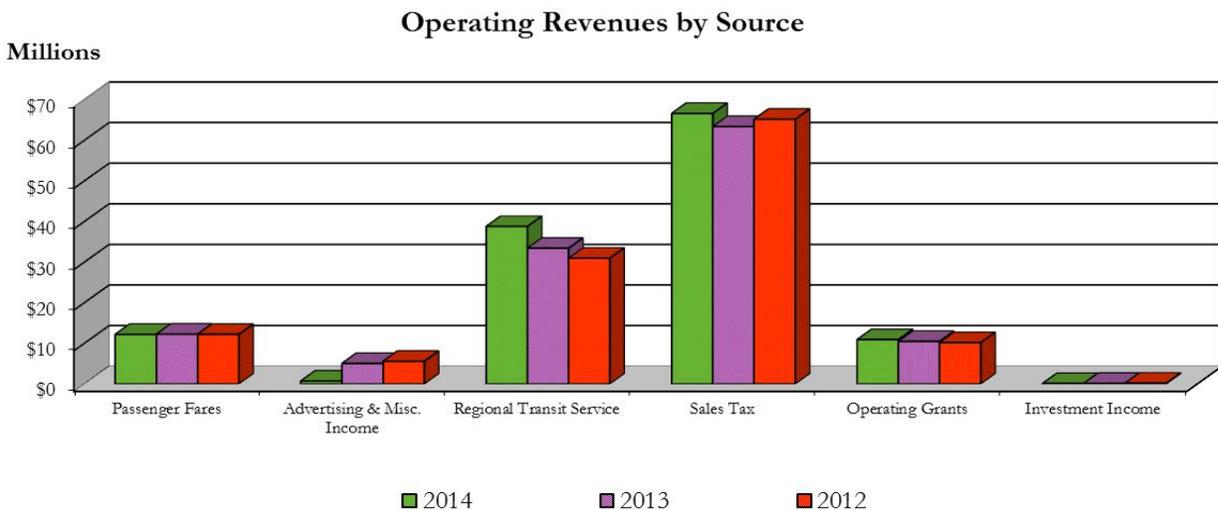
<b>Operating Revenue</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Passenger Fares	\$ 12,212,748	\$ 12,266,180	\$ 12,219,240
Advertising	710,527	952,540	658,345
Regional Transit Service	36,262,906	33,431,542	30,980,869
<b>Total Operating Revenue</b>	<b>49,186,181</b>	<b>46,650,262</b>	<b>43,858,454</b>
<b>Non-Operating Revenue</b>			
Operating Subsidies:			
Sales Tax	66,612,814	63,407,486	65,190,106
Operating Grants	10,929,323	10,491,482	10,180,153
Other Non-Operating Revenue:			
Investment Revenue	115,634	151,610	198,874
Gain on Sale of Asset	1,414,746	-	-
Miscellaneous Revenue	3,317,254	4,096,480	4,934,093
<b>Total Non-Operating Revenue</b>	<b>82,389,771</b>	<b>78,147,058</b>	<b>80,503,226</b>
<b>Total Revenue</b>	<b>\$ 131,575,952</b>	<b>\$ 124,797,320</b>	<b>\$ 124,361,680</b>

**Operating Revenue**

- Pierce Transit's passenger fares consist of revenues from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Pierce Transit has partnered with six other Central Puget Sound transit agencies on a regional fare collection system (ORCA) using smart card technology. Customers can purchase fare media from any of the six partners, regardless of where the media is used.
- Fare revenues stayed level in 2014 to \$12.2 million. Fare revenues in 2012 and 2011 were \$12.2 million and \$12.2 million respectively.
- Advertising revenues were \$.7 million in 2014, .9 million in 2012 and .7 million in 2012. These fluctuations were due to the timing of contractual guarantees and advertising partnerships.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit has been established for the operation of this service. The agreement is for a period of two years. The current operating agreement ends on December 31, 2014. Revenues generated from this regional transit service were \$36.3 million in 2014, an increase of 8.5% over 2013. Regional transit service revenues were \$33.4 million and \$31 million in 2013 and 2012, respectively. These increases were a result of a change in the number of service hours as well as the rate Pierce Transit charges for providing this service.

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- Sales tax, accounting for 51% of Pierce Transit's total revenue (excluding capital), increased by \$3.2 million, an increase of 5.1% over 2013. The increase is due to the increase in retail sales as the economy continues to slowly recover from the recession. The decrease between 2012 and 2013 was due to a Pierce Transit's boundary reduction for sales tax collection combined with an increase in retail sales within the new boundaries. Sales tax revenue was \$66.6 million in 2014, as compared to \$63.4 million in 2013 and \$65.2 million in 2012.
- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2014 totaled \$10.9 million compared to \$10.5 million in 2013 and \$10.2 million in 2012. The changes in grant revenues are because operating grant contracts are awarded on an annual basis and vary from year to year.
- Investment revenue decreased 24% from 2013 earnings. 2014 investment earnings were \$.1 million compared to \$.2 million in 2012 and \$.2 million in 2012. This primarily due to continued low interest rates in 2014.



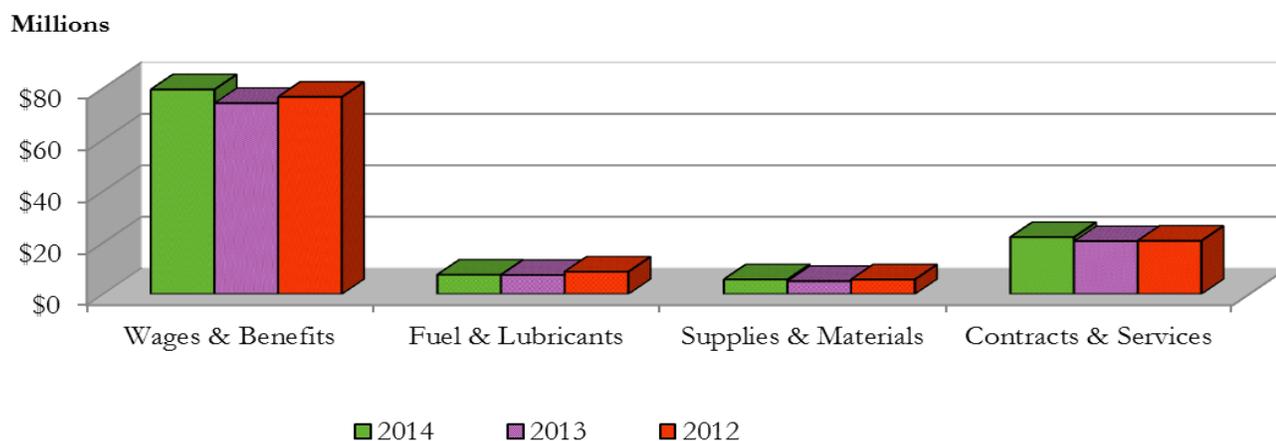
**Operating Expenses**

Total 2014 operating expenses, excluding capital, totaled \$129.5 million increasing 6.3% from 2013 levels. Operating expenses for 2013 and 2012 were \$121.9 million and \$125.2 million respectively. The increase between 2014 and 2013 is due to wage and benefit costs related to service hour increases and the increased cost of employer paid benefits. The decrease between 2013 and 2012 is due to a reduction in non-operator salaries and benefits including contract personnel, positions being unfilled in 2013, agency reorganization, and lower CNG costs.

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<b>Operating Expenses:</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Wages & Benefits	\$ 79,508,733	\$ 74,160,441	\$ 76,615,405
Fuel & Lubricants	7,529,537	7,409,160	8,698,804
Supplies & Materials	5,706,244	5,011,098	5,683,897
Contracts & Services	22,116,142	20,533,637	20,721,754
Depreciation & Amortization	14,683,193	14,746,142	13,431,897
<b>Total Operating Expenses</b>	<b>129,543,849</b>	<b>121,860,478</b>	<b>125,151,757</b>
<b>Non-Operating Expenses:</b>			
Items Previously Deferred	20,380	224,061	126,620
Grant Exchange Funds	1,139,554	882,644	884,000
Total Non-Operating Expenses	1,159,934	1,106,705	1,010,620
<b>Total Expenses</b>	<b>\$ 130,703,783</b>	<b>\$ 122,967,183</b>	<b>\$ 126,162,377</b>

**Operating Expenses by Type**



Wages and benefits for 2014 of \$79.5 million make up 69.2% of operating expenses (exclusive of depreciation) and increased 7.2% over 2013 levels. The increase between 2014 and 2013 is due to an increase in service hours and the increase in employer paid benefits. Wages and benefits for 2013 and 2012 were \$74.2 million and \$76.6 million respectively and decreased by 3.2% between 2013 and 2012. The decrease between 2013 and 2012 was due to the reduction in service caused by reduced sales tax collections.

Total operating expenses, exclusive of depreciation and capital, are most directly impacted by the number of service hours Pierce Transit operates. Service hours include drive time while in service, deadhead and layover. Following is a table representing the number of service hours by type of service for 2013, 2012 and 2011:

<b>Service Hours:</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Fixed Route Pierce Transit	429,535	412,704	416,746
Fixed Route Sound Transit	318,636	283,037	262,762
Specialized Transportation	184,902	182,492	188,451
Vanpool	140,256	144,384	140,411
<b>Total</b>	<b>1,073,329</b>	<b>1,022,617</b>	<b>1,008,370</b>

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### **Capital Assets**

Capital assets include revenue vehicles, support vehicles, projects in progress, land, buildings, shop equipment, passenger facilities, and other assets having a life of more than one year with an acquisition value of more than \$5,000. Pierce Transit's investment in capital assets as of December 31, 2014 totaled \$108.8 million, net of accumulated depreciation. This compares to a 2013 net investment in capital assets of \$108.6 million and a 2012 net investment in capital assets of \$113.1 million. 2014 net capital increased by .1%, or \$.2 million. This is the result of the increase of \$10.5 million in assets and \$10.3 million in accumulated depreciation for 2014. Net 2013 capital assets decreased by 3.9% or \$4.5 million and decreased by 6.1% or \$7.4 million for 2012.

Capital contributions in 2014 totaled \$7.8 million. Capital grants funded 48% of Pierce Transit's capital acquisitions in 2014. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1I.

Capital acquisitions during 2014 totaled \$16 million and included the following major capital assets:

- \$4.2 million for Bus Replacement
- \$2.7 million for property improvements and building improvements
- \$4.5 million for a SHUTTLE, Support and Vanpool Vehicles
- \$2.4 million for technology projects and administrative equipment
- \$2.2 million on farebox replacement

### **Debt Administration**

Pierce Transit has adopted a debt policy which governs debt issuance, the use of debt, types of debt and debt limitations. Pierce Transit has no outstanding debt as of December 31, 2014.

Pierce Transit's authorized debt limit without a vote of the people is .375% of the value of the taxable property within its boundaries. The estimated non-voted debt capacity is \$138,676,171. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$458,992,311. This estimate is based on the assessed value of the cities and towns of Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Pacific, Puyallup, Ruston, Steilacoom, Tacoma, and University Place, which are served by Pierce Transit. This estimate does not include any of the assessed valuation from the unincorporated areas of Pierce County within Pierce Transit's jurisdiction.

### **Reserve Policies**

Pierce Transit's Board of Commissioners has adopted reserve policies in order to ensure that financial resources are managed in a prudent manner. These policies address the basic principles needed to promote sound accounting, auditing, and financial practices. A summary of these policies follows:

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- **Operating Reserve:** Pierce Transit will maintain the Operating Reserve at a minimum of two months of Agency operating expenditures. The Operating Reserve will be maintained at a level to provide sufficient working capital, to provide an adequate cash balance to finance cash flow requirements, to offset unanticipated downturns in revenues and to provide funds for emergency expenditure requirements.
- **Insurance Reserve:** The Insurance Reserve will be set at a level to adequately protect the Agency from self-insurance risks.
- **Capital Reserve:** The minimum amount of the Capital Reserve will be set at a level equal to ten percent of the six-year average annual capital expenditures and fifty percent of the average annual grant funding programmed in the Six-Year Financial Plan. The capital reserve has been set at a level to enable the Agency to respond to urgent unanticipated capital expenditure requirements as well as to protect Pierce Transit from the uncertainty of Federal and State grant funding.
- Pierce Transit complied with its reserve policies during 2014.

### **Factors Affecting Financial Condition**

#### **Local Economy**

- Sales tax revenue was 50% of Pierce Transit's operating revenues in 2014, compared to projected sales tax revenues of 53% in 2015. Excluding contracted regional transit service, which does not fund local Pierce Transit service, sales tax revenue was 70% of total operating revenues in 2014, compared to 73% of total projected operating revenues in 2015. Because Pierce Transit relies heavily on sales tax to fund local service, local and national economic conditions are a significant influence on Pierce Transit's operating revenues.
- Retail sales in Pierce County are expected to experience slow growth of about 2.7% in 2015. The potential loss of up to 4,300 jobs annually until 2020 as Joint Base Lewis McChord (JBLM) downsizes will negatively impact Pierce County's economy in 2015. Somewhat offsetting this impact is the continued growth of container shipments through the Port of Tacoma. Pierce County's unemployment rate ended 2014 at 5.1 and unemployment is expected to continue at a similar level in 2015. A trend in Pierce County toward jobs in the service sector, away from higher paying, skills-based jobs, equates to a slight decline in household income and a decrease in disposable income. All things considered, Pierce County's economic growth in 2015 is expected to be slow.
- Pierce Transit has yet to recover from lost sales tax revenues resulting from the recession. Pierce Transit projects an increase of four percent in sales tax revenues in 2015. Service reductions have been taken over the last several years to bring expenditures more in alignment with revenues.

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**Management's Discussion and Analysis**  
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**Long Term Financial Outlook**

- Pierce Transit recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, Pierce Transit has in place reserve policies to insulate it from short term revenue downturns and unanticipated expenditures.

The operating reserve policy sets operating reserves to be equal to two months' operating expenses. This amounts to nearly \$21 million in 2015.

- To bring expenditures in alignment with revenues, Pierce Transit has implemented fixed route service reductions over the last several years, bringing fixed route service hours down to 431,087 in 2015 from a high of 660,657 hours in 2008. The 2015 service levels are sustainable over the Six-Year Financial Plan.

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“PIERCE TRANSIT IS PART OF MY DAILY WORK COMMUTE. BUT MY SON OFTEN ASKS TO RIDE THE BUS AROUND TOWN JUST FOR FUN. HE LOVES IT!”

Justin Camarata is one of Pierce Transit’s “choice” commuters – choosing to take the bus to save money, help the environment and avoid the stress of the morning commute. Justin sees transit as an essential part of any great city.



**Pierce Transit  
Financial Statements  
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Pierce Transit

**Comparative Statement of Net Position**

December 31, 2014 and 2013

<b>CURRENT ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash	\$ 5,870,317	\$ 8,029,518
Investments	112,587,063	97,093,503
Accounts Receivable	230,244	2,288,413
Sales Tax Receivable	11,787,426	11,391,413
Due From Other Governments	11,354,279	9,823,651
Prepaid Expenses	258,400	275,889
Inventories	2,851,991	2,531,190
<b>TOTAL CURRENT ASSETS</b>	<u>144,939,720</u>	<u>131,433,577</u>
<b>NON-CURRENT ASSETS</b>		
Capital Assets		
Land	18,075,051	19,380,991
Work in Progress	13,942,587	10,573,006
Structures & Improvements	70,738,163	70,460,279
Site Improvements	50,570,667	53,571,111
Machinery & Equipment	138,496,095	127,273,018
Less: Accumulated Depreciation	(182,959,410)	(172,627,679)
Total Capital Assets, Net of Depreciation	<u>108,863,153</u>	<u>108,630,726</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>108,863,153</u>	<u>108,630,726</u>
<b>TOTAL ASSETS</b>	<u>\$ 253,802,873</u>	<u>\$ 240,064,303</u>
<b>CURRENT LIABILITIES</b>		
Checks Payable	\$ 589,177	\$ 315,770
Accounts Payable	3,026,967	2,421,604
Retainage Payable	34,936	31,390
Unearned Revenue	236,597	201,307
Wages and Benefits Payable	2,462,763	1,390,852
Employee Leave Payable	4,393,083	3,979,862
Due to Other Governments	3,835,268	1,471,289
Provision for Uninsured Claims	1,337,967	1,299,098
<b>TOTAL CURRENT LIABILITIES</b>	<u>15,916,758</u>	<u>11,111,172</u>
<b>LONG-TERM LIABILITIES</b>		
Employee Leave Payable	1,831,511	1,552,869
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>1,831,511</u>	<u>1,552,869</u>
<b>TOTAL LIABILITIES</b>	<u>17,748,269</u>	<u>12,664,041</u>
<b>NET POSITION</b>		
Investment in Capital Assets	108,863,153	108,630,726
Unrestricted Net Position	127,191,451	118,769,536
<b>TOTAL NET POSITION</b>	<u>236,054,604</u>	<u>227,400,262</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 253,802,873</u>	<u>\$ 240,064,303</u>

See accompanying notes to the financial statements.

Pierce Transit

**Comparative Statement of Revenues, Expenses and Changes in Net Position**

Years ended December 31, 2014 and 2013

<b>OPERATING REVENUE</b>	<b>2014</b>	<b>2013</b>
Passenger Fares	\$ 12,212,748	\$ 12,266,180
Advertising	710,527	952,540
Regional Transit Service	36,262,906	33,431,542
<b>TOTAL OPERATING REVENUE</b>	<u>49,186,181</u>	<u>46,650,262</u>
<b>OPERATING EXPENSES</b>		
Operations	69,133,747	64,793,783
Maintenance	20,838,476	19,791,190
Non-Vehicle Maintenance	4,894,633	4,599,756
General & Administration	19,993,800	17,929,607
Depreciation & Amortization	14,683,193	14,746,142
<b>TOTAL OPERATING EXPENSES</b>	<u>129,543,849</u>	<u>121,860,478</u>
<b>OPERATING REVENUE (LOSS)</b>	<u>(80,357,668)</u>	<u>(75,210,216)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Operating Subsidies:		
Sales Tax	66,612,814	63,407,486
Operating Grants	10,929,323	10,491,482
Other:		
Expense of Items Previously Deferred	(20,380)	(224,061)
Interest Revenue	115,634	151,610
Grant Exchange Funds	(1,139,554)	(882,644)
Miscellaneous Non-Operating Revenue	3,317,254	4,096,482
Gain (Loss) on Disposal of Assets	1,414,746	(10,303)
<b>NET NON-OPERATING REVENUE</b>	<u>81,229,837</u>	<u>77,030,052</u>
<b>NET POSITION</b>	872,169	1,819,836
Capital Contributions	7,782,173	5,855,179
<b>CHANGE IN NET POSITION</b>	<u>8,654,342</u>	<u>7,675,015</u>
<b>NET POSITION-BEGINNING</b>	<u>227,400,262</u>	<u>219,725,247</u>
<b>NET POSITION-ENDING</b>	<u>\$ 236,054,604</u>	<u>\$ 227,400,262</u>

See accompanying notes to the financial statements.

Pierce Transit

**Comparative Statement of Cash Flows**

Years ended December 31, 2014 and 2013

<b>INCREASE(DECREASE)IN CASH AND CASH EQUIVALENT</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Customers	\$ 52,796,966	\$ 48,216,281
Cash Payments to Suppliers for Goods & Services	(35,673,646)	(33,441,298)
Cash Payments to Employees for Services	(77,744,959)	(74,666,210)
Miscellaneous Non-Operating Revenue	3,317,254	4,096,480
<b>Net Cash Used By Operating Activities</b>	<u>(57,304,385)</u>	<u>(55,794,747)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Sales Tax Received	66,216,801	62,896,089
Operating Grants Received	11,245,365	10,459,321
Grant Exchange Funds	(1,139,554)	(882,644)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>76,322,612</u>	<u>72,472,766</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(16,328,404)	(10,888,279)
Capital Grants and Contributions	7,782,173	5,855,179
Principal Paid on Debt	-	-
Interest Paid on Debt	-	-
Proceeds From Sale of Equipment	2,746,727	(10,303)
<b>Net Cash Used By Capital and Related Financing Activity</b>	<u>(5,799,504)</u>	<u>(5,043,403)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investment Securities	(87,316,658)	(72,011,333)
Proceeds from Maturities of Investment Securities	71,823,100	63,688,300
Interest on Investments	115,634	156,404
<b>Net Cash Used By Investing Activities</b>	<u>(15,377,924)</u>	<u>(8,166,629)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,159,201)	3,467,987
Cash and Cash Equivalents at Beginning of Year	8,029,518	4,561,531
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 5,870,317</u>	<u>\$ 8,029,518</u>

See accompanying notes to the financial statements.

Pierce Transit  
**Comparative Statement of Cash Flows**  
 Years ended December 31, 2014 and 2013

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Loss	\$ (80,357,668)	\$ (75,210,216)
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**ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and Amortization	14,683,193	14,746,142
Miscellaneous Non-Operating Revenue	3,317,254	4,096,480

**CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:**

(Increase) Decrease in Receivables	2,058,169	(1,242,878)
(Increase) Decrease in Inventories	(320,801)	42,425
(Increase) Decrease in Prepaid Expenses	17,489	182,403
(Increase) Decrease in Due from Other Governments	(846,653)	2,715,142
Increase (Decrease) in Checks Payable	140,279	(48,138)
Increase (Decrease) in Accounts Payable	(197,559)	(375,458)
Increase (Decrease) in Unearned Revenue	35,290	(264,860)
Increase (Decrease) in Wages and Benefits Payable	1,763,774	(505,769)
Increase (Decrease) in Due to Other Governments	2,363,979	358,614

Increase (Decrease) in Retainage Payable		
Increase (Decrease) in Provision for Uninsured Claims	38,869	(288,634)

<b>TOTAL ADJUSTMENTS</b>	<u>23,053,283</u>	<u>19,415,469</u>
<b>Net Cash Used By Operating Activities</b>	<u>\$ (57,304,385)</u>	<u>\$ (55,794,747)</u>

**SCHEDULE OF NONCASH, CAPITAL AND FINANCING ACTIVITIES**

Investing, Capital and Financing activities contain no noncash transactions.

See accompanying notes to the financial statements.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pierce County Public Transportation Benefit Area Corporation, hereinafter Pierce Transit (PTBA), was authorized to begin operation of a public transportation system in 1980. On January 1, 1980, Pierce Transit assumed the operations of the City of Tacoma Transit System.

The accounting policies of Pierce Transit (the Agency) conform to generally accepted accounting principles applicable to governmental units. The following summary of the more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

**A. ENTITY** - Pierce Transit is a municipal corporation formed under the authority of Chapter 36.57A of the Revised Code of Washington. Pierce Transit operates fixed route, specialized transportation (SHUTTLE), and vanpool transportation services to Pierce County, within Pierce Transit's service area. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers.

The Pierce Transit Board of Commissioners is responsible for governance of the Agency. In 2012, a Public Transportation Improvement Conference (PTIC) changed Pierce Transit's service and taxing area. Pierce Transit went from serving nineteen jurisdictions to serving fourteen jurisdictions. As a result, the composition of the Board of Commissioners changed. The ten member Board consists of two members of the Tacoma City Council and two members of Pierce County government. The cities of Lakewood, Puyallup, and University Place each have one commissioner. The cities of Edgewood, Fife and Milton have one Commissioner, elected amongst the three cities. The remaining towns and cities have one Commissioner, elected amongst the six cities. A non-voting union representative is appointed by Amalgamated Transit Union Local 758.

Pierce Transit is governed by an appointed Board of Commissioners whose members are elected by the jurisdictions they represent, is legally separate from other entities, and is fiscally independent of other state and local government entities. The criteria, set forth in the Government Accounting Standards Board (GASB) Statement 14, indicate that Pierce Transit is a primary government for reporting purposes and that there are no additional entities or funds for which the Agency has reporting responsibilities.

Pierce Transit has an undivided interest in a non-equity joint venture, jointly governed with seven other agencies for the provision of regional fare collection (ORCA) services. Pierce Transit's undivided interests in the assets, liabilities and operations of the ORCA regional fare collection system are consolidated within these financial statements on a proportionate basis.

**B. BASIS OF ACCOUNTING** - Pierce Transit is a single proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded as soon as they result in liabilities for benefits received. Revenues and expenses are categorized as operating or non-operating. Operating revenues and expenses are those directly associated with the provision of transportation service. Non-operating revenues and expenses are those secondary to the provision of transportation service.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

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**C. BUDGET AND SPENDING CONTROLS** - Pierce Transit uses a budget that serves a variety of functions including planning, control, and information. As a planning tool, the budget is used to quantify the financial implications of planned operations and evaluate fiscal alternatives. As a control document, the budget assists in the day-to-day financial operations by providing fiscal control for individual purchases. As an information source, the budget provides financial information about the Agency's expected fiscal position.

The modified accrual basis is used for budgeting. Under this method, operating revenues and expenses are budgeted on the accrual basis. Modified accrual budgeting is used for non-operating revenues and expenses, which include capital grant receipts and expenses, as well as debt service principal. Unencumbered operating appropriations lapse at year-end.

Capital expenses and grant reimbursements are budgeted on a project basis. Projects are budgeted in their entirety when approved, regardless of anticipated expenditure dates. Each year thereafter, the remaining portion of the project, as well as related grant reimbursements are carried over to the following year.

Pierce Transit adopts an annual budget in December of the preceding fiscal year following analysis by staff and the Board of Commissioners. The budget is based on Agency-wide strategic priorities and divisional programs and objectives.

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2014 and 2013, is as follows:

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2014**

	<b>AMENDED BUDGET</b>		<b>ACTUAL</b>		<b>VARIANCE</b>
Passenger Fares	\$ 12,429,612		\$ 12,212,748		\$ (216,864)
Advertising	725,000		710,527		(14,473)
Regional Transit Service	37,882,481		36,262,906		(1,619,575)
Interest Revenue	182,494		115,634		(66,860)
Sales Tax	63,348,980		66,612,814		3,263,834
Operating Grants	9,990,243		10,929,323		939,080
Capital Contributions	14,784,380		7,782,173		(7,002,207)
Miscellaneous Revenues	5,786,085		3,317,254		(2,468,831)
Gain (Loss) on Disposal of Assets	-		1,414,746		1,414,746
<b>TOTAL*</b>	<b>\$ 145,129,275</b>		<b>\$ 139,358,125</b>		<b>\$ (5,771,150)</b>

**SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2014**

	<b>AMENDED BUDGET</b>		<b>ACTUAL</b>		<b>VARIANCE</b>
Personnel	\$ 81,486,507		\$ 79,508,733		\$ 1,977,774
Fuel and Lubricants	7,942,909		7,529,537		413,372
Supplies and Materials	6,401,568		5,706,244		695,324
Contracts and Services	26,107,209		22,116,142		3,991,067
Depreciation and Amortization	-		14,683,193		(14,683,193)
Expense of Items Previously Deferred	-		20,380		(20,380)
Capital Acquisitions	45,772,286		16,267,985		29,504,301
Grant Exchange Funds	860,300		1,139,554		(279,254)
<b>TOTAL*</b>	<b>\$ 168,570,779</b>		<b>\$ 146,971,768</b>		<b>\$ 21,599,011</b>

\*Expenses in excess of revenues, if any, were funded by reserves. See accompanying notes to the financial statements.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

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**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2013**

	<b>AMENDED BUDGET</b>		<b>ACTUAL</b>		<b>VARIANCE</b>
Passenger Fares	\$ 12,317,655		\$ 12,266,180		\$ (51,475)
Advertising	690,000		952,540		262,540
Regional Transit Service	32,278,200		33,431,542		1,153,342
Interest Revenue	120,881		151,610		30,729
Sales Tax	57,003,863		63,407,486		6,403,623
Operating Grants	8,491,987		10,491,482		1,999,495
Capital Contributions	14,774,233		5,855,179		(8,919,054)
Miscellaneous Revenues	6,872,629		4,096,480		(2,776,149)
Gain (Loss) on Disposal of Assets	-		(10,303)		(10,303)
<b>TOTAL*</b>	<b>\$ 132,549,448</b>		<b>\$ 130,642,196</b>		<b>\$ (1,907,252)</b>

**SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2013**

	<b>AMENDED BUDGET</b>		<b>ACTUAL</b>		<b>VARIANCE</b>
Personnel	\$ 80,922,514		\$ 74,160,441		\$ 6,762,073
Fuel and Lubricants	7,627,344		7,409,160		218,184
Supplies and Materials	5,983,707		5,011,098		972,609
Contracts and Services	22,298,180		20,533,637		1,764,543
Depreciation and Amortization	-		14,746,142		(14,746,142)
Expense of Items Previously Deferred	-		224,061		(224,061)
Capital Acquisitions	39,966,508		10,954,738		29,011,770
Grant Exchange Funds	860,300		882,644		(22,344)
<b>TOTAL*</b>	<b>\$ 157,658,553</b>		<b>\$ 133,921,921</b>		<b>\$ 23,736,632</b>

\*Expenses in excess of revenues, if any, were funded by reserves. See accompanying notes to the financial statements.

**Pierce Transit**  
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Following is a reconciliation of the revenues and expenses shown on the Budget vs. Actual Schedule and the Comparative Statement of Revenues, Expenses and Changes in Net Position:

**REVENUES FROM THE COMPARATIVE STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION:**

	<u>2014</u>	<u>2013</u>
Passenger Fares	\$ 12,212,748	\$ 12,266,180
Advertising	710,527	952,540
Regional Transit Service	36,262,906	33,431,542
Interest Revenue	115,634	151,610
Misc. Non-Operating Revenue	3,317,254	4,096,480
Operating Subsidies	77,542,137	73,898,968
Gain (Loss) on Disposal of Assets	1,414,746	(10,303)
<b>TOTAL</b>	<u>\$ 131,575,952</u>	<u>\$ 124,787,017</u>

**Revenues From the Budget vs. Actual Schedule:**

Capital Contributions	7,782,173	5,855,179
<b>TOTAL</b>	<u>7,782,173</u>	<u>5,855,179</u>
<b>GRAND TOTAL</b>	<u>\$ 139,358,125</u>	<u>\$ 130,642,196</u>

**EXPENSES FROM THE COMPARATIVE STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION:**

	<u>2014</u>	<u>2013</u>
Operations	\$ 69,133,747	\$ 64,793,783
Maintenance	20,838,476	19,791,190
Non-Vehicle Maintenance	4,894,633	4,599,756
General & Administration	19,993,800	17,929,607
Depreciation and Amortization	14,683,193	14,746,142
Expense of Items Previously Deferred	20,380	224,061
Grant Exchange Funds	1,139,554	882,644
<b>TOTAL</b>	<u>\$ 130,703,783</u>	<u>\$ 122,967,183</u>

**Expenses From the Budget vs. Actual Schedule**

Capital Acquisitions	16,267,985	10,954,738
<b>GRAND TOTAL</b>	<u>\$ 146,971,768</u>	<u>\$ 133,921,921</u>

**D. ENCUMBRANCES** - Pierce Transit encumbers all expenses for management information. Encumbrances do not, however, constitute a legal reduction of appropriations. Accounts encumbered but not expended by the end of the budget year become an encumbrance of the following year's appropriations. Encumbrances outstanding on December 31, 2014 total \$14,794,952 compared to \$5,349,341 on December 31, 2013. The majority of the encumbrances for

**Pierce Transit**  
**Notes to Financial Statements**  
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2014 result from capital projects in progress including farebox replacement, bus replacement, cameras on buses, and technology improvements. Encumbrances are not shown on the financial statements.

**E. CASH AND CASH EQUIVALENTS** - For purposes of the Comparative Statement of Cash Flows, Pierce Transit considers all highly liquid investments and deposits (including restricted assets) with a maturity period of three months or less when purchased to be cash equivalents.

**F. INVESTMENTS** - Investments are carried at fair value based on quoted market prices.

**G. INVENTORIES** - Inventory consists of fuel, lube and oil, antifreeze, transmission fluid, and repair parts held for consumption. Purchases are recorded as increases to inventory. Expenses are recorded as the materials are used. Inventory is valued on the moving, weighted average cost method.

**H. RESTRICTED ASSETS** - Proceeds from bond issues and monies set aside for future payment of capital, debt service, and insurance claims are classified as restricted assets when their use is limited by bond covenants, grant restrictions, or resolutions. Interest earnings on investment of these monies are also restricted.

**I. CAPITAL ASSETS** - Property, plant, and equipment are stated as historical cost or at fair market value as of the date contributed. Replacements that improve or extend property life are capitalized. Intangible assets are capitalized in accordance with GASB Statement 51.

Assets are capitalized if they have individual values of at least \$5,000 and the useful life extends over more than one fiscal year.

Pierce Transit capitalizes miscellaneous expenses incurred in the acquisition, construction, or completion of capital assets. Repairs and maintenance are expensed as incurred.

**Pierce Transit**  
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The Summary of Changes in Capital Assets for the years ended December 31, 2014 and 2013, respectively, follows:

**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2014**

Description	Balance January 1, 2014	Additions	Retirements	Adjustment	Balance December 31, 2014
<b>Capital assets not being depreciated:</b>					
Land	\$ 19,380,991	\$ -	\$ (1,305,940)	\$ -	\$ 18,075,051
Work in Progress	10,573,006	16,267,987		(12,898,406)	13,942,587
Total capital assets not being depreciated	<u>29,953,997</u>	<u>16,267,987</u>	<u>(1,305,940)</u>	<u>(12,898,406)</u>	<u>32,017,638</u>
<b>Depreciable capital assets:</b>					
Structures	70,460,279	277,884	-	-	70,738,163
Site Improvements	53,571,111	112,977	(3,113,421)	-	50,570,667
Machinery & Equipment	127,273,018	12,487,162	(1,264,085)	-	138,496,095
Total depreciable capital assets at cost	<u>251,304,408</u>	<u>12,878,023</u>	<u>(4,377,506)</u>	<u>-</u>	<u>259,804,925</u>
<b>Total Capital Assets (gross)</b>	<u>281,258,405</u>	<u>29,146,010</u>	<u>(5,683,446)</u>	<u>(12,898,406)</u>	<u>291,822,563</u>
<b>Less accumulated depreciation for:</b>					
Structures	(52,805,291)	(3,326,745)	-	-	(56,132,036)
Site Improvements	(43,161,613)	(303,971)	3,087,378	-	(40,378,206)
Machinery & Equipment	(76,660,775)	(11,052,478)	1,264,085	-	(86,449,168)
Total accumulated depreciation	<u>(172,627,679)</u>	<u>(14,683,194)</u>	<u>4,351,463</u>	<u>-</u>	<u>(182,959,410)</u>
<b>Total Capital Assets (net)</b>	<u>\$108,630,726</u>	<u>\$ 14,462,816</u>	<u>\$ (1,331,983)</u>	<u>\$ (12,898,406)</u>	<u>\$108,863,153</u>

\*Adjustments include items previously deferred and items reclassified as assets from work in progress

**Pierce Transit**  
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**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2013**

Description	Balance January 1, 2013	Additions	Retirements	Adjustment	Balance December 31, 2013
<b>Capital assets not being depreciated:</b>					
Land	\$ 19,380,991	\$ -	\$ -	\$ -	\$ 19,380,991
Work in Progress	13,152,159	10,954,738		(13,533,891)	10,573,006
Total capital assets not being depreciated	<u>32,533,150</u>	<u>10,954,738</u>	<u>-</u>	<u>(13,533,891)</u>	<u>29,953,997</u>
<b>Depreciable capital assets:</b>					
Structures	70,037,604	422,675	-	-	70,460,279
Site Improvements	48,411,655	6,316,606	(1,157,150)	-	53,571,111
Machinery & Equipment	129,910,568	6,570,849	(9,208,399)	-	127,273,018
Total depreciable capital assets at cost	<u>248,359,827</u>	<u>13,310,130</u>	<u>(10,365,549)</u>	<u>-</u>	<u>251,304,408</u>
<b>Total Capital Assets (gross)</b>	<u>280,892,977</u>	<u>24,264,868</u>	<u>(10,365,549)</u>	<u>(13,533,891)</u>	<u>281,258,405</u>
<b>Less accumulated depreciation for:</b>					
Structures	(49,974,172)	(2,831,119)	-	-	(52,805,291)
Site Improvements	(43,671,834)	(386,045)	896,266	-	(43,161,613)
Machinery & Equipment	(74,167,410)	(11,528,978)	9,035,613	-	(76,660,775)
Total accumulated depreciation	<u>(167,813,416)</u>	<u>(14,746,142)</u>	<u>9,931,879</u>	<u>-</u>	<u>(172,627,679)</u>
<b>Total Capital Assets (net)</b>	<u>\$113,079,561</u>	<u>\$ 9,518,726</u>	<u>\$ (433,670)</u>	<u>\$ (13,533,891)</u>	<u>\$108,630,726</u>

\*Adjustments include items previously deferred and items reclassified as assets from work in progress

Work in progress as of 12/31/14 consists of the following projects:

Buildings & Site Improvements	\$ 3,274,393
Equipment & Technology	10,394,834
Park and Ride Lots/Transit Centers	273,360
Total Work in Progress	<u>\$ 13,942,587</u>

A number of projects were in process at the end of 2014. Commitments on capital projects as of December 31, 2014 totaled \$11,706,782 and are itemized as follows: buildings and site improvements \$1,922,091, vehicles \$5,411,413, and technology and equipment \$4,373,278. Projects underway as of December 31, 2014 included base facility improvements, farebox replacement, various technology upgrades or replacements, cameras on buses, and bus replacement.

**Pierce Transit**  
**Notes to Financial Statements**  
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**J. DEPRECIATION** - Depreciation is computed upon the straight-line method over established useful lives of individual assets. Individual useful lives are assigned to new assets as follows:

Land	Not Depreciated
Site Improvements	10 years
Buildings	10 to 20 years
Buses	6 to 12 years
Machinery, Equipment, and Furniture	3 to 5 years
Other Vehicles	5 years

Assets acquired as used are assigned a useful life of one-half the new life. Pierce Transit does not use salvage values in the calculation of depreciation.

Costs incurred in project planning and design are deferred until projects are approved or abandoned. At that time, the related costs are transferred to the asset accounts or charged to expense as appropriate. Plant and equipment, which are incomplete, unclassified, or otherwise not in service, and therefore not subject to depreciation, are deferred until they are placed in service.

**K. UNEARNED REVENUE** - Revenues are recorded when earned. Unearned revenue as of December 31, 2014 and 2013 was \$236,597 and \$201,307, respectively.

**L. VACATION AND SICK LEAVE** - Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 31 days per year. Employees are not allowed to accumulate more than 2 years of vacation leave accrual at any point in time. Total vacation accruals are listed as follows:

	<u>2014</u>	<u>2013</u>
Vacation-Current	\$ 2,789,202	\$ 2,556,214
Vacation-Non-Current	309,911	284,024
<b>Total Vacation Leave Liability</b>	<u>\$ 3,099,113</u>	<u>\$ 2,840,238</u>

Employees accumulate sick leave at the rate of 8 hours per month with no maximum accumulation specified. Total sick leave accruals as of December 31, 2014 and 2013 were \$6,631,573 and \$6,312,374 respectively. Sick leave is recorded as an expense at the time of payment, which occurs upon usage or termination. Fifty percent of the value is paid upon retirement or death of the employee, 20% is paid upon termination for any other reason. The estimated liability for these sick leaves payouts is as follows:

	<u>2014</u>	<u>2013</u>
Current Liability based on usage or terminations	\$ 1,603,881	\$ 1,423,647
Non-current Liability based on expected future payoffs	1,521,600	1,268,846
<b>Total Sick Leave Liability</b>	<u>\$ 3,125,481</u>	<u>\$ 2,692,493</u>

**Pierce Transit**  
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The portion of the accrued vacation and sick leave benefits estimated to be paid more than 12 months from year-end is recorded as a long-term liability. A reconciliation of current and long-term employee leave payable follows:

	<b>2014</b>	<b>2013</b>
Balance beginning of year	\$ 3,979,862	\$ 4,288,907
Employee leave earned	3,931,647	3,690,235
Employee leave paid	(3,518,426)	(3,999,280)
<b>Current Employee Leave Payable</b>	<b>\$ 4,393,083</b>	<b>\$ 3,979,862</b>

	<b>2014</b>	<b>2013</b>
Balance beginning of year	\$ 1,552,870	\$ 1,666,324
Employee leave earned	1,745,501	1,446,993
Employee leave paid	(1,466,860)	(1,560,447)
<b>Long-term Employee Leave Payable</b>	<b>\$ 1,831,511</b>	<b>\$ 1,552,870</b>

## 2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2014 and 2013, respectively as follows:

Composition of Cash and Cash Equivalents:

	<b>2014</b>	<b>2013</b>
Demand Deposits	\$ 5,870,317	\$ 8,029,518
Investments having original maturities of less than 3 months	-	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 5,870,317</b>	<b>\$ 8,029,518</b>

All bank deposits are entirely insured by the Federal Deposit Insurance Corporation and by the Washington Public Deposit Protection Commission.

The investment practices of Pierce Transit are governed by an investment policy adopted by the Board of Commissioners. The policy addresses interest rate risk, credit risk, and concentration of credit risk. Allowable investments are limited as follows:

- Obligations of the United States Treasury.
- Obligations of agencies of the Federal Government.
- Certificates of deposit issued by commercial banks and thrift institutes that are public depositories of the State of Washington.
- Repurchase agreements collateralized by liquid, marketable securities having a fair value of at least 102% of the repurchase price.
- Banker's acceptance issued by any qualified depository in the State of Washington or by the 30 largest foreign banks and the 30 largest domestic banks as listed by the American Banking Association.
- Washington State Local Government Investment Pool. The Washington State Investment Board regulates pool investments. The fair value of the shares in the investment pool is the same as the value of the pool shares.

**Pierce Transit**  
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- Commercial paper limited to 15% of the total portfolio, with no more than 5% with any one individual issuer.

During 2014 and 2013, Pierce Transit's portfolio complied with the investment policies discussed above. Management intends to hold time deposits and securities until maturity. Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities is based on quoted market prices. The fair value of the position in the Washington Local Government Investment Pool is the same as the value of the pool shares. No investment losses occurred during 2014 or 2013.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity of its fair value to changes in market interest rates. Pierce Transit's investment policy is designed to manage the exposure to interest rate risk through diversification and by purchasing a combination of shorter and longer term investments that mature evenly over time. Pierce Transit's policy does not allow any investments over two years in maturity. Pierce Transit's weighted average maturity for December 31, 2014 and 2013 was 9 days and 7 days, respectively.

Information of the sensitivity of fair values of investments to interest rate fluctuations is provided by the following table showing maturities of all investments held by Pierce Transit as of December 31, 2014 and 2013.

<b>Investment Type</b>	Fair Value	<b>2014 Investment Maturities (in months)</b>				
		0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 109,632,903	\$ 109,632,903	\$ -	\$ -	\$ -	\$ 109,632,903
U. S. Agencies	2,954,160	-	2,954,160	-	-	2,954,160
	<u>\$112,587,063</u>	<u>\$ 109,632,903</u>	<u>\$ 2,954,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,587,063</u>

<b>Investment Type</b>	Fair Value	<b>2013 Investment Maturities (in months)</b>				
		0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 96,093,753	\$ 96,093,753	\$ -	\$ -	\$ -	\$ 96,093,753
U. S. Agencies	999,750	-	-	999,750	-	999,750
	<u>\$ 97,093,503</u>	<u>\$ 96,093,753</u>	<u>\$ -</u>	<u>\$ 999,750</u>	<u>\$ -</u>	<u>\$ 97,093,503</u>

**Disclosures Relating to Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by GASB 31. As of December 31, 2014, three percent of Pierce Transit's

**Pierce Transit**  
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investments are in one of the following U.S. Agencies: Federal Home Loan Banks (FHLB) and Federal National Mortgage Association (FNMA). All the U.S. Agencies held by Pierce Transit have an AAA rating from Standard & Poor's and Aaa from Moody's.

**Concentration of Credit Risk**

Pierce Transit's investment policy requires diversification of investments across security types, financial institutions, and maturities as follows:

- No more than 50% of the Agency's total portfolio may be invested in a single type of security.
- No more than 50% of the Agency's total portfolio may be purchased from a single financial institution with the exception of the Washington State Local Government Investment Pool.
- No more than 25% of the Agency's total portfolio may be invested in any given issue with a specific maturity. Investment maturities may not exceed two years.

**Custodial Credit Risk**

Custodial credit risk for investments generally applies to direct investments in marketable securities. With the exception of the Washington State Local Government Investment Pool, Pierce Transit's marketable securities are insured, registered, or held by Pierce Transit or its agent in Pierce Transit's name. Pierce Transit's overnight repurchase agreements are collateralized by liquid, marketable securities having a market value of at least 102% of the repurchase price. Custodial credit risk does not apply to Pierce Transit's indirect investment in securities through the use of the local government investment pool.

**3. RECEIVABLES**

Amounts due to Pierce Transit for year ended December 31, 2014 and 2013 (net of uncollectible) are detailed as follows:

**RECEIVABLES**

	<u>2014</u>	<u>2013</u>
Accounts Receivable	\$ 230,244	\$ 2,288,413
Sales Tax Receivable	11,787,426	11,391,413
Due from Other Governments:		
Federal Operating Assistance	1,892,199	1,918,456
Other Operating Partnerships	697,135	986,920
Fuel Tax Refund & CNG Credit	804,175	239,882
Regional Transit Service Revenues	6,905,655	6,623,295
Capital Grants	505,623	30,508
Other Capital Partnerships	549,492	24,590
Total Receivables	<u>\$23,371,949</u>	<u>\$23,503,477</u>

**Pierce Transit**  
**Notes to Financial Statements**  
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**4. NET POSITION**

Pierce Transit's Board of Commissioners has established reserve policies for Pierce Transit's capital and insurance programs. The net position amount designated for insurance is set at a level to adequately protect the Agency from self-insurance risks. The amount designated for capital is set at a level equal to ten percent of the six year average annual capital expenses plus fifty percent of the average annual grant funding programmed in the six year financial plan. Funds designated for capital are intended to fund currently approved capital projects and to replace capital equipment and facilities as they wear out. The Board of Commissioners as a part of the budget process reviews the level of the self-insurance and capital designations annually.

Net position is increased when revenues are greater than expenses and decreased when expenses exceed revenues. Net position includes:

	<b>2014</b>	<b>2013</b>
Operating	\$ 107,020,803	\$ 88,210,748
Self-Insurance	429,949	2,362,636
Capital Replacement/Expansion	<u>19,740,699</u>	<u>28,196,153</u>
<b>Total Unrestricted Net Position</b>	127,191,451	118,769,537
Net invested in Capital Assets	<u>108,863,153</u>	<u>108,630,726</u>
<b>Total Net Position</b>	<u>\$ 236,054,604</u>	<u>\$ 227,400,262</u>

**5. EMPLOYEE BENEFITS**

**A. RETIREMENT** - Pierce Transit contributes monthly to two separate retirement systems. Both systems are cost sharing multi-employer defined benefit public employee retirement systems. The Agency contributions, as well as employee contributions, are based on the gross pay of an employee. Tacoma Transit employees electing to retain Tacoma Employees' Retirement System (TERS) when Pierce Transit took over the operations of Tacoma Transit in 1980 are covered by TERS which is a defined benefit plan. The Public Employees Retirement System (PERS) covers all other employees.

Pierce Transit participates in PERS Plan 1, PERS Plan 2, and PERS Plan 3. The PERS system is comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Employees joining PERS after 10/1/77 are members of Plan 2 or Plan 3. As of September 1, 2002 employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. This option must be exercised within 90 days of employment. An employee is enrolled in Plan 2 until a choice is made. Employees who fail to make a choice within 90 days of employment default to PERS Plan 3. PERS is mandatory for all regular employees except for personnel working less than 70 hours per month in five months in a calendar year.

Information regarding the Public Employees Retirement System (PERS) is presented in the State Department of Retirement Systems Annual Financial Report. A copy of the report may be obtained by contacting the Department of Retirement Systems, 6825 Capital Boulevard, P.O. Box 48380, Olympia, WA 98504-8389. Information regarding the Tacoma Employees' Retirement System can be found in its annual report and may be obtained by writing to the Tacoma Employees' Retirement System, 747 Market Street, and Room 1544, Tacoma, WA 98402. Ten year historical trend

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information showing the retirement systems' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS and TERS Comprehensive Annual Financial Report of June 30, 2013 and December 31, 2012 respectively.

The payroll for Pierce Transit employees covered by these retirement systems was \$51,965,997 for the year ended December 31, 2014 with a total payroll for 2014 of \$54,271,469. Payroll for Pierce Transit employees covered by retirement systems as of December 31, 2013 was \$50,156,438, with a total payroll of \$52,889,537. Employees covered by the Tacoma Employees Retirement Systems (TERS) are required by State statute and City ordinance to contribute 9.20% of gross wages to the plan with 10.8% being contributed by the employer. Employees covered by the Public Employees Retirement System (PERS) are required by State statute to contribute 6% of gross wages for Plan 1 participants and 4.92% for Plan 2 participants. Pierce Transit is required by the same authority to contribute the remaining amounts necessary to pay benefits when due. The employer's contribution for PERS employees was 9.21 through December 31, 2014. PERS Plan 3 employees can contribute 5% to 15% of their gross wages.

Pierce Transit does not provide any post employment benefits for early retirement, post-retirement, or either voluntary or involuntary terminations.

A summary of each plan's provisions and requirements follows:

	<b>TERS</b>
Vesting	5 years
Retirement Eligible	Age 60, regardless of service credit Age 57, with 10 years of service credit Age 50, with 20 years of service credit Any age with 30 years of service credit
Retirement Benefits	2% of highest consecutive 24 month average final compensation (AFC) multiplied by years of service, up to 60% of AFC
Other Benefits	Death and Disability

	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>PLAN 3</b>
Vesting	5 years	5 years	10 years
Retirement Eligibility	Age 60, regardless of service credit Age 55, with 25 years of service credit	Age 65, with 5 years of service credit Age 55 with 20 years of service credit	Age 65, with 10 years of service credit Age 55 with 10 years of service credit
Retirement Benefits	Any age with 30 years of service credit  2% of highest	2% of highest	1% of highest consecutive 60 month

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	consecutive month average final compensation (AFC) multiplied by years of service, up to 60% of AFC	consecutive 60 month average final compensation (AFC) multiplied by years of service. Benefits on retirements prior to age 65 are actuarially reduced	average final compensation (AFC) multiplied by years of service. Benefits on retirements prior to age 65 are actuarially reduced
Benefits	Death and Disability	Death and Disability	Death and Disability

During 2012, 2013, and 2014, Pierce Transit and its employees made the required contributions. Contribution amounts and rates expressed as a percentage of the covered payroll for the three years ended December 31 are as follows:

	<b>PERS Plan 1</b>		<b>PERS Plan 2</b>		<b>PERS Plan 3</b>		<b>TERS</b>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
Employee	6.00%	\$ 38,766	4.64%	\$ 2,156,098	5-15%	\$ 215,620	9.20%	\$ 41,446
Employer	7.21%	46,524	7.21%	3,349,057	7.21%	266,884	10.26%	48,654
<b>Total 2012</b>		<u>\$ 85,290</u>		<u>\$ 5,505,155</u>		<u>\$ 482,504</u>		<u>\$ 90,100</u>
Employee	6.00%	\$ 36,712	4.92%	\$ 2,180,115	5-15%	\$ 198,337	9.20%	\$ 35,112
Employer	9.21%	49,577	9.21%	3,730,060	9.21%	287,914	10.80%	41,219
<b>Total 2013</b>		<u>\$ 86,289</u>		<u>\$ 5,910,175</u>		<u>\$ 486,251</u>		<u>\$ 76,331</u>
Employee	6.00%	\$ 34,868	4.92%	\$ 2,305,472	5-15%	\$ 233,676	9.20%	\$ 41,610
Employer	9.21%	53,523	9.21%	4,315,300	9.21%	375,591	10.80%	48,847
<b>Total 2014</b>		<u>\$ 88,391</u>		<u>\$ 6,620,772</u>		<u>\$ 609,267</u>		<u>\$ 90,457</u>

**B. DEFERRED COMPENSATION PLAN** - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are offered and administered through Great West Life & Annuity Insurance Company and ICMA Retirement Corporation. Pierce Transit contributes from 1% to 5.5% of the annual salary of all participating employees. In 2014, Pierce Transit contributed \$1,708,723 and employees contributed \$2,727,282. Pierce Transit and its employees contributed \$1,642,829 and \$2,657,313 respectively to this plan in 2013. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Beginning in fiscal year 1998, existing assets in the plan are held in a qualified custodial account. The custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of Pierce Transit and are not subject to claims of the Agency's creditors. Therefore, deferred compensation funds are not shown on the balance sheet.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

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## **6. COMMITMENTS AND CONTINGENCIES**

**Grants** -Pierce Transit has received several federal grants for specific purposes that are subject to review and audit. Such audits could lead to requests for reimbursements for expenses disallowed under the terms of the grants. In the opinion of management, such disallowances, if any, will be immaterial and will not have any significant effect on the financial position of Pierce Transit.

**Regional Fare Collection System (ORCA)** - Since 1996, seven regional transit agencies have been developing a regional smart card fare payment system. Participating agencies include Pierce Transit, King County Metro, Sound Transit, Everett Transit, Washington State Ferries, Kitsap Transit and Community Transit. A smart card is an intelligent fare card that stores information including fare type and stored value in either cash or transit passes. The smart card system has been named One Regional Card for All (ORCA) and simplifies and establishes a common, non-cash fare system throughout the region. The original agreement, signed in April 2003, established the respective roles and responsibilities of the Agencies in the development and operating phases of the ORCA system. The system was phased in beginning in April 2009 and an amended agreement establishing the design, implementation, operation and maintenance of the ORCA was signed. This amended agreement further defines and establishes a framework for the operating phase of the system. The participating agencies have committed to utilizing the system for a minimum of 10 years and funding proportionate shares of regionally shared costs.

The system is governed by a Joint Board consisting of one representative from each participating agency. The funds collected through the sale of ORCA fare media to the public by participating agencies is remitted to Sound Transit acting as fiscal agent under the terms of the interlocal agreement. Fare revenue is apportioned by the fiscal agent and remitted to the participating agency that provided the transit service.

Pierce Transit's financial statements reflect its portion of ORCA fare revenues and expenses. ORCA fare revenue as of December 31, 2014 was \$3,961,513 with operating expenses of \$326,297. In 2013, ORCA revenue totaled \$4,112,809 and operating expense of \$291,297. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2014, and 2013 reported within Pierce Transit's financial statements, amounted to \$338,382 and \$489,339 respectively. Other than the funds held by the fiscal agent Pierce Transit has no equity interest. The ORCA financial statements are audited by KPMG LLP, Suite 2900, 1918 8<sup>th</sup> Ave, Seattle, WA.

**Combined Communications Network** – In January 2015, Pierce Transit entered into an agreement with Pierce County to provide the maintenance, operation and governance of a joint venture to be called the Pierce Transit – Pierce County Combined Communications Network (CNN) of shared radio and microwave systems to carry voice and data traffic.

## **7. INSURANCE**

For auto/general liability and public officials' claims prior to January 1, 2010, Pierce Transit was self-insured with retention of \$1,000,000 and excess insurance up to \$16 million. As of January 1, 2010, Pierce Transit became a full member of the Washington State Transit Insurance Pool (WSTIP) and now retains first-dollar coverage for auto/general up to \$12 million per occurrence. As a member of the Pool, the Agency is able to take advantage of collective retentions, competitive re-insurance rates

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013**

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and an exchange of best practices that help to reduce liability exposure. In addition to auto/general liability, WSTIP policies include property coverage of up to \$1 billion (\$10,000 deductible) per occurrence, crime coverage of up to \$1 million (\$10,000 deductible) per loss, cyber-liability coverage up to \$20 million, and public officials' liability coverage of up to \$12 million (\$5,000 deductible) per occurrence. Pierce Transit continues to insure pollution/underground storage tank liability through an independent broker, with coverage up to \$1 million (\$25,000 deductible) per occurrence. Pierce Transit had no settlements exceeding insurance coverage in 2014 or 2013.

Pierce Transit continues to be self-insured for unemployment compensation and workers' compensation (industrial insurance), with excess workers' compensation (EWC) retained consistent with statutory requirements. Self-insurance assets have been set aside for these workers' compensation claims, which are administered by a third-party administrator.

On December 31, 2014, the self-insurance assets totaled \$1,879,610, of which a liability of \$1,449,661 is recorded for workers' compensation and unemployment compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2013, Pierce Transit's self-insurance assets totaled \$3,798,012 of which a liability of \$1,299,098 was recorded as a provision for liability claims. These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants. Claim settlements in the past three years have not exceeded insurance coverage.

A reconciliation of claims liabilities follows:

	<u>2014</u>	<u>2013</u>
Balance beginning of year	\$ 1,299,098	\$ 1,587,733
Provision for incurred claims	2,654,930	1,980,890
Payments made for claims	(2,616,061)	(2,269,525)
Claims liabilities year ended	<u>\$ 1,337,967</u>	<u>\$ 1,299,098</u>



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– Kristina Walker  
Manager of Downtown On the Go

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**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

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This part of Pierce Transit’s 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 Pierce Transit’s overall financial health. This information presented in this section has not been audited.

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**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Financial Trends  
Net Assets by Component  
2005 - 2014**

	Invested in		Total
	Capital Assets	Unrestricted	
2005	\$115,927,548	\$ 89,543,932	\$205,471,480
2006	\$116,669,627	\$107,790,306	\$224,459,933
2007	\$120,825,987	\$119,269,028	\$240,095,015
2008	\$128,772,977	\$113,886,963	\$242,659,940
2009	\$126,721,089	\$107,286,883	\$234,007,973
2010	\$127,352,648	\$102,221,188	\$229,573,836
2011	\$120,444,631	\$ 98,748,344	\$219,192,975
2012	\$113,079,561	\$106,645,685	\$219,725,246
2013	\$108,630,726	\$118,769,536	\$227,400,262
2014	\$108,863,153	\$127,191,451	\$236,054,604

**Financial Trends  
Expense Comparisons by Type  
2005 – 2014**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personnel	\$57,785,602	\$60,736,927	\$67,667,670	\$77,278,554	\$79,346,300	\$82,910,872	\$82,413,780	\$76,615,405	\$74,160,441	\$79,508,733
Fuel & Lubricants	5,386,453	5,917,776	4,763,794	7,123,019	5,718,378	7,409,316	10,620,144	8,698,804	7,409,160	7,529,537
Supplies & Materials	4,851,849	4,636,806	5,962,609	5,921,096	5,246,793	5,534,848	6,200,926	5,683,897	5,011,098	5,706,244
Contracts & Services	13,925,196	15,974,894	17,065,225	18,258,165	18,273,761	22,341,235	22,749,993	20,721,754	20,533,637	22,116,142
Depreciation & Amortization	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193
Capital Acquisition	21,717,527	14,426,046	20,005,358	23,593,957	13,182,990	13,841,193	8,850,528	6,540,446	10,954,738	16,267,985
on Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal Interest	365,000	380,000	395,000	415,000	1,335,000	-	-	-	-	-
Expense	117,413	103,543	94,799	77,616	45,252	-	-	-	-	-
Previously										
Deferred Items	61,865	50,590	132,357	234,942	2,460,260	381,012	909,998	126,620	224,061	20,380
Grant										
Exchange Funds	1,714,333	711,191	1,758,451	860,301	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554
<b>Total</b>	<b>\$118,492,362</b>	<b>\$116,618,920</b>	<b>\$133,591,049</b>	<b>\$147,880,050</b>	<b>\$140,566,409</b>	<b>\$146,360,722</b>	<b>\$147,046,227</b>	<b>\$132,702,823</b>	<b>\$133,921,921</b>	<b>\$146,971,768</b>

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Financial Trends  
Changes in Net Position  
2005 – 2014**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Operating Revenue</b>										
Passenger Fares	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748
Advertising	851,602	1,094,081	816,563	968,104	905,896	1,120,406	738,817	658,345	952,540	710,527
Regional Transit Service	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906
Total Operating Revenue	24,787,446	27,700,692	30,083,334	32,293,853	35,670,160	39,753,579	44,499,060	43,858,454	46,650,262	49,186,181
<b>Non-Operating Revenue</b>										
Sales Tax	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814
Operating Grants	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323
Investment Revenue	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361	346,746	100,949	198,874	151,610	115,634
Miscellaneous Revenue	1,005,346	969,860	1,401,198	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,482	3,317,254
Gain(Loss)on Disposal of Assets	350,686	284,261	108,715	122,190	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746
Total Non-Operating Revenue	80,331,996	87,038,110	91,176,467	85,405,970	78,908,979	79,189,348	79,976,826	80,319,830	78,136,757	82,389,771
<b>Total Revenue</b>	105,119,442	114,738,802	121,259,801	117,699,823	114,579,139	118,942,927	124,475,886	124,178,284	124,787,019	131,575,952
<b>Operating Expense</b>										
Fixed Route	66,764,882	70,476,920	76,043,175	86,654,338	86,680,889	96,282,650	98,836,124	90,192,642	86,365,065	92,989,803
Demand Response	12,359,269	13,856,252	15,807,504	17,637,236	17,806,552	17,597,639	18,513,933	17,229,379	16,609,716	17,555,294
Vanpool	2,824,949	2,933,231	3,608,619	4,289,260	4,097,791	4,315,982	4,634,786	4,297,219	4,139,555	4,315,559
Depreciation & Amortization	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193
Total Operating Expense	94,516,224	100,947,550	111,205,084	122,698,234	122,590,367	131,024,895	136,509,254	125,151,137	121,860,478	129,543,849
<b>Non-Operating Expense</b>										
Expense of Deferred Items	61,865	50,590	132,357	234,942	2,460,260	381,012	909,998	126,620	224,061	20,380
Interest Expense	117,413	103,543	94,799	77,616	45,252	-	-	-	-	-
Grant Exchange Funds	1,714,333	711,191	1,758,451	860,301	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554
Total Non-Operating Expense	1,893,611	865,324	1,985,607	1,172,859	3,458,052	1,496,634	2,016,445	1,010,620	1,106,705	1,159,934
<b>Total Expense</b>	96,409,835	101,812,874	113,190,691	123,871,093	126,048,419	132,519,529	138,525,699	126,162,377	122,967,183	130,703,783
Net Expense	8,709,607	12,925,928	8,069,110	(6,171,270)	(11,469,280)	(13,576,602)	(14,049,813)	(1,984,093)	1,819,836	872,169
Capital Grants	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173
<b>Change in Net Position</b>	\$23,018,006	\$18,456,051	\$16,167,484	\$2,564,925	\$(8,651,967)	\$(4,434,137)	\$(10,380,861)	\$(532,272)	\$7,675,015	\$8,654,342

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Revenue Capacity  
Revenue and Subsidies Comparisons  
2005 – 2014**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Passenger Fares	\$9,096,278	\$11,515,007	\$12,372,165	13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748
School Service	-	-	-	-	-	-	-	-	-	-
Regional	-	-	-	-	-	-	-	-	-	-
Transit Fares	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906
Advertising	851,602	1,094,081	816,563	968,104	905,896	1,120,406	738,817	658,345	952,540	710,527
Interest Income	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361	346,746	99,912	198,874	151,610	115,634
Sales Tax	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814
MVET	-	-	-	-	-	-	-	-	-	-
Operating	-	-	-	-	-	-	-	-	-	-
Subsidies	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323
Capital Grants	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173
Gain on	-	-	-	-	-	-	-	-	-	-
Disposal of	-	-	-	-	-	-	-	-	-	-
Assets	350,686	816,663	108,715	122,190	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746
Miscellaneous	1,005,345	969,860	1,041,198	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,480	3,317,254
<b>Total</b>	<b>\$119,427,840</b>	<b>\$120,801,327</b>	<b>\$129,358,175</b>	<b>\$126,436,018</b>	<b>\$117,396,452</b>	<b>\$128,085,392</b>	<b>\$128,144,838</b>	<b>\$126,694,649</b>	<b>\$130,642,196</b>	<b>\$139,358,125</b>

**Revenue Capacity  
Fixed Route Farebox Recovery  
2005 – 2014**

Year	Farebox Recovery
2005	14%
2006	12%
2007	16%
2008	16%
2009	19%
2010	17%
2011	15%
2012	16%
2013	18%
2014	17%

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

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**Revenue Capacity  
Fare History  
2005 - 2014**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Cash Fares</b>										
Adult	\$ 1.25	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Senior/Disabled/Youth	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
<b>Passes</b>										
Adult Pass	45.00	54.00	54.00	54.00	63.00	72.00	72.00	72.00	72.00	72.00
Senior/Disabled Pass	18.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Adult All Day Pass	-	-	-	-	-	-	-	-	-	5.00
Senior/Disabled Day Pass	-	-	-	-	-	-	-	-	-	2.50
Youth All Day Pass	-	-	-	-	-	-	-	-	-	2.50
Transfers	Free	Eliminated								

**Revenue Capacity  
2005 & 2014 Taxable Sales Comparisons  
Pierce County**

	2005		2014	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 5,573,548,357	\$ 34,197,575	\$ 6,579,475,803	\$ 35,210,304
Services	1,662,457,291	10,200,326	3,203,260,837	11,494,944
Contracting	2,051,674,875	12,588,445	1,843,534,598	9,752,376
Manufacturing	345,358,176	2,119,011	229,737,677	1,236,744
Transportation/Utilities	42,876,689	263,078	66,359,957	282,718
Wholesaling	694,591,170	4,261,797	704,030,339	3,791,085
Finance/Insurance/Real Estate	891,082,061	5,467,405	899,448,382	4,813,431
Other Business	4,642,010	28,482	5,832,565	31,213
<b>TOTAL</b>	<b>\$ 11,266,230,629</b>	<b>\$ 69,126,119</b>	<b>\$ 12,447,418,911</b>	<b>\$66,612,814</b>

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

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**Debt Capacity  
Legal Debt Margin  
2014**

	<b>Non-voted</b>	<b>Maximum Debt Capacity*</b>
Assessed Valuation	\$36,980,312,302	\$36,719,384,858
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 138,676,171	\$ 458,992,311
Less: Outstanding Debt	-	-
Debt Margin	\$ 138,676,171	\$ 458,992,311

\* The maximum debt capacity includes both non-voted and voted debt. All outstanding debt is non-voted.

**Debt Capacity  
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita  
2005 – 2014**

	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
<b>December 31</b>					
2005	705,018	32,815,525	2,525,000	.01	3.58
2006	721,445	35,336,989	2,145,000	.01	2.97
2007	732,435	42,915,280	1,750,000	.01	2.38
2008	749,350	50,503,813	1,335,000	.01	1.78
2009	813,600	48,742,260	3,910,000	.02	6.07
2010	795,225	45,155,305	-	-	-
2011	802,150	41,959,937	-	-	-
2012	808,200	33,245,935	-	-	-
2013	814,500	34,481,782	-	-	-
2014	821,300	36,980,312	-	-	-

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Debt Capacity  
Computation of Direct and Overlapping Debt  
2014**

	-	<b>Net Bonded Debt Outstanding</b>	<b>Percentage Applicable*</b>	<b>Authority Share</b>
Pierce Transit	\$	-	100.00%	\$ -
City of Tacoma		237,355,828	30.54%	72,488,670
Pierce County		451,862,000	42.27%	191,002,067
				<u>\$263,490,737</u>
PTBA Population				560,000
Direct Debt as a % of Personal Income Direct and Overlapping Debt per Capita				.0000%
				\$ -

\*Applicable percentage determined by the ratio of assessed valuation in overlapping unit to assessed valuation in Pierce Transit's service area.

**Demographic and Economic Information  
Pierce County Demographic and Economic Information  
2005 – 2014**

<b>Fiscal Year Dec 31</b>	<b>Pierce County Population</b>	<b>Median Household Income (1)</b>	<b>Personal Income (2) (In Thousands)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2005	755,900	50,678	25,072,972	33,406	139,032	5.9
2006	773,500	55,506	27,149,797	35,551	139,434	5.2
2007	790,500	56,426	28,949,941	37,446	139,945	4.7
2008	805,400	57,674	31,046,350	39,444	141,246	5.7
2009	813,600	56,555	32,332,969	40,839	141,182	9.7
2010	795,225	55,531	31,625,073	39,761	138,687	10.2
2011	802,150	56,114	33,117,849	40,992	132,480	9.8
2012	808,200	57,162	35,232,946	43,407	134,616	8.9
2013	814,500	57,840	36,054,002	43,982	127,766	8.1
2014	821,300	58,526	N/A	N/A	129,803	6.8

Sources: (1) Washington State Office of Financial Management  
(2) US Census Bureau  
(3) Superintendent of Public Instruction

(4) Washington State Department of Employment  
(\* ) Not Available

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Demographic and Economic Information**

**Principal Employers  
Comparisons of Employees and Percent of Total Employment  
2014 and 2005**

<b>Ten Largest Employers</b>	<b>2014</b>			<b>2005</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total County Population</b>	<b>Employees</b>	<b>Rank</b>	<b>Percent of Total County Population</b>
Joint Base Lewis McChord	66,054	1	59.1%	42,850	1,3,7*	54.9%
Local Public Schools (K-12)	13,408	2	12%	13,060	2	16.7%
MultiCare Health System	6,904	3	6.2%	3,779	6	4.8%
Washington State Employees	6,455	4	5.7%	6,991	4	8.9%
Franciscan Health Systems	5,338	5	4.7%	4,137	5	5.3%
City of Tacoma (Public Utilities Included)	3,412	6	3.1%			
Pierce County Government	2,979	7	2.7%	3,154	8	4.1%
Washington Higher Education	2,566	8	2.3%	1,960	10	2.5%
Fred Meyer	2,506	9	2.2%	2,159	9	2.8%
State Farm	2,206	10	2.0%	-	-	-
<b>Total</b>	<b>111,828</b>		<b>100%</b>	<b>78,090</b>		<b>100%</b>
Pierce County Population	<u>821,300</u>			<u>755,900</u>		

Source: Tacoma-Pierce County Economic Development Board

Fort Lewis, McChord, and Madigan Army Hospital is now combined into one unit

**Operating Information**

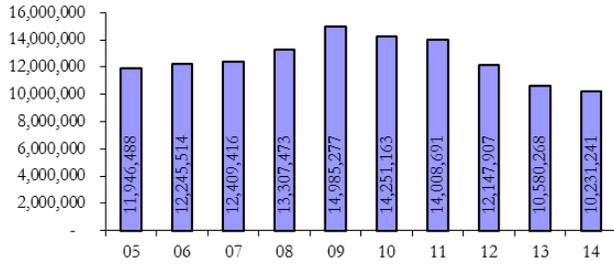
**Pierce Transit Employee by Function  
2005 - 2014**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Operations	701	746	747	708	674	674	598	575	572	601
Maintenance	157	154	169	162	163	161	144	109	105	105
Administration	145	153	174	168	145	144	139	132	125	130
	<u>1,003</u>	<u>1,053</u>	<u>1,090</u>	<u>1,038</u>	<u>982</u>	<u>979</u>	<u>881</u>	<u>816</u>	<u>802</u>	<u>836</u>

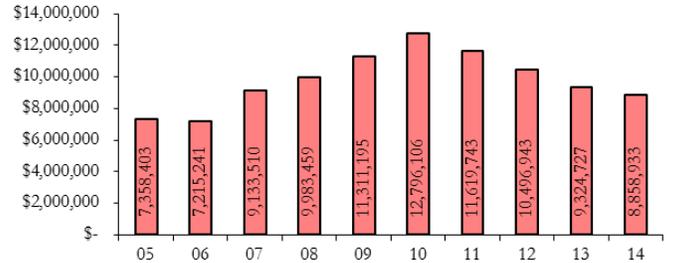
Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013

Operating Information  
Fixed Route Statistics  
2005 – 2014

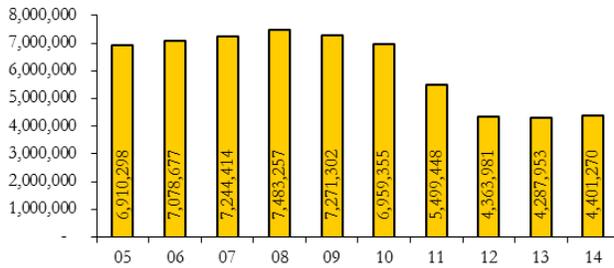
Annual Boardings



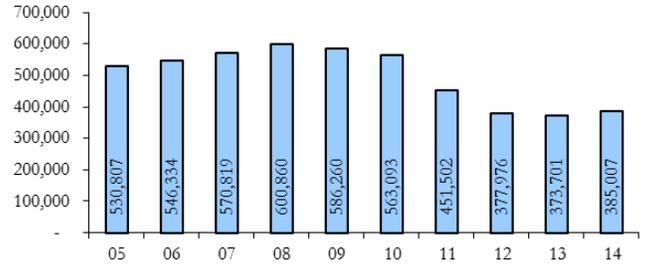
Annual Passenger Fare Revenues



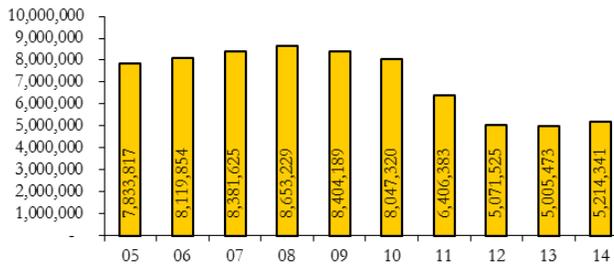
Actual Revenue Miles



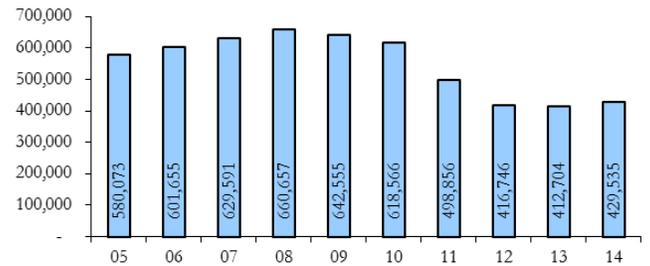
Actual Revenue Hours



Service Miles



Service Hours

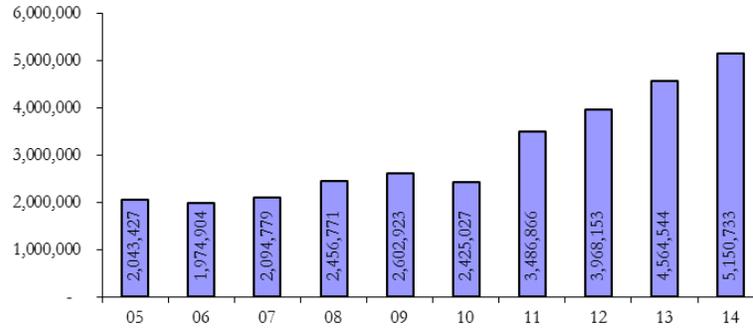


Source: National Transit Database (NTD)

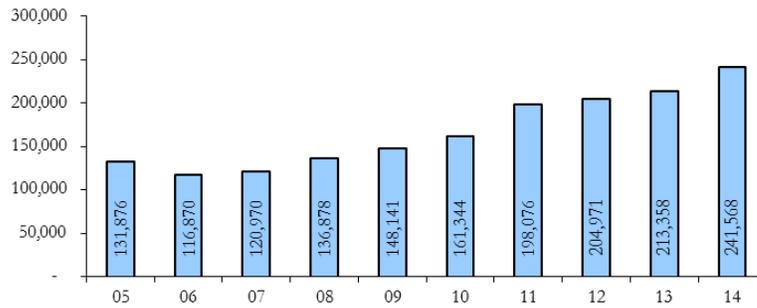
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2014 and 2013

Operating Information  
 Sound Transit  
 Fixed Route Statistics  
 2005 – 2014

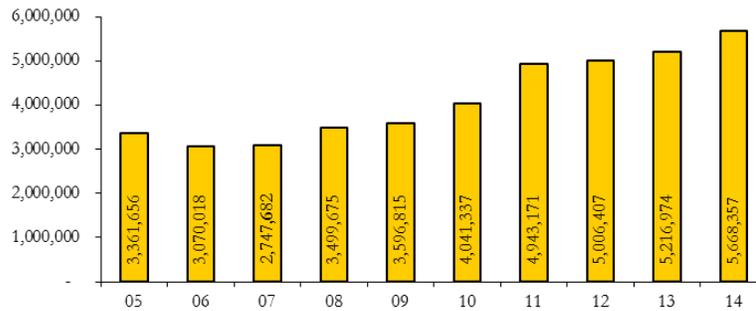
Annual Boardings



Revenue Hours



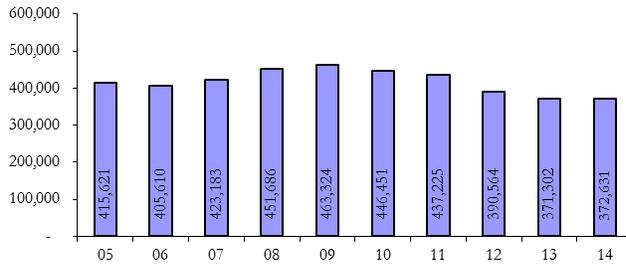
Revenue Miles



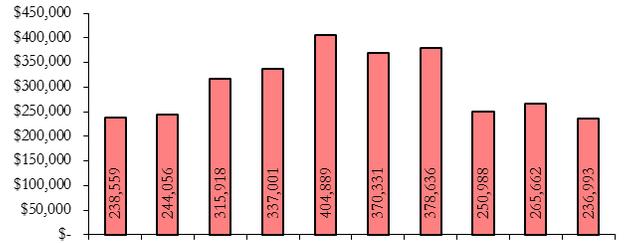
**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Operating Information  
Specialized Transportation (SHUTTLE)  
2005 – 2014**

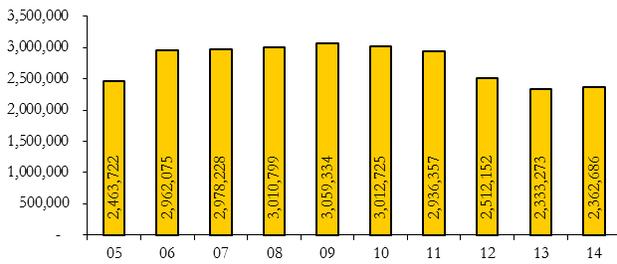
**Annual Boardings**



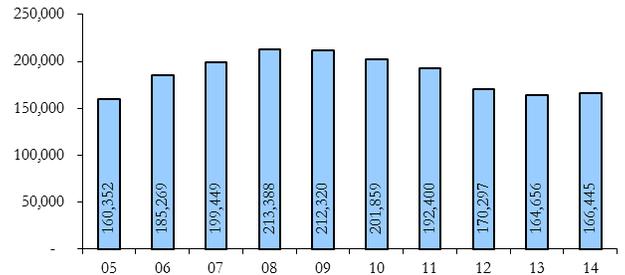
**Annual Passenger Fare Revenues**



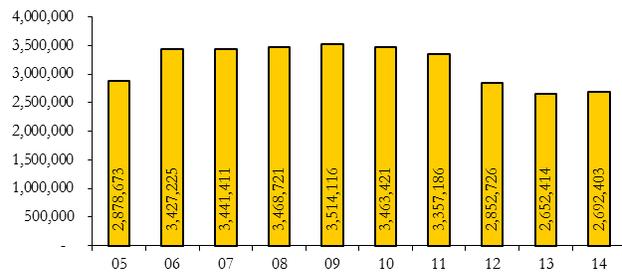
**Actual Revenue Miles**



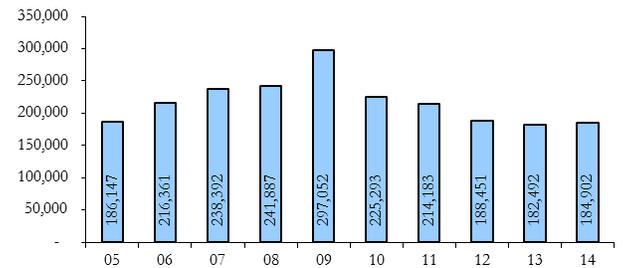
**Actual Revenue Hours**



**Service Miles**



**Service Hours**

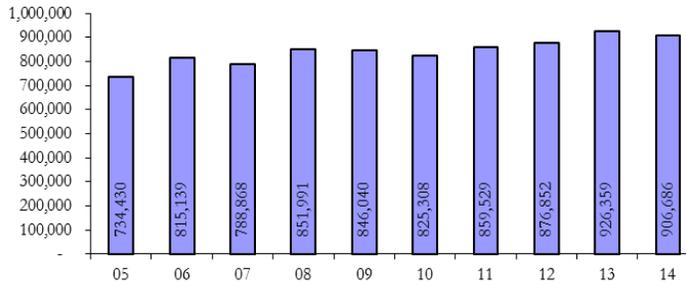


Directly operated and purchased transportation services.

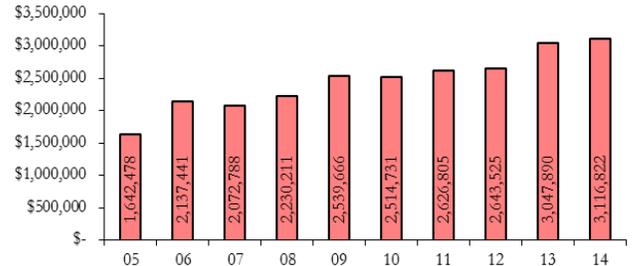
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2014 and 2013

Operating Information  
 Vanpool Statistics  
 2005 – 2014

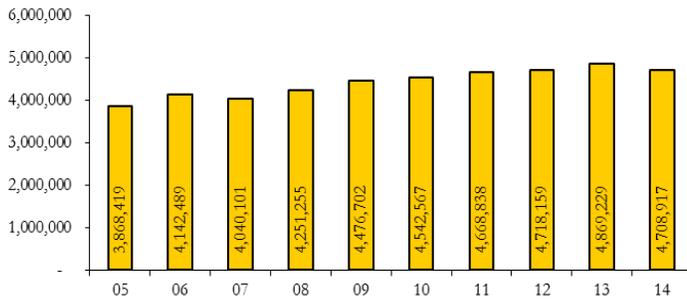
Annual Boardings



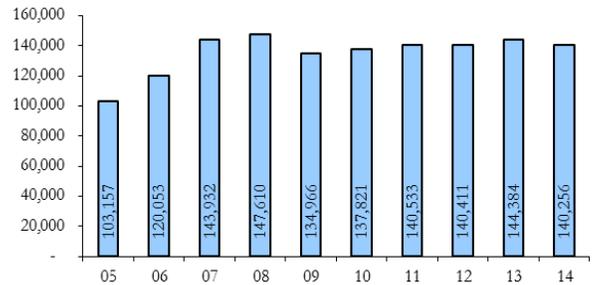
Annual Passenger Fare Revenues



Revenue/Service Miles



Revenue /Service Hours



**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

**Operating Information  
Key Performance Measures  
2005 – 2014**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):</b>										
Annual Boardings	12,245,514	12,409,416	13,307,473	14,985,277	14,251,163	14,008,691	12,147,907	10,580,268	10,349,186	10,231,241
Cost per Service Hour	\$ 86.80	\$ 90.36	\$ 96.96	\$ 104.96	\$ 105.80	\$ 114.02	\$ 134.82	\$ 136.99	\$ 119.13	\$ 124.71
Farebox Recovery	14%	12%	16%	16%	19%	17%	16%	16%	18%	17%
Passengers per Service Hour	21.1	20.6	21.1	22.7	22.2	22.6	24.4	25.4	25.1	23.8
Cost per Passenger	\$ 4.11	\$ 4.38	\$ 4.59	\$ 4.63	\$ 4.77	\$ 5.03	\$ 5.54	\$ 5.40	\$ 4.75	\$ 5.24
<b>SHUTTLE:</b>										
Annual Boardings	415,621	405,610	425,539	451,686	463,324	446,451	437,225	390,564	371,302	372,631
Cost per Service Hour	\$ 66.23	\$ 64.17	\$ 66.26	\$ 72.92	\$ 71.18	\$ 78.11	\$ 86.44	\$ 91.43	\$ 91.02	\$ 94.94
Farebox Recovery	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%
Passengers per Service Hour	2.2	1.9	1.8	1.9	1.9	2.0	2.0	2.1	2.0	2.0
Cost per Passenger	\$ 29.67	\$ 34.23	\$ 37.32	\$ 39.05	\$ 38.43	\$ 39.42	\$ 42.34	\$ 44.11	\$ 44.73	\$ 47.11
<b>VANPOOL:</b>										
Annual Boardings	734,430	815,139	788,868	851,991	846,040	825,308	859,529	876,852	926,359	906,686
Cost per Service Hour	\$ 26.93	\$ 24.93	\$ 25.07	\$ 29.06	\$ 30.36	\$ 31.32	\$ 32.98	\$ 30.60	\$ 28.67	\$ 30.77
Farebox Recovery	59%	71%	57%	52%	57%	58%	63%	62%	74%	72%
Passengers per Service Hour	7.1	6.7	5.5	5.8	6.3	6.0	6.1	6.2	6.4	6.5
Cost per Passenger	\$ 3.82	\$ 3.71	\$ 4.57	\$ 5.03	\$ 4.84	\$ 5.23	\$ 5.39	\$ 4.90	\$ 4.47	\$ 4.76

Service hours are defined as the hours and miles a vehicle is on the road (including revenue, recovery and deadhead).

**Operating Information  
Vehicles Available for Maximum Service  
2005 – 2014**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pierce Transit Buses	193	176	176	218	189	182	182	173	177	175
SHUTTLE Vans	100	118	146	145	157	171	167	100	100	97
Vanpool Vans	293	300	320	328	328	326	326	347	371	381
	586	594	642	691	674	679	675	620	648	653

**Pierce Transit  
Statistical Section  
Year ended December 31, 2014 and 2013**

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**Grant Information  
Capital Grant History  
2005 – 2014**

FTA	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Section 3</b>	\$ 2,774,048	\$ 343,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,944	\$ 62,692	\$ -
<b>Section 4</b>	-	-	-	-	-	-	-	20,808	3,339,533	1,183,372
<b>Section 8</b>	-	-	-	-	-	-	-	-	-	1,460,896
<b>Section 9</b>	10,261,877	4,687,911	7,528,260	3,172,893	1,474,753	6,741,534	1,886,861	1,931,405	915,379	4,461,195
<b>Other</b>	-	-	53,793	148,056	96,502	82,380	383,078	17,256	1,394,913	-
<b>WA STATE</b>										
<b>Misc Grants</b>	215,807	344,798	504,380	223,262	-	478,620	1,125,916	473,901	142,662	676,710
<b>LOCAL</b>										
<b>Partnerships</b>	1,056,667	154,311	11,941	5,191,984	1,246,058	1,839,931	(26,903)	45,050	-	-
	<b>\$ 14,308,399</b>	<b>\$ 5,530,123</b>	<b>\$ 8,098,374</b>	<b>\$ 8,736,195</b>	<b>\$ 2,817,313</b>	<b>\$ 9,142,465</b>	<b>\$ 3,368,952</b>	<b>\$ 2,516,364</b>	<b>\$ 5,855,179</b>	<b>\$ 7,782,173</b>





## PIERCE TRANSIT

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