

PIERCE TRANSIT

Comprehensive Annual Financial Report



Years Ended December 31, 2016 and December 31, 2015
Pierce County, Washington

PIERCE TRANSIT

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Years Ended December 31, 2016 and
December 31, 2015
Pierce County, Washington

Sue Dreier

Chief Executive Officer

Prepared by The Finance Division

Brett Freshwaters

Chief Financial Officer

Kathy Sullivant

Finance Manager

Liz Passmore

Finance Assistant Manager

**Pierce Transit
Comprehensive Annual Financial Report
Year Ended December 31, 2016 and 2015**

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PIERCE TRANSIT

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TO TCC TRANSIT CENTER



Passenger Safety Zone
Board bus at marked zones only. Thank!



June 26, 2017

Board of Commissioners
Pierce County Public Transportation
Benefit Area Corporation

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

Pierce County Public Transportation Benefit Area Corporation (Pierce Transit) presents to you the CAFR for the year ending December 31, 2016. 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, 2016. 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, 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 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 for 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, the CEO has established the following five divisions: Administration, Finance, Service Delivery and Support, Maintenance, and Planning and Community Development.

Pierce Transit provides fixed route, specialized transportation (SHUTTLE), vanpool and rideshare services. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers. Pierce Transit's fixed route bus service is provided along more than 34 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 13 routes for Sound Transit service. In 2016, Pierce Transit fixed route services carried 8.6 million passengers while Sound Transit services operated by Pierce Transit carried 5.1 million passengers for a combined total of 13.7 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 2016, total ridership was 347,991.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to a fleet of 439 vans with 3,011 daily weekday riders. With 828,348 annual passenger boardings, the vanpool program accounted for 8% of the Agency's total ridership in 2016 (excluding Sound Transit ridership).

Strategic Plan

Pierce Transit's Strategic Plan aligns its mission, vision and goals with the Board of Commissioners strategic direction. In 2016, the agency operated under a plan with the following seven goals:

- **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.

A new Strategic is being developed in 2017 that will establish four major objective areas, with measurement criteria for all goals to help determine successful implementation.

Long Term Financial Planning and Outlook

Pierce Transit updates its long term forecast annually in conjunction with the budget development. Assumptions used in the forecast model are based on several factors, including recent economic trends, external agency forecasts (such as the Washington State economic forecast), and internal agency trends and future plans as aligned with the Strategic Plan and other documents. The forecast model builds on the budget as a base for future years.

The 2017 Budget includes fixed route service levels of 500,130 service hours. This is a planned increase of approximately 55,180 service hours from 2016 actual service hours. This builds upon the restoration of reduced service hours resulting from the recession. With continued increases in sales tax revenue, Pierce Transit started restoring service hours in 2015 and is projecting capacity to restore modest service hours over the next six years if revenue and expense forecasts perform as expected.

Following are a few of the major initiatives and capital projects budgeted for 2017:

- Implementing the comprehensive route analysis and service enhancement projects
- Developing a new strategic plan
- Base master plan development
- Tacoma Dome Station mid-life refurbishment
- Transit center enhancements and refresh
- Electric bus purchase
- Mobile Eye (crash avoidance) system implementation
- Financial management system replacement

III. ECONOMIC CONDITION AND OUTLOOK

The U.S. economic outlook is healthy for 2017 with gross domestic product (GDP) expected to continue to grow at a modest rate of 2.3 percent, consistent with the last couple of years. Consumer confidence remains at fairly high levels, buoyed by a healthy labor market, low inflation and increasing stock prices. Oil prices are expected to stay fairly flat, housing prices will continue to increase, and unemployment should remain relatively low in most parts of the country and Washington state. Given continued steady growth, the Federal Reserve is expected to enact additional incremental interest rate increases in 2017.

A big unknown clouding the forecast remains uncertainty surrounding the ability of President Trump and Congress to enact policy changes, spending plans and tax reform, and the resulting impacts.

While national policies, particularly trade related policies, have an impact on Washington State, 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 53% of total operating revenues in 2016 (74% excluding Sound Transit regional transit service revenue) and is expected to generate over \$81 million in revenue in 2017, an increase of 5.5%.

Pierce Transit's sales tax collections improved during 2016, with actual year-end collections up 6.8% over 2015. Sales tax growth has continued into 2017, with collections up 7% over 2016 actual collections for the same period. Retail spending is buoyed by increasing consumer confidence and disposable income, with growth in jobs and historically low unemployment. The most recent Pierce County unemployment rate was 6.1%, compared to a historical average of 6.9%, and a forecast of 6% or lower.

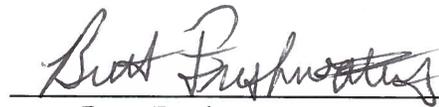
Factors contributing to continued growth in Pierce County include the Port of Tacoma with continued growth in container volumes, affordable housing (compared to King County), and continued growth of major employers such as Amazon and Microsoft. These factors are expected to contribute to a modest growth in Pierce Transit's sales tax revenue.

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, 2015. This was the 32nd 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 CAFR 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 preparing this report. Special acknowledgement is also made to the Office of the State Auditor to provide a timely audit and opinion so that this CAFR 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


Brett Freshwaters
Executive Director of Finance/CFO



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, 2015

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 nine-member Board. The Board is currently made up of elected officials representing Pierce County, Tacoma, Lakewood, Puyallup, University Place, and the smaller cities and towns in Pierce County. The governance structure allows for a tenth, non-voting union representative; however, this right is currently not being exercised and the position is vacant.



Commissioner Kent Keel
University Place Council/Chair



Commissioner Nancy Henderson
Town of Steilacoom Vice Chair



Commissioner Don Anderson
Mayor of Lakewood



Commissioner Daryl Eiding
Represents Fife, Milton and Edgewood



Commissioner Ryan Mello
Tacoma City Council



Commissioner Marilyn Strickland
Mayor of Tacoma



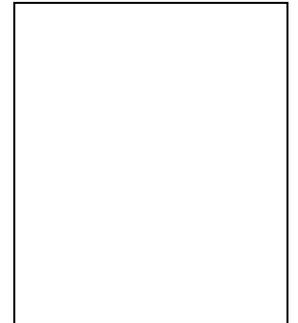
Commissioner Pat McCarthy
Pierce County Executive



Commissioner Heather Shadko
Puyallup Council



Commissioner Rick Talbert
Pierce County Council



Vacant
Non-Voting Union Representative



2017 ORGANIZATIONAL CHART

CITIZENS OF PIERCE COUNTY

BOARD OF COMMISSIONERS

GENERAL COUNSEL
Dana Henderson

CHIEF EXECUTIVE OFFICER
Sue Dreier

CLERK OF THE BOARD/
PUBLIC RECORDS OFFICER
Deanne Jacobson

Office of the CEO

Sue Dreier
Chief Executive Officer

Division Admin
Administrative Services
Legal

**ADMINISTRATION
DIVISION**

Vivienne Kamphaus
Executive Director

Division Admin
Employee Services
Employee Services
Labor Relations
Talent Management
Information Technology
Department Admin
Information Technology
Lean & Workforce Development
Lean & Workforce Development
Bus Safety & Training
Maintenance Training
Risk Management
Department Admin
Safety

**FINANCE
DIVISION**

vacant
Executive Director

Division Admin
Finance Department
Department Admin
Accounting
Budgeting
Data Analytics
Revenue Accounting
Procurement
Department Admin
Purchasing
Project Management

**MAINTENANCE
DIVISION**

Doug Middleton
Executive Director

Division Admin
Facilities
Fleet Maintenance
Department Admin
Automotive
Bus Repair
Warehousing
Radio Program
Department Admin
Bus Radio Systems

**PLANNING & COMMUNITY
DEVELOPMENT
DIVISION**

Dan Pike
Executive Director

Division Admin
Communications
Communications
Field Customer Service
Marketing
Transit Development
Department Admin
Capital Planning
Service Planning Admin
Bus Stop Program
Planning
Scheduling
Community Development
Community Development
Employer Services Admin
Employer Services

**SERVICE & DELIVERY
SUPPORT
DIVISION**

Mike Griffus
Executive Director

Division Admin
Public Safety
Department Admin
Physical Security
Public Safety Records
Marketing
Transit Police
Uniform Security
Transportation Operations
Department Admin
Operations Admin
Operations Dispatch
Operations
Paratransit Operations
Service Support
Service Support Admin
Service Support Operations
Customer Service
Specialized Transportation
Department Admin
Paratransit Customer Service
ADA
Vanpool

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**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 21, 2017

Board of Commissioners
Pierce Transit
Lakewood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2016 and 2015, 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 opinions 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce Transit, Pierce County, Washington, as of December 31, 2016 and 2015, 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 and pension plan information on pages 53 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transit Authority's basic financial statements. 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 21, 2017, 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 black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Pat McCarthy

State Auditor

Olympia, WA

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MD & A

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2016 and 2015. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

Financial Highlights

- Pierce Transit's assets and deferred outflows exceeded its liabilities and deferred inflows on December 31, 2016 by \$190.4 million (net position) compared to \$190.9 million in 2015 and \$236.1 million in 2014. Investments in capital assets decreased by \$6.5 million, and increased by \$1.4 million and \$2.2 million in 2016, 2015 and 2014 respectively. Pierce Transit's financial position deteriorated between 2014 and 2015 due to the implementation of GASB 68 but remained stable between 2015 and 2016.
- Unrestricted net position increased by \$6.0 million in 2016 due to the increase in deferred outflows and the decrease in deferred inflows related to pensions. Unrestricted net position decreased by \$46.6 million in 2015 and increased by \$8.4 million in 2014. The decrease in unrestricted net position was due to the implementation of GASB 68 which restated 2015 beginning net position by \$47.8 million and increased investment of capital assets of \$1.4 million.
- In 2016, deferred outflows increased to \$10.3 million as compared to \$6.2 million in 2015. The deferred outflows are related to employer pension contributions in accordance with GASB Statements 68 and 71. See Note 5 in the Notes to the Financial Statements.
- In 2016, the deferred inflow for all pension plans decreased 83.3% or \$1.2 million as compared to \$7.1 million in 2015. The deferred inflows related to the pension plans represent the net difference between projected and actual investment earnings on the pension plan investments.
- Net loss for 2016, before contributions, was \$1.2 million, compared to net revenue of \$.2 million for 2015 and \$.9 million in 2014. The 2016 net loss is caused by an increase in operating expenses due to an increase in wage & benefit costs and an increase in service hours. The decrease in net revenue between 2015 and 2014 was due to an increase in operating and depreciation expenses.

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, liabilities, and deferred inflows and outflows 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 changes to the Agency's net position during the current and prior fiscal years. All changes to net

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015

position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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).

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 52 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 is \$190.4 million, \$190.9 million and \$236.1 million in 2016, 2015 and 2014 respectively. The decrease from 2014 to 2015 was due to the implementation of GASB 68 requirements related to recording future pension liabilities.

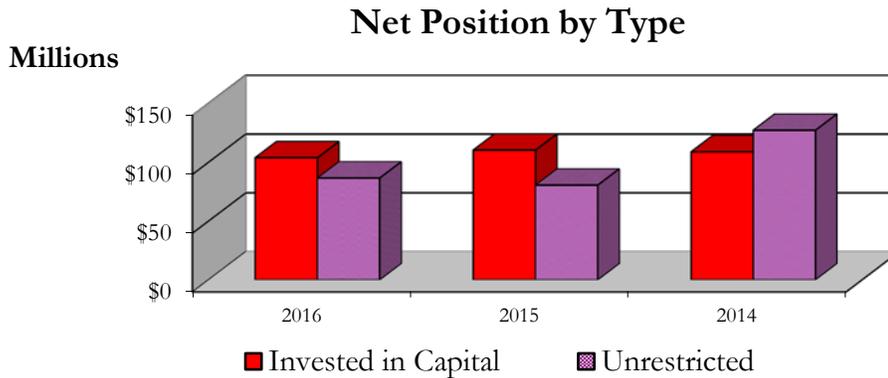
Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015

Summary Statement for Net Position
For the years ending December 31, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current Assets	\$ 157,234,077	\$ 148,573,278	\$ 144,939,720
Non-Current Assets	103,796,164	110,277,027	108,863,153
Total Assets	<u>261,030,241</u>	<u>258,850,305</u>	<u>253,802,873</u>
Deferred Outflows	10,274,959	6,160,588	-
Total Deferred Outflows	<u>10,274,959</u>	<u>6,160,588</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 271,305,200</u>	<u>\$ 265,010,893</u>	<u>\$ 253,802,873</u>
Liabilities:			
Current Liabilities	\$ 21,155,497	\$ 18,575,760	\$ 15,916,758
Non-Current Liabilities	58,538,024	48,447,281	1,831,511
Total Liabilities	<u>79,693,521</u>	<u>67,023,041</u>	<u>17,748,269</u>
Deferred Inflows	1,190,037	7,122,846	-
Total Deferred Inflows	<u>1,190,037</u>	<u>7,122,846</u>	<u>-</u>
Total Liabilities and Deferred Inflows	<u>\$ 80,883,558</u>	<u>\$ 74,145,887</u>	<u>\$ 17,748,269</u>
Net position:			
Net Investment in Capital Assets	103,796,164	110,277,027	108,863,153
Unrestricted Net Position	86,625,478	80,587,979	127,191,451
Total Net Position	<u>190,421,642</u>	<u>190,865,006</u>	<u>236,054,604</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 271,305,200</u>	<u>\$ 265,010,893</u>	<u>\$ 253,802,873</u>

A large majority of Pierce Transit's 2016 capital assets (\$103.8 million) reflect its investment in assets such as revenue vehicles, passenger facilities, and shop equipment that are used 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 (\$36.4 million) of the remaining net position balance of \$86.6 million has been designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs). The remainder of \$50.2 million is available to support future obligations for transportation operations. Pierce Transit implemented GASB 68 in 2015 which restated 2015 beginning net position by \$47.8 million.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015**



**Comparative Statement of Revenue, Expense and Change in Net Position
For the years ended December 31, 2016, 2015 & 2014**

	2016	2015	2014
Operating Revenue:			
Passenger Fares	\$ 11,912,836	\$ 12,628,413	\$ 12,212,748
Advertising	669,885	782,601	710,527
Regional Transit Service	40,421,292	36,207,706	36,262,906
Non-Operating Revenue:			
Subsidies	89,622,942	80,735,884	77,542,137
Other Revenue	3,691,514	1,799,189	4,847,634
Total Revenue	146,318,469	132,153,793	131,575,952
Operating Expense	127,945,787	115,119,040	114,860,656
Non-Operating Expense	2,254,943	530,168	1,159,934
Depreciation	17,289,674	16,292,407	14,683,193
Total Expense	147,490,404	131,941,615	130,703,783
Net Position before Contributions	(1,171,935)	212,178	872,169
Capital Contributions	728,571	2,397,798	7,782,173
*Change in Beginning Net Position, restated for GASB 68 Implementation	-	(47,799,574)	-
Change in Net Position	(443,364)	(45,189,598)	8,654,342
Net Position-Beginning	190,865,006	236,054,604	227,400,262
Net Position-Ending	\$ 190,421,642	\$ 190,865,006	\$ 236,054,604

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015

A description of operating & non-operating revenue follows:

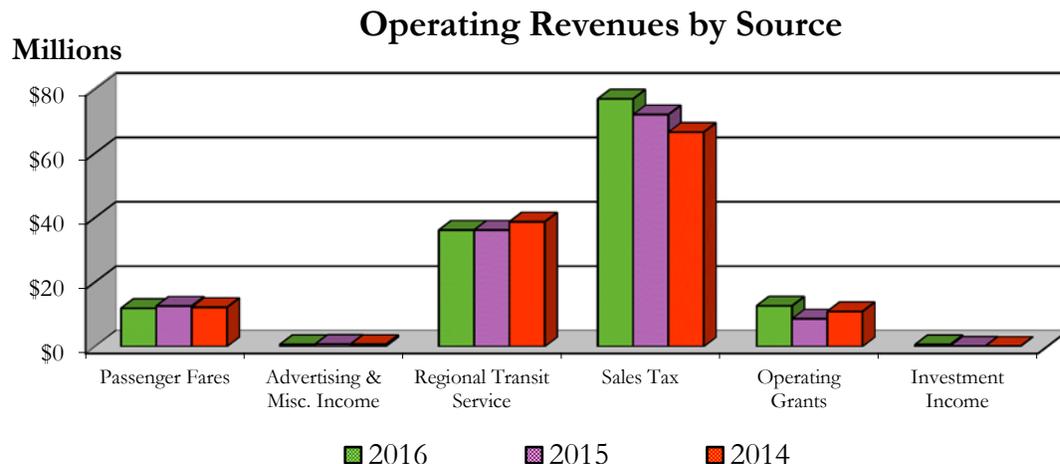
Operating Revenue	2016	2015	2014
Passenger Fares	\$ 11,912,836	\$ 12,628,413	\$ 12,212,748
Advertising	669,885	782,601	710,527
Regional Transit Service	40,421,292	36,207,706	36,262,906
Total Operating Revenue	53,004,013	49,618,720	49,186,181
Non-Operating Revenue			
Operating Subsidies:			
Sales Tax	76,947,406	72,076,026	66,612,814
Operating Grants	12,675,536	8,659,858	10,929,323
Other Non-Operating Revenue:			
Investment Revenue	650,061	190,114	115,634
Gain on Sale of Asset	904,555	278,983	1,414,746
Miscellaneous Revenue	2,136,898	1,330,091	3,317,254
Total Non-Operating Revenue	93,314,456	82,535,072	82,389,771
Total Revenue	\$ 146,318,469	\$ 132,153,792	\$ 131,575,952

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 were \$11.9 million in 2016. Fare revenues in 2015 and 2014 were \$12.6 million and \$12.2 million respectively. The reduction in revenue is due to decrease in ridership on all modes of Pierce Transit service. In December 2016, the Pierce Transit Board of Commissioners voted to restore 35,000 hours of service to begin in March 2017 to provide additional routes and more frequent service.
- Advertising revenues were .7 million in 2016 and .8 million in 2015. Revenue in 2014 was .7 million. Fluctuations are 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 establishes the operating parameters of this service. Included in the agreement is a method for determining and allocating Pierce Transit costs to provide this service. The agreement is for a period of three years. The current operating agreement ends on December 31, 2017. Revenues generated from this regional transit service were \$40.4 million in 2016, increasing 12% due to increases in the service hours Pierce Transit provides. Regional transit service revenues were \$36.2 million and \$36.3 million in 2015 and 2014, respectively.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015**

- Sales tax, accounting for 53% of Pierce Transit's operating revenue, increased by \$4.9 million, an increase of 6.8% over 2015. The increases in 2014 through 2016 are indicative of an improving local economy with increasing retail sales. Sales tax revenue was \$76.9 million in 2016, as compared to \$72.1 million in 2015 and \$66.6 million in 2014.
- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2016 totaled \$12.7 million compared to \$8.7 million in 2015 and \$10.9 million in 2014. Operating grant contracts are awarded annually and vary from year to year, based on federal funds availability and agency needs.
- Investment revenue increased 241% from 2015 earnings. 2016 investment earnings were \$.7 million compared to \$.2 million in 2015 and \$.1 million in 2014. The increase is due to increasing interest rates.

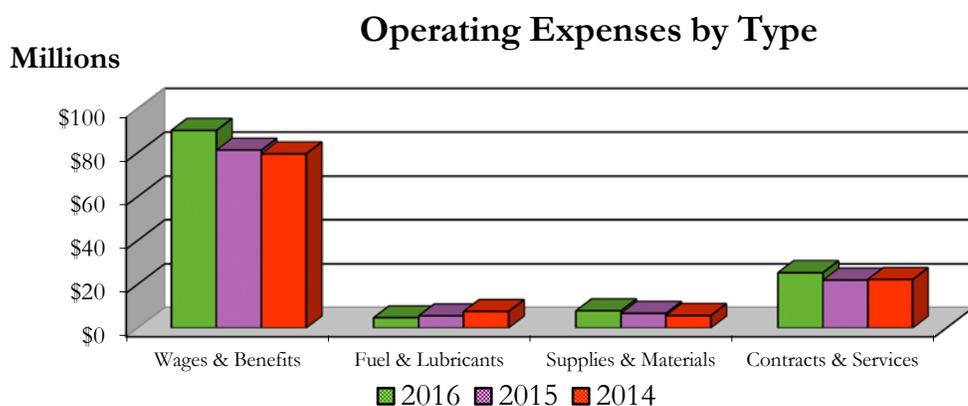


Operating Expenses

Operating expenses for 2016 totaled \$145.2 million increasing 10.5% from 2015 levels. Operating expenses for 2015 and 2014 were \$131.4 million and \$129.5 million respectively. The increase in between 2016 and 2015 was due to the labor contract settlement, hiring and training of new employees, employee wage and benefit increases, and additional depreciation expense. The increase between 2015 and 2014 was due to wage and benefit costs and the increase of depreciation expense.

Pierce Transit
Management's Discussion and Analysis
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Operating Expenses:	2016	2015	2014
Wages & Benefits	\$ 90,104,623	\$ 81,104,494	\$ 79,508,733
Fuel & Lubricants	4,721,708	5,518,422	7,529,537
Supplies & Materials	7,846,725	6,658,430	5,706,244
Contracts & Services	25,272,731	21,837,693	22,116,142
Depreciation & Amortization	17,289,674	16,292,407	14,683,193
Total Operating Expenses	145,235,461	131,411,446	129,543,849
Non-Operating Expenses:			
Items Previously Capitalized	365,535	9,995	20,380
Grant Exchange Funds	1,889,408	520,173	1,139,554
Total Non-Operating Expenses	2,254,943	530,168	1,159,934
Total Expenses	\$ 147,490,404	\$ 131,941,614	\$ 130,703,783



Wages and benefits for 2016 of \$90.1 million make up 70.4% of operating expenses (exclusive of depreciation) and increased 11% over 2015 levels. The increase between 2016 and 2015 is due to an increase in hiring, a retroactive labor agreement settlement, an increase in service hours, and increases in the cost of benefits. Wages and benefits for 2015 and 2014 were \$81.1 million and \$79.5 million respectively and increased 2% between 2015 and 2014. The increase between 2015 and 2014 was due to an increase in service hours and the increase in employer paid benefits.

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 2016, 2015 and 2014:

Service Hours:	2016	2015	2014
Fixed Route Pierce Transit	444,950	432,755	429,535
Fixed Route Sound Transit	334,484	321,355	318,636
Specialized Transportation	163,339	186,770	184,902
Vanpool	146,880	143,234	140,256
Total	1,089,653	1,084,114	1,073,329

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 2015

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, 2016 totaled \$103.8 million, net of accumulated depreciation. This compares to a 2015 net investment in capital assets of \$110.3 million and a 2014 net investment in capital assets of \$108.8 million. 2016 net capital decreased by 3.2%, or \$6.5 million, due to \$15.4 million in accumulated depreciation offsetting an increase of \$8.9 million in assets. Net 2015 capital assets increased by .2% or \$1.4 million and decreased by .1% or \$.2 million in 2014.

Capital contributions in 2016 totaled \$.7 million. Capital grants funded 5% of Pierce Transit's capital acquisitions in 2016. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1.

Capital acquisitions during 2016 totaled \$14.4 million and included the following major capital assets:

- \$6.6 million for bus replacement
- \$.4 million for property and building improvements
- \$4.9 million for SHUTTLE, support and vanpool vehicles
- \$1.9 million for technology projects and administrative equipment
- \$.6 million for CAD/AVL and radio system

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, 2016.

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 \$160,623,432. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$532,031,711. 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.

Factors Affecting Financial Condition

Local Economy

- Sales tax revenue was 53% of Pierce Transit's total operating revenues in 2016, compared to projected sales tax revenues of 54% in 2017. Excluding contracted regional transit service, which does not fund local Pierce Transit service, sales tax revenue was 73% of total operating revenues in 2016, compared to 77% of total projected operating revenues in 2017.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2016 and 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 predicted to grow about 4.6% in 2017. Reflecting the growth in the local economy as well as the growth in Pierce Transit's taxing district, Pierce Transit's 2017 Budget includes an increase of 5.5% over actual 2016 sales tax revenues.
- The continued economic recovery has been spurred by the growth in trade and service industries. The Puget Sound region as a whole has added jobs at a higher rate than the nation over the last several years. Positive projections in the housing and construction industries should also help spur growth in the local economy.
- New presidential policies and federal government legislation lend uncertainty to the economic climate. For example, trade restrictions may harm the Washington economy (which is heavily trade-dependent), while other policies and legislation, such as infrastructure investment may help the state and local economies.
- Pierce County's unemployment rate averaged 6.3% in 2016, down from 6.8% in 2015. Unemployment is expected to remain steady at 2016 levels in 2017.
- Given these factors, Pierce County's economy is expected to grow modestly in 2017.

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 reserve policies to insulate it from short term revenue downturns and unanticipated expenditures. The operating reserve policy sets minimum operating reserves equal to two months' operating expenses. This amounts to nearly \$24 million in 2017.
- Increases in sales tax revenues allow for a restoration of service in 2017 with service levels increasing from 464,000 budgeted fixed route service hours in 2016 to 500,130 budgeted hours in 2017, an increase of 36,130 hours. The 2017 service levels are sustainable over the Six-Year Financial Plan.

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FINANCIAL
STATEMENTS

**Pierce Transit
Financial Statements
Years Ended December 31, 2016 and 2015**

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Comparative Statement of Net Position

December 31, 2016 and 2015

CURRENT ASSETS	2016	2015*
Cash	\$ 6,014,871	\$ 2,967,834
Investments	111,206,023	119,683,582
Accounts Receivable	248,765	179,901
Interest Receivable	23,207	10,523
Sales Tax Receivable	13,977,712	12,822,742
Due From Other Governments	22,179,752	9,805,948
Prepaid Expenses	245,460	274,149
Inventories	3,338,287	2,828,599
TOTAL CURRENT ASSETS	157,234,077	148,573,278
NON-CURRENT ASSETS		
Capital Assets Non-Depreciable		
Land	14,845,295	18,075,051
Work in Progress	12,275,750	16,614,533
Total Non-Depreciable Capital Assets	27,121,045	34,689,584
Capital Assets Depreciable		
Structures & Improvements	78,710,280	71,204,253
Site Improvements	45,100,543	50,570,667
Machinery & Equipment	157,547,940	143,138,978
Less: Accumulated Depreciation	(204,683,644)	(189,326,455)
Total Capital Assets Depreciable, Net of Depreciation	76,675,119	75,587,443
TOTAL NON-CURRENT ASSETS	103,796,164	110,277,027
TOTAL ASSETS	261,030,241	258,850,305
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	10,274,959	6,160,588
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,274,959	6,160,588
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 271,305,200	\$ 265,010,893
CURRENT LIABILITIES		
Checks Payable	\$ 566,448	\$ 585,104
Accounts Payable	3,199,299	4,324,228
Unearned Revenue	285,724	308,102
Wages and Benefits Payable	3,112,791	2,552,567
Employee Leave Payable	5,023,628	4,557,192
Due to Other Governments	7,880,635	5,063,701
Provision for Uninsured Claims	1,086,972	1,184,866
TOTAL CURRENT LIABILITIES	21,155,497	18,575,760
NON CURRENT LIABILITIES		
Compensated Absences	1,929,344	1,862,752
Net Pension Liability	56,608,680	46,584,529
TOTAL LONG-TERM LIABILITIES	58,538,024	48,447,281
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	1,190,037	7,122,846
TOTAL DEFERRED INFLOWS OF RESOURCES	1,190,037	7,122,846
NET POSITION		
Investment in Capital Assets	103,796,164	110,277,027
Unrestricted Net Position, Restated	86,625,478	80,587,979
TOTAL NET POSITION, as restated	\$ 190,421,642	\$ 190,865,006
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION, as restated	\$ 271,305,200	\$ 265,010,893

See accompanying notes to the financial statements.

*2015 Beginning balance restated for GASB 68 implementation 24

Pierce Transit

Comparative Statement of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2016 and 2015

OPERATING REVENUE	2016	2015*
Passenger Fares	\$ 11,912,836	\$ 12,628,413
Advertising	669,885	782,601
Regional Transit Service	40,421,292	36,207,706
TOTAL OPERATING REVENUE	<u>53,004,013</u>	<u>49,618,720</u>
OPERATING EXPENSES		
Operations	76,697,537	69,255,832
Maintenance	22,220,634	20,739,687
Non-Vehicle Maintenance	7,365,708	5,318,904
General & Administration	21,661,908	19,804,617
Depreciation & Amortization	17,289,674	16,292,407
TOTAL OPERATING EXPENSES	<u>145,235,461</u>	<u>131,411,447</u>
OPERATING REVENUE (LOSS)	<u>(92,231,448)</u>	<u>(81,792,727)</u>
NON-OPERATING REVENUE (EXPENSE)		
Operating Subsidies:		
Sales Tax	76,947,406	72,076,026
Operational Grants	12,675,536	8,659,858
Other:		
Expense of Items Previously Capitalized	(365,535)	(9,995)
Interest Revenue	650,061	190,114
Grant Exchange Funds	(1,889,408)	(520,173)
Miscellaneous Non-Operating Revenue	2,136,898	1,330,092
Gain (Loss) on Disposal of Assets	904,555	278,983
NET NON-OPERATING REVENUE	<u>91,059,513</u>	<u>82,004,905</u>
NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,171,935)	212,178
Capital Contributions	728,571	2,397,798
CHANGE IN NET POSITION	<u>(443,364)</u>	<u>2,609,976</u>
NET POSITION-BEGINNING	190,865,006	236,054,604
Change in Beginning Net Position, restated for GASB 68		*
NET POSITION-ENDING, as restated	<u>\$ 190,421,642</u>	<u>\$ 190,865,006</u>

See accompanying notes to the financial statements.

*Net position restated for GASB 68 implementation

Pierce Transit

Comparative Statement of Cash Flows

Years ended December 31, 2016 and 2015

INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	\$ 54,153,234	\$ 53,004,191
Cash Payments to Suppliers for Goods & Services	(37,719,173)	(34,152,745)
Cash Payments to Employees for Services	(89,021,698)	(80,819,340)
Miscellaneous Non-Operating Income	2,136,898	1,330,092
Net Cash Used By Operating Activities	<u>(70,450,739)</u>	<u>(60,637,802)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales Tax Received	75,792,436	71,040,710
Operating Grants Received	1,549,684	7,483,322
Grant Exchange Funds	(1,889,408)	(520,173)
Net Cash Provided By Noncapital Financing Activities	<u>75,452,712</u>	<u>78,003,859</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(12,690,295)	(16,028,391)
Capital Grants and Contributions	728,571	2,397,798
Principal Paid on Debt	-	-
Interest Paid on Debt	-	-
Proceeds From Sale of Equipment	904,555	278,983
Net Cash Used By Capital and Related Financing Activity	<u>(11,057,169)</u>	<u>(13,351,610)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(119,004,040)	(92,468,111)
Proceeds from Maturities of Investment Securities	127,481,600	85,371,590
Interest on Investments	624,673	179,591
Net Cash Used By Investing Activities	<u>9,102,233</u>	<u>(6,916,930)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,047,037	(2,902,483)
Cash and Cash Equivalents at Beginning of Year	2,967,834	5,870,317
Cash and Cash Equivalents at End of Year	<u>\$ 6,014,871</u>	<u>\$ 2,967,834</u>

See accompanying notes to the financial statements.

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

Operating Loss	<u>\$ (92,231,448)</u>	<u>\$ (81,792,727)</u>
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**ADJUSTMENTS TO RECONCILE OPERATING
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and Amortization	17,289,674	16,292,407
Miscellaneous Non-Operating Income	2,136,898	1,330,092

CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:

(Increase) Decrease in Receivables	(68,864)	50,343
(Increase) Decrease in Inventories	(509,688)	23,392
(Increase) Decrease in Prepaid Expenses	28,688	(15,749)
(Increase) Decrease in Due from Other Governments	(1,576,471)	2,035,190
Increase (Decrease) in Checks Payable	(73,386)	46,474
Increase (Decrease) in Accounts Payable	774,271	(41,215)
Increase (Decrease) in Unearned Revenue	(22,378)	71,505
Increase (Decrease) in Wages and Benefits Payable	(7,991,670)	1,247,412
Increase (Decrease) in Due to Other Governments	2,816,934	1,228,433
Increase (Decrease) in Provision for Uninsured Claims	(97,894)	(151,101)
Net Pension Liability - Related Deferred Inflows and Outflows	9,074,595	(962,258)
TOTAL ADJUSTMENTS	21,780,709	21,154,925
Net Cash Used By Operating Activities	\$ (70,450,739)	\$ (60,637,802)

See accompanying notes to the financial statements.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

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.

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.

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. 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 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.

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.

New Pronouncements and Restatement of 2015 Net Position - In 2015, Pierce Transit adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*. GASB 68 requires entities providing defined benefit pensions to their employees to recognize their

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

proportionate share of the pension plan's net liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The change in accounting for pensions, as discussed in Note 5A, resulted in the following restatement of net position as of January 1, 2015:

Unrestricted net position, January 1, 2015 as previously reported	\$127,191,451
GASB 68 adjustment to record net pension liability and related deferred outflows of resources	<u>(47,799,574)</u>
Restated net position January 1, 2015	<u>\$ 79,391,877</u>

In 2016, GASB Statement issued No. 72, *Fair Value Measurement and Application*. GASB 72 establishes general principles for measuring fair value, which primarily applies to state and local governments. Pierce Transit records its investments at cost, which approximates fair value. The effects of Statement 72 on the financial statements are immaterial and therefore were not implemented.

Pierce Transit implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* in 2016. GASB Statement No. 79 establishes criteria for an external pool to qualify for making the election to measure investments at amortized costs for financial reporting purposes.

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.

Investments - Investments are carried at cost, which approximates fair value.

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.

Capital Assets - Property, plant, and equipment are stated at acquisition value or at fair 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
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

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.

Depreciation is computed upon the straight-line method over established useful lives of individual assets.

Costs incurred in project planning and design is 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.

Unearned Revenue - Revenues are recorded when earned. As of December 31, 2016 and 2015 unearned revenue was \$285,724 and \$308,102, respectively and is made up of prepaid fare revenue.

Retirement - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement System and the Tacoma Employees Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

2. 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,

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

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, 2016 and 2015, is as follows:

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2016

	AMENDED BUDGET	ACTUAL	VARIANCE
Passenger Fares	\$ 14,527,774	\$ 11,912,836	\$ (2,614,938)
Advertising	763,000	669,885	(93,115)
Regional Transit Service	37,804,645	40,421,292	2,616,647
Interest Revenue	125,000	650,061	525,061
Sales Tax	74,106,092	76,947,406	2,841,314
Operating Grants	9,226,347	12,675,536	3,449,189
Capital Contributions	2,776,290	728,571	(2,047,719)
Miscellaneous Revenues	3,164,650	2,136,898	(1,027,752)
Gain (Loss) on Disposal of Assets	-	904,555	904,555
TOTAL*	\$ 142,493,798	\$ 147,047,040	\$ 4,553,242

SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2016

	AMENDED BUDGET	ACTUAL	VARIANCE
Personnel	\$ 91,823,601	\$ 90,104,623	\$ 1,718,978
Fuel and Lubricants	6,746,593	4,721,708	2,024,885
Supplies and Materials	6,431,668	7,846,725	(1,415,057)
Contracts and Services	29,952,290	25,272,731	4,679,559
Depreciation and Amortization	-	17,289,674	(17,289,674)
Expense of Items Previously Capitalized	-	365,535	(365,535)
Capital Acquisitions	29,318,329	14,404,102	14,914,227
Grant Exchange Funds	780,258	1,889,408	(1,109,150)
TOTAL*	\$ 165,052,739	\$ 161,894,506	\$ 3,158,233

*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, 2016 and 2015

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2015

	AMENDED BUDGET		ACTUAL		VARIANCE
Passenger Fares	\$ 12,483,534		\$ 12,628,413		\$ 144,879
Advertising	763,000		782,601		19,601
Regional Transit Service	36,494,014		36,207,706		(286,308)
Interest Revenue	131,700		190,114		58,414
Sales Tax	69,476,194		72,076,026		2,599,832
Operating Grants	8,128,321		8,659,858		531,537
Capital Contributions	5,676,704		2,397,798		(3,278,906)
Miscellaneous Revenues	6,051,207		1,330,092		(4,721,115)
Gain (Loss) on Disposal of Assets	-		278,983		278,983
TOTAL*	\$ 139,204,674		\$ 134,551,591		\$ (4,653,083)

SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2015

	AMENDED BUDGET		ACTUAL		VARIANCE
Personnel	\$ 86,619,972		\$ 81,104,494		\$ 5,515,478
Fuel and Lubricants	8,178,638		5,518,422		2,660,216
Supplies and Materials	6,646,235		6,658,429		(12,194)
Contracts and Services	26,394,686		21,837,695		4,556,991
Depreciation and Amortization	-		16,292,407		(16,292,407)
Expense of Items Previously Capitalized	-		9,995		(9,995)
Capital Acquisitions	38,479,440		17,767,302		20,712,138
Grant Exchange Funds	860,301		520,173		340,128
TOTAL*	\$ 167,179,272		\$ 149,708,917		\$ 17,470,355

*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, 2016 and 2015

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>2016</u>	<u>2015</u>
Passenger Fares	\$ 11,912,836	\$ 12,628,413
Advertising	669,885	782,601
Regional Transit Service	40,421,292	36,207,706
Interest Revenue	650,061	190,114
Misc. Non-Operating Revenue	2,136,898	1,330,092
Operating Subsidies	89,622,942	80,735,884
Gain (Loss) on Disposal of Assets	904,555	278,983
TOTAL	<u>\$ 146,318,469</u>	<u>\$ 132,153,793</u>

Revenues From the Budget vs. Actual Schedule:

Capital Contributions	728,571	2,397,798
TOTAL	<u>728,571</u>	<u>2,397,798</u>
GRAND TOTAL	<u>\$ 147,047,040</u>	<u>\$ 134,551,591</u>

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

	<u>2016</u>	<u>2015</u>
Operations	\$ 76,697,537	\$ 69,255,832
Maintenance	22,220,634	20,739,687
Non-Vehicle Maintenance	7,365,708	5,318,904
General & Administration	21,661,908	19,804,617
Depreciation and Amortization	17,289,674	16,292,407
Expense of Items Previously Capitalized	365,535	9,995
Grant Exchange Funds	1,889,408	520,173
TOTAL	<u>\$ 147,490,404</u>	<u>\$ 131,941,615</u>

Expenses From the Budget vs. Actual Schedule

Capital Acquisitions	14,404,102	17,767,302
GRAND TOTAL	<u>\$ 161,894,506</u>	<u>\$ 149,708,917</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

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, 2016 total \$9,513,062 compared to \$13,638,359 on December 31, 2015. The majority of the encumbrances for 2016 result from capital projects in progress including support vehicle, bus expansion, radio equipment, maintenance and repair of facilities and technology improvements. Encumbrances are not shown on the financial statements.

3. CHANGES IN CAPITAL ASSETS

The Summary of Changes in Capital Assets for the years ended December 31, 2016 and 2015, respectively, follows:

Summary of Changes in Capital Assets
Year Ended December 31, 2016

Description	Balance January 1, 2016	Additions	Retirements	Adjustments	Balance December 31, 2016
Capital assets not being depreciated:					
Land	\$ 18,075,051	\$ -	\$ (3,229,756)	\$ -	\$ 14,845,295
Work in Progress	16,614,533	14,404,102	-	(18,742,886)	12,275,749
Total capital assets not being depreciated	<u>34,689,584</u>	<u>14,404,102</u>	<u>(3,229,756)</u>	<u>(18,742,886)</u>	<u>27,121,044</u>
Depreciable capital assets:					
Structures	71,204,253	-	-	7,506,027	78,710,280
Site Improvements	50,570,667	-	-	(5,470,124)	45,100,543
Machinery & Equipment	143,138,978	-	(1,932,485)	16,341,448	157,547,941
Total depreciable capital assets at cost	<u>264,913,898</u>	<u>-</u>	<u>(1,932,485)</u>	<u>18,377,351</u>	<u>281,358,764</u>
Total Capital Assets (gross)	<u>299,603,482</u>	<u>14,404,102</u>	<u>(5,162,242)</u>	<u>(365,535)</u>	<u>308,479,808</u>
Less accumulated depreciation for:					
Structures	(59,533,794)	(3,316,247)	-	(644,879)	(63,494,920)
Site Improvements	(40,965,409)	(408,726)	-	158,000	(41,216,135)
Machinery & Equipment	(88,827,251)	(13,564,701)	1,932,485	486,879	(99,972,588)
Total accumulated depreciation	<u>(189,326,454)</u>	<u>(17,289,674)</u>	<u>1,932,485</u>	<u>-</u>	<u>(204,683,643)</u>
Total Capital Assets (net)	<u>\$110,277,028</u>	<u>\$ (2,885,572)</u>	<u>\$ (3,229,756)</u>	<u>\$ (365,535)</u>	<u>\$103,796,164</u>

*Adjustments include items previously capitalized and items reclassified as assets from work in progress.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Summary of Changes in Capital Assets
Year Ended December 31, 2015

Description	Balance January 1, 2015	Additions	Retirements	Adjustments	Balance December 31, 2015
Capital assets not being depreciated:					
Land	\$ 18,075,051	\$ -	\$ -	\$ -	\$ 18,075,051
Work in Progress	13,942,587	17,767,302	(15,034,336)	(61,020)	16,614,533
Total capital assets not being depreciated	<u>32,017,638</u>	<u>17,767,302</u>	<u>(15,034,336)</u>	<u>(61,020)</u>	<u>34,689,584</u>
Depreciable capital assets:					
Structures	70,738,163	466,090	-	-	71,204,253
Site Improvements	50,570,667	-	-	-	50,570,667
Machinery & Equipment	138,496,095	14,568,246	(9,987,260)	61,897	143,138,978
Total depreciable capital assets at cost	<u>259,804,925</u>	<u>15,034,336</u>	<u>(9,987,260)</u>	<u>61,897</u>	<u>264,913,898</u>
Total Capital Assets (gross)	<u>291,822,563</u>	<u>32,801,638</u>	<u>(25,021,596)</u>	<u>877</u>	<u>299,603,482</u>
Less accumulated depreciation for:					
Structures	(56,132,036)	(3,401,758)	-	-	(59,533,794)
Site Improvements	(40,378,206)	(587,203)	-	-	(40,965,409)
Machinery & Equipment	(86,449,168)	(12,303,446)	9,987,260	(61,897)	(88,827,251)
Total accumulated depreciation	<u>(182,959,410)</u>	<u>(16,292,407)</u>	<u>9,987,260</u>	<u>(61,897)</u>	<u>(189,326,454)</u>
Total Capital Assets (net)	<u>\$108,863,153</u>	<u>\$ 16,509,231</u>	<u>\$ (15,034,336)</u>	<u>\$ (61,020)</u>	<u>\$110,277,028</u>

*Adjustments include items previously capitalized.

Work in progress as of 12/31/16 and 12/31/15 consisted of the following projects:

	2016	2015
Buildings & Site Improvements	\$ 3,321,020	\$ 4,906,433
Technology Projects	2,973,848	3,496,350
Equipment & Vehicles	5,980,882	8,211,750
Total Work in Progress	<u>\$ 12,275,750</u>	<u>\$ 16,614,533</u>

Pierce Transit
Notes to Financial Statements
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A number of projects were in process at the end of 2016. Commitments on capital projects as of December 31, 2016 totaled \$8,004,919 and are itemized as follows: buildings and site improvements \$1,028,626, vehicles \$4,270,786, and technology and equipment \$2,705,507. Projects underway as of December 31, 2016 included base facility improvements, various technology upgrades or replacements, radio communication equipment, and bus expansion.

4. COMPENSATED ABSENCES

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>2016</u>	<u>2015</u>
Vacation-Current	\$ 3,130,136	\$ 2,853,068
Vacation-Non-Current	347,793	317,008
Total Vacation Leave Liability	<u>\$ 3,477,929</u>	<u>\$ 3,170,076</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, 2016 and 2015 were \$7,154,722 and \$6,419,942 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>2016</u>	<u>2015</u>
Current Liability based on usage or terminations	\$ 1,893,491	\$ 1,704,123
Non-current Liability based on expected future payoffs	1,581,552	1,545,743
Total Sick Leave Liability	<u>\$ 3,475,043</u>	<u>\$ 3,249,866</u>

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:

	<u>2016</u>	<u>2015</u>
Balance beginning of year	\$ 4,557,192	\$ 4,393,083
Employee leave earned	4,664,659	3,462,495
Employee leave paid	(4,198,223)	(3,298,386)
Current Employee Leave Payable	<u>\$ 5,023,628</u>	<u>\$ 4,557,192</u>

	<u>2016</u>	<u>2015</u>
Balance beginning of year	\$ 1,862,751	\$ 1,831,511
Employee leave earned	1,678,937	2,055,034
Employee leave paid	(1,612,344)	(2,023,794)
Compensated Absences	<u>\$ 1,929,344</u>	<u>\$ 1,862,751</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

5. CASH AND INVESTMENTS

Deposits - Pierce Transit and cash equivalents are classified in the accompanying financial statements as of December 31, 2016 and 2015, respectively as follows:

Composition of Cash and Cash Equivalents:	2016	2015
Demand Deposits	\$ 6,014,871	\$ 2,967,833
Investments having original maturities of less than 3 months	-	-
Total Cash and Cash Equivalents	\$ 6,014,871	\$ 2,967,833

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

Investments - 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:

- U.S. government obligations.
- U.S. government agency obligations.
- 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.
- Money market accounts insured by the FDIC.

During 2016 and 2015, Pierce Transit's portfolio complied with the investment policies discussed above. Management intends to hold time deposits and securities until maturity. Investments other than the Local Government Investment Pool are stated at cost, which approximates fair value. The amortized 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 2016 or 2015.

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, 2016 and 2015 was 56 days and 55 days, respectively.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

The following tables show maturities of all investments held by Pierce Transit as of December 31, 2016 and 2015.

Type of Investment	Cost	2016 Investments (in months)				Total
		0-3	4-6	7-12	13-24	
U.S. Agencies	\$ 21,096,117	\$ 3,089,087	\$ 1,500,111	\$ 3,500,000	\$ 13,006,919	\$ 21,096,117
Total Market Value	\$ 21,096,117	\$ 3,089,087	\$ 1,500,111	\$ 3,500,000	\$ 13,006,919	\$ 21,096,117

Type of Investment	Amortized Value	2016 Amortized Investments(in months)				Total
		0-3	4-6	7-12	13-24	
Local Government						
Investment Pool	\$ 90,109,905	\$ 90,109,905	\$ -	\$ -	\$ -	\$ 90,109,905
Total Amortized	\$ 90,109,905	\$ 90,109,905	\$ -	\$ -	\$ -	\$ 90,109,905
Total Investments	\$ 111,206,022	\$ 93,198,992	\$ 1,500,111	\$ 3,500,000	\$ 13,006,919	\$ 111,206,022

Type of Investment	Cost	2015 Investments (in months)				Total
		0-3	4-6	7-12	13-24	
Local Government						
Investment Pool	\$ 107,594,385	\$ 107,594,385	\$ -			\$ 107,594,385
U.S. Agencies	12,089,198	-	-	-	12,089,198	12,089,198
Total Market Value	\$ 119,683,583	\$ 107,594,385	\$ -	\$ -	\$ 12,089,198	\$ 119,683,583

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, 2016, nineteen percent of Pierce Transit's 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.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

6. RECEIVABLES

Amounts due to Pierce Transit for years ended December 31, 2016 and 2015 (net of uncollectible) are detailed as follows:

Total Other Receivables:	<u>2016</u>	<u>2015</u>
Accounts Receivable	\$ 248,765	\$ 179,901
Interest Receivable	23,207	10,523
Sales Tax Receivable	13,977,712	12,822,742
Total Other Receivables	<u>\$ 14,249,684</u>	<u>\$ 13,013,166</u>
Due from Other Governments:		
Federal Operating Assistance	10,101,023	337,833
Other Operating Partnerships	1,024,829	838,703
Fuel Tax Refund & CNG Credit	247,643	762,373
Regional Transit Service Revenues	10,769,338	7,501,601
Capital Grants	36,919	365,439
Total Due from Other Governments	<u>22,179,752</u>	<u>9,805,949</u>
Total Receivables	<u>\$36,429,436</u>	<u>\$22,819,115</u>

7. 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 will be maintained in an amount sufficient to fund the capital requirements identified in the Six-Year Plan plus an amount equal to three prior years of local depreciation, excluding buildings and structures. 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. Pierce Transit restated the 2015 beginning net position by \$47,799,574 to implement GASB 68, *Accounting and Financial Reporting for Pensions*.

	<u>2016</u>	<u>2015</u>
Operating	\$ 50,185,484	\$ 54,706,401
Self-Insurance	1,704,031	586,300
Capital Replacement/Expansion	<u>34,735,963</u>	<u>25,295,278</u>
Total Unrestricted Net Position	86,625,478	80,587,979
Net invested in Capital Assets	<u>103,796,164</u>	<u>110,277,027</u>
Total Net Position	<u>\$ 190,421,642</u>	<u>\$ 190,865,006</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

8. EMPLOYEE BENEFITS

Retirement - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement System and the Tacoma Employees Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans	2016	2015
Net Pension liabilities	\$56,608,680	\$ 46,584,529
Pension assets	\$ -	\$ -
Deferred outflows of resources	\$10,274,959	\$ 6,160,588
Deferred inflows of resources	\$ 1,190,037	\$ 7,122,846
Pension expense/expenditures	\$ 6,457,433	\$ 5,235,011

Substantially all Pierce Transit's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. Tacoma Transit employees electing to remain in the Tacoma Employee's Retirement System (TERS) when Pierce Transit took over operations of Tacoma Transit in 1980 are covered by TERS which is a defined benefit plan. Seven employees are enrolled in TERS. The Public Employees Retirement Systems (PERS) covers all other employees.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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The Tacoma Employees' Retirement System (TERS), a pension trust fund of the City of Tacoma, Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. The TERS CAFR may be obtained by writing to:

Tacoma Employees Retirement System
 Tacoma Public Utilities, Administration Building
 3628 South 35th Street
 Tacoma, WA 98409

Or the TERS CAFR may be downloaded at www.cityoftacoma.org/retirement.

Public Employees' Retirement System (PERS) - PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1 Contribution Rate	Employer Rate	Employee Rate
January – December 2016	11.18%	6.00%
January - June 2015	9.21%	6.00%
July – December 2015	11.18%	6.00%

Pierce Transit's actual contributions to the plan were \$62,697 for the year ended December 31, 2016 and \$2,757,188 for Plan 1. In 2015, contributions were \$56,130 and \$2,351,519 for Plan 1.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the

Pierce Transit
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member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3 Contribution Rates	Employer Plan 2/3	Employee Plan 2
January – December 2016	11.18%	6.12%
January – June 2015	9.21%	4.92%
July – December 2015	11.18%	6.12%
Employee PERS Plan 3	-	Varies

Pierce Transit's actual contributions to the plan were \$3,601,200 for the year ended December 31, 2016 and \$3,108,966 for 2015.

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Actuarial Assumptions - The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation.
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%.

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

Discount Rate - The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of

Pierce Transit
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Years Ended December 31, 2016 and 2015

7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class - Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

2016 and 2015 Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%

Sensitivity of NPL - The table below presents Pierce Transit's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2016 PERS 1	\$ 31,262,209	\$ 25,924,391	\$ 21,330,871
2016 PERS 2/3	\$ 56,115,271	\$ 30,477,887	\$ (15,865,500)
2015 PERS 1	\$ 30,510,010	\$ 25,059,502	\$ 20,372,565
2015 PERS 2/3	\$ 63,002,243	\$ 21,546,213	\$ (10,195,116)

Tacoma Employees Retirement System (TERS) - The Tacoma Employees' Retirement System (TERS) is a cost-sharing, multiple employer defined benefit public employee pension plan. The plan covers the majority of the employees of the City of Tacoma, with the exception of police officers, firefighters and Tacoma Rail employees, who are covered by another plan. Other members include certain employees of Pierce Transit, South Sound 911 and the Tacoma Pierce County Health Department who established membership in TERS when these agencies were still City of Tacoma departments.

TERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's highest consecutive 24 month average final compensation (AFC) multiplied by the member's years of service, up to 60% of AFC. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 50 with at least 20 years of service, at age 57 with at least ten years of service, or at age 60, regardless of service credit. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include death and disability payments. TERS members were vested after the completion of five years of eligible service.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

The TERS member contribution rate is established by the Tacoma City Council. The TERS required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

TERS Contribution Rate	Employer	Employee
2016 and 2015	10.8%	9.2%

Pierce Transit's actual contributions to the plan were \$69,704 for the year ended December 31, 2016 and \$54,225 for year ended December 31, 2015.

Actuarial Assumptions - The total pension liability (TPL) for each of the TERS plan was determined using the most recent actuarial valuation completed in 2015 with a valuation date of December 31, 2015. The actuarial assumptions used in the valuation were based on the results of the Milliman, Inc. Financial Reporting Valuation.

Additional assumptions for subsequent events and law changes are current as of the December 31, 2015 actuarial valuation report. The TPL measurement date and the valuation date are the same.

- Inflation: 3% total economic inflation.
- Salary increases: 4% salary increases, including inflation.
- Investment rate of return: 7.25%.

Mortality rates were based on the RP-2000 Mortality for Healthy and Disabled Annuitants Table, generational improvements per projection per Scale AA, published by the Society of Actuaries. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate - The discount rate used to measure the total pension liability for the TRS plan was 7.25 percent. To determine that rate, an asset sufficiency test included an assumed 7.25 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.25 percent was used to determine the total liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on the TERS pension plan investments of 7.25 percent was determined using a building-block-method. The Tacoma Employees Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. The long-term expected rate of return of 7.25 percent approximately equals the median of the simulated investment returns over a 30-year time horizon.

Estimated Rates of Return by Asset Class - Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31 2014, are summarized in the table below. The inflation component used to create the table is 3.0 percent and represents most recent long-term estimate of broad economic inflation.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

2016 and 2015 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return Arithmetic
Global Equity	41.5%	6.02%
Investment Grade Fixed Income	15.0%	2.03%
Private Equity	10.0%	9.02%
High Yield Bonds	9.0%	4.49%
US Inflation-Indexed Bonds	5.0%	1.41%
Emerging Market Debt	5.0%	5.05%
Master Limited Partnerships	4.0%	4.46%
Private Real Estate	2.5%	3.72%
Public Real Estate	2.0%	6.38%
Timber	2.0%	3.84%
Infrastructure	2.0%	5.88%
Agriculture	2.0%	4.38%

Sensitivity of NPL - The table below presents Pierce Transit's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate.

TERS	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2016	\$ 640,088	\$ 206,402	\$ (158,810)
2015	\$ 364,508	\$ (21,186)	\$ (345,807)

Pension Plan Fiduciary Net Position - Detailed information about the DR and TERS pension plans fiduciary net position is available in the separately issued DRS and TERS financial reports.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Pierce Transit's reported a total pension liability of \$56,608,680 for its proportionate share of the net pension liabilities as follows:

Plan	2016 Liability (or Asset)	2015 Liability (or Asset)
PERS 1*	\$ 25,924,391	\$ 25,059,502
PERS 2/3*	30,477,887	21,546,213
TERS **	206,402	(21,186)
TOTAL	\$ 56,608,680	\$ 46,584,529

*As of June 30

**As of December 31

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

At June 30 Pierce Transit's proportionate share of the collective PERS net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	.479064%	.482721%	.003657%
PERS 2/3	.603019%	.605330%	.002311%

At December 31 Pierce Transit's proportionate share of the collective TERS net pension liabilities was as follows:

	Proportionate Share 12/31/15	Proportionate Share 12/31/16	Change in Proportion
TERS	.00152541%	.01395979%	.012444%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Non-employer Allocations.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Plan Pension Expense	2016	2015
PERS 1	\$ 1,577,275	\$ 2,488,335
PERS 2/3	4,550,182	2,748,538
TERS	329,976	(1,862)
TOTAL ALL PLANS	\$ 6,457,433	\$ 5,235,011

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2016, Pierce Transit's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016 PERS 1	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	652,735	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,362,160	-
Total PERS 1	\$ 2,014,895	\$ -

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

2016 PERS 2/3	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,622,926	\$ (1,006,125)
Net difference between projected and actual investment earnings on pension plan investments	3,729,614	-
Changes of assumptions	315,014	-
Changes in proportion and differences between contributions and proportionate share of contributions	641,830	-
Contributions subsequent to the measurement date	1,743,365	-
Total PERS 2/3	\$ 8,052,749	\$ (1,006,125)

2016 TERS	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 135,615	\$ (13,815)
Net difference between projected and actual investment earnings on pension plan investments		-
Changes of assumptions	1,996	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(170,097)
Contributions subsequent to the measurement date	69,704	-
Total TERS	\$ 207,315	\$ (183,912)
TOTAL ALL PLANS	\$ 10,274,959	\$ (1,190,037)

At December 31, 2015, Pierce Transit's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2015 PERS 1	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,371,028
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,278,424	-
Total PERS 1/UAAL	\$ 1,278,424	\$ 1,371,028

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

2015 PERS 2/3	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,290,369	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	5,751,818
Changes of assumptions	34,716	-
Changes in proportion and differences between contributions and proportionate share of contributions	805,957	-
Contributions subsequent to the measurement date	1,695,035	-
Total PERS 2/3	\$ 4,826,077	\$ 5,751,818

2015 TERS	2015 Deferred Outflows of Resources	2015 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,862	-
Contributions subsequent to the measurement date	54,225	-
Total TERS	\$ 56,087	\$ -
TOTAL ALL PLANS	\$ 6,160,588	\$ 7,122,846

Deferred outflows of resources related to pensions resulting from Pierce Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2016:	PERS 1
2017	\$ (160,717)
2018	(160,717)
2019	599,467
2020	374,703
2021	N/A
Thereafter	

Year ended December 31, 2015:	PERS 1
2016	N/A
2017	N/A
2018	N/A
2019	N/A
2020	N/A
Thereafter	N/A

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Year ended December 31, 2016:	PERS 2/3
2017	\$ 280,886
2018	\$ 280,886
2019	\$ 2,969,316
2020	\$ 1,772,169
2021	\$ -
Thereafter	\$ -

Year ended December 31, 2015	PERS 2/3
2016	\$ 237,046
2017	\$ 237,046
2018	\$ 237,046
2019	\$ 94,819
2020	\$ -
Thereafter	\$ -

Year ended December 31, 2016:	TERS
2016	\$ (41,167)
2017	(41,167)
2018	(41,167)
2019	(47,079)
2021	483
Thereafter	-

Year ended December 31, 2015	TERS
2016	\$ (6,996)
2017	\$ (6,996)
2018	\$ (6,996)
2019	\$ (6,996)
2020	\$ (1,378)
Thereafter	\$ -

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

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 6% of the annual salary of all participating employees. In 2016, Pierce Transit contributed \$2,083,544 and employees contributed \$3,217,594. Pierce Transit and its employees contributed \$1,802,702 and \$2,989,548 respectively to this plan in 2015. 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.

9. COMMITMENTS

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) - Seven regional transit agencies participate in 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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

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, 2016 was \$4,446,061 with operating expenses of \$285,351. In 2015, ORCA revenue totaled \$4,457,682 and operating expense of \$297,675. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2016, and 2015 reported within Pierce Transit's financial statements, amounted to \$334,517 and \$327,725 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 8th 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 county wide radio system to be called the Pierce Transit – Pierce County Combined Communications Network (CNN) of shared radio and microwave systems to carry voice and data traffic.

10. INSURANCE

Pierce Transit became a full member of the Washington State Transit Insurance Pool (WSTIP) as of January 1, 2010 and retains first-dollar coverage for auto/general up to \$20 million per occurrence. As a member of the Pool, the Agency is able to take advantage of collective retentions, competitive re-insurance rates 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 (\$25,000 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 \$20 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 (\$10,000 deductible) per occurrence. Pierce Transit had no settlements exceeding insurance coverage in 2016 or 2015.

Pierce Transit continues to be self-insured for unemployment compensation and self-insured for \$1.1 million for workers' compensation (industrial insurance), with excess workers' compensation

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

(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, 2016, the self-insurance assets totaled \$2,928,332 of which a liability of \$1,086,972 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, 2015, Pierce Transit's self-insurance assets totaled \$1,887,991 of which a liability of \$1,184,866 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>2016</u>	<u>2015</u>
Balance beginning of year	\$ 1,184,866	\$ 1,337,967
Provision for incurred claims	2,243,571	2,326,178
Payments made for claims	(2,341,465)	(2,479,279)
Claims liabilities year ended	<u>\$ 1,086,972</u>	<u>\$ 1,184,866</u>

11. 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:

- **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, and 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 capital reserve will be maintained in an amount sufficient to fund the capital requirements identified in the Six-Year Financial Plan plus an amount equal to three prior years of local depreciation, excluding buildings and other structures. 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 2016.



**Schedule of Employer Contributions
PERS 1
As of December 30
Last 10 Fiscal Years***

	2016	2015
Statutorily or contractually required contributions PERS 1	\$ 2,775,078	\$ 2,407,649
Total PERS 1	<u>\$ 2,775,078</u>	<u>\$ 2,407,649</u>
Contributions in relation to the statutorily or contractually required contributions	<u>\$ 2,775,078</u>	<u>\$ 2,407,649</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	<u>\$ 59,829,190</u>	<u>\$ 52,159,102</u>
Contribution as a percentage of covered employee payroll	<u>4.6%</u>	<u>4.6%</u>

*This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Plan was closed to new entrants on September 30, 1977.

**Schedule of Employer Contributions
PERS 2/3
as of December 30
Last 10 Fiscal Years***

		2016		2015
Statutorily or contractual required contributions	\$	3,542,370	\$	3,025,923
Contributions in relation to the statutorily or contractual required contributions	\$	3,542,370	\$	3,025,923
Contribution Deficiency (excess)	\$	-	\$	-
Covered employer payroll	\$	59,266,643	\$	51,566,025
Contribution as a percentage of covered employee payroll		6.0%		5.9%

*This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions
TERS
As of December 31
Last 10 Fiscal Years*

	2016	2015
Statutorily or contractually required contributions	\$ 69,704	\$ 54,225
Contributions in relation to the statutorily or contractually required contributions	\$ 69,704	\$ 54,225
Contribution Deficiency (excess)	\$ -	\$ -
Covered employer payroll	\$ 645,406	\$ 502,081
Contribution as a percentage of covered employee payroll	10.8%	10.8%

*This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Proportionate Share of Net Pension Liability
PERS 1
As of June 30
Last 10 Fiscal Years*

	2016	2015
Employer proportion of net pension liability (asset)	0.482721%	0.479064%
Employer proportion share of net pension liability	\$ 25,924,391	\$ 25,059,502
Employer covered employee payroll	\$ 57,083,737	\$ 52,159,102
Employer proportionate share of the net pension liability as a percentage of covered employee payroll	45.41%	48.04%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%

*This schedule is intended to present information for 10 years.
Additional years will be displayed as they become available.

This plan was closed to new entrants on September 30, 1977.

Schedule of Proportionate Share of Net Pension Liability
PERS 2/3
As of June 30
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Employer proportion of net pension liability (asset)	0.605330%	0.630019%
Employer proportion share of net pension liability	\$ 30,477,887	\$ 21,546,213
Employer covered employee payroll	\$ 56,544,917	\$ 51,566,025
Employer proportionate share of the net pension liability as a percentage of covered employee payroll	<u>53.90%</u>	<u>40.79%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.82%</u>	<u>89.20%</u>

*This schedule is intended to present information for 10 years.
Additional years will be displayed as they become available.

Schedule of Proportionate Share of Net Pension Liability
TERS
As of December 31
Last 10 Fiscal Years*

	2016	2015
Employer proportion of net pension liability (asset)	0.013960%	-0.001525%
Employer proportion share of net pension liability	\$ 206,402	\$ (21,186)
Employer covered employee payroll	\$ 645,406	\$ 502,081
Employer proportionate share of the net pension liability as a percentage of covered employee payroll	31.98%	-4.22%
Plan fiduciary net position as a percentage of the total pension liability	93.94%	100.71%

*This schedule is intended to present information for 10 years.
Additional years will be displayed as they become available.



**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

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, 2016 and 2015**

**Financial Trends
Net Assets by Component
2007 - 2016**

	Invested in		Total
	Capital Assets	Unrestricted	
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
2015	\$110,277,027	\$ 80,587,979	\$190,865,006
2016	\$103,796,164	\$ 86,625,478	\$190,421,642

**Financial Trends
Expense Comparisons by Type
2007 – 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Personnel	\$67,667,670	\$77,278,554	\$79,346,300	\$82,910,872	\$82,413,780	\$76,615,405	\$74,160,441	\$79,508,733	\$81,104,494	\$90,114,950
Fuel & Lubricants	4,763,794	7,123,019	5,718,378	7,409,316	10,620,144	8,698,804	7,409,160	7,529,537	5,518,422	4,721,708
Supplies & Materials	5,962,609	5,921,096	5,246,793	5,534,848	6,200,926	5,683,897	5,011,098	5,706,244	6,658,429	7,846,725
Contracts & Services	17,065,225	18,258,165	18,273,761	22,341,235	22,749,993	20,721,754	20,533,637	22,116,142	21,837,695	25,272,731
Depreciation & Amortization	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193	16,292,407	17,289,674
Capital Acquisition	20,005,358	23,593,957	13,182,990	13,841,193	8,850,528	6,540,446	10,954,738	16,267,985	17,767,302	14,404,102
Loss Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	395,000	415,000	1,335,000	-	-	-	-	-	-	-
Interest Expense	94,799	77,616	45,252	-	-	-	-	-	-	-
Previously Capitalized									9,995	365,535
Items	132,357	234,942	2,460,260	381,012	909,998	126,620	224,061	20,380		
Grant										
Exchange Funds	1,758,451	860,301	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408
Total	\$133,591,049	\$147,880,050	\$140,566,409	\$146,360,722	\$147,046,227	\$132,702,823	\$133,921,921	\$146,971,768	\$149,708,917	\$161,904,833

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Financial Trends
Changes in Net Position
2007 – 2016**

Operating Revenue	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Passenger Fares	\$12,372,165	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836
Advertising	816,563	968,104	905,896	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885
Regional Transit Service	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906	36,207,706	40,421,292
Total Operating Revenue	30,083,334	32,293,853	35,670,160	39,753,579	44,499,060	43,858,454	46,650,262	49,186,181	49,618,720	53,004,013
Non-Operating Revenue										
Sales Tax	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814	72,076,026	76,947,406
Operating Grants	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323	8,659,858	12,675,536
Investment Revenue	5,590,687	3,220,825	1,014,361	346,746	100,949	198,874	151,610	115,634	190,114	650,061
Miscellaneous Revenue Gain(Loss)on Disposal of Assets	1,401,198 108,715	805,296 122,190	1,149,909 91,084	3,209,822 368,928	5,280,795 99,912	4,934,093 (183,396)	4,096,482 (10,303)	3,317,254 1,414,746	1,330,092 278,983	2,136,898 904,555
Total Non-Operating Revenue	91,176,467	85,405,970	78,908,979	79,189,348	79,976,826	80,319,830	78,136,757	82,389,771	82,535,073	93,314,456
Total Revenue	121,259,801	117,699,823	114,579,139	118,942,927	124,475,886	124,178,284	124,787,019	131,575,952	132,153,792	146,318,469
Operating Expense										
Fixed Route	76,043,175	86,654,338	86,680,889	96,282,650	98,836,124	90,192,642	86,365,065	92,989,803	93,589,034	105,737,573
Demand Response	15,807,504	17,637,236	17,806,552	17,597,639	18,513,933	17,229,379	16,609,716	17,555,294	17,347,709	17,872,486
Vanpool	3,608,619	4,289,260	4,097,791	4,315,982	4,634,786	4,297,219	4,139,555	4,315,559	4,182,296	4,335,728
Depreciation & Amortization	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193	16,292,407	17,289,674
Total Operating Expense	111,205,084	122,698,234	122,590,367	131,024,895	136,509,254	125,151,137	121,860,478	129,543,849	131,411,446	145,235,461
Non-Operating Expense										
Expense of Capital Items	132,357	234,942	2,460,260	381,012	909,998	126,620	224,061	20,380	9,995	365,535
Interest Expense	94,799	77,616	45,252	-	-	-	-	-	-	-
Grant Exchange Funds	1,758,451	860,301	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408
Total Non-Operating Expense	1,985,607	1,172,859	3,458,052	1,496,634	2,016,445	1,010,620	1,106,705	1,159,934	530,168	2,254,943
Total Expense	113,190,691	123,871,093	126,048,419	132,519,529	138,525,699	126,162,377	122,967,183	130,703,783	131,941,614	147,490,404
Net Expense	8,069,110	(6,171,270)	(11,469,280)	(13,576,602)	(14,049,813)	(1,984,093)	1,819,836	872,169	212,178	(1,171,935)
Capital Grants	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173	2,397,798	728,571
Change in Net Position	\$16,167,484	\$2,564,925	\$(8,651,967)	\$(4,434,137)	\$(10,380,861)	\$(532,272)	\$7,675,015	\$8,654,342	\$2,609,976	\$(443,364)

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Revenue Capacity
Revenue and Subsidies Comparisons
2007 – 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Passenger Fares	\$12,372,165	13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748	12,628,413	11,912,836
Regional Transit Fares	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906	36,207,706	40,421,292
Advertising	816,563	968,104	905,896	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885
Interest Income	5,590,687	3,220,825	1,014,361	346,746	99,912	198,874	151,610	115,634	190,114	650,061
Sales Tax	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814	72,076,026	76,947,406
Operating Subsidies	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323	8,659,858	12,675,536
Capital Grants	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173	2,397,798	728,571
Gain on Disposal of Assets	108,715	122,190	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555
Miscellaneous	1,041,198	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,480	3,317,254	1,330,092	2,136,898
Total	<u>\$129,358,175</u>	<u>\$126,436,018</u>	<u>\$117,396,452</u>	<u>\$128,085,392</u>	<u>\$128,144,838</u>	<u>\$126,694,649</u>	<u>\$130,642,196</u>	<u>\$139,358,125</u>	<u>\$134,551,591</u>	<u>\$148,047,040</u>

**Revenue Capacity
Fixed Route Farebox Recovery
2007 – 2016**

Year	Farebox Recovery
2007	16%
2008	16%
2009	19%
2010	17%
2011	15%
2012	16%
2013	18%
2014	17%
2015	17%
2016	13%

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Revenue Capacity
Fare History
2007 - 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash Fares										
Adult	\$ 1.50	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Senior/Disabled/Youth	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00
Passes										
Adult Pass	54.00	54.00	63.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Senior/Disabled Pass	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	45.00
Adult All Day Pass	-	-	-	-	-	-	-	-	5.00	5.00
Senior/Disabled Day Pass	-	-	-	-	-	-	-	-	2.50	2.50
Youth All Day Pass	-	-	-	-	-	-	-	-	2.50	2.50
Transfers	Free	Eliminated	Eliminated	Eliminated						

**Revenue Capacity
2007 & 2016 Taxable Sales Comparisons
Pierce County**

	2007		2016	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 6,083,032,333	\$ 37,441,002	\$ 7,446,391,921	\$ 39,363,979
Services	1,939,802,048	11,939,462	2,615,120,092	13,824,351
Contracting	2,414,312,687	14,860,070	2,238,858,048	11,835,311
Manufacturing	359,628,080	2,213,507	231,782,090	1,225,273
Transportation/Utilities	65,103,047	400,709	72,230,344	381,832
Wholesaling	776,469,806	4,779,164	765,955,617	4,049,083
Finance/Insurance/Real Estate	895,851,820	5,513,959	1,179,295,621	6,234,129
Other Business	1,414,167	8,704	6,327,231	33,448
TOTAL	\$ 12,535,613,988	\$ 77,156,577	\$ 14,555,960,964	\$76,947,406

Source: WA ST Department of Revenue Quarterly Business Review

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Debt Capacity
Legal Debt Margin
2016**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$42,832,915,183	\$42,562,536,906
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 160,623,432	\$ 532,031,711
Less: Outstanding Debt	-	-
Debt Margin	\$ 160,623,432	\$ 532,031,711

* The maximum debt capacity includes both non-voted and voted debt.

**Debt Capacity
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
2007 – 2016**

December 31	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
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	-	-	-
2015	830,120	39,008,715	-	-	-
2016	861,310	42,832,915	-	-	-

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Debt Capacity
Computation of Direct and Overlapping Debt
2016**

	- Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	199,861,000	30.54%	61,037,549
Pierce County	490,384,000	42.27%	207,285,317
			\$268,322,866
PTBA Population			547,975
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
2007 – 2016**

.Fiscal Year Dec 31	Pierce County Population	Median Household Income (1)	Personal Income (2) (In Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
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	59,998	36,282,818	43,613	129,803	7.3
2015	830,120	59,953	N/A	28,824	128,800	6.8
2016	861,310	61,042	N/A	N/A	134,810	6.3

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, 2016 and 2015**

**Principal Employers
Comparisons of Employees and Percent to Total Employment
2016 and 2007**

Top Ten Employers for 2016

Employer	Employees	Percent of Total County Employment	Type
Joint Lewis McChord	57,210	7.0%	Military
Local Public Schools	13,408	1.6%	Education
Multicare Health	8,247	1.1%	Health Care
Washington State	6,844	0.8%	Government
Franciscan Health	6,099	0.7%	Health Care
Pierce County Government	3,001	0.5%	Government
Fred Meyer	2,560	0.4%	Retail
City of Tacoma	2,138	0.3%	Government
State Farm Insurance	2,050	0.2%	Insurance
Emerald Queen Casino	2,026	0.2%	Entertainment
Total	110,548	12.8%	
2016 Pierce County Population	<u>861,310</u>		

Top Ten Employers for 2007

Employer	Employees	Percent of Total County Employment	Type
Federal Government	57,303	7.2%	Military
Local Government	31,139	3.9%	Government
Multicare Health	9,626	1.2%	Health Care
Safeway Store	2,650	0.3%	Retail
Fred Meyer	2,360	0.3%	Retail
Wal-Mart	1,850	0.2%	Retail
Emerald Queen	1,688	0.2%	Entertainment
Boeing	1,450	0.2%	Business
McDonalds	1,290	0.2%	Food
Frank Russell	1,100	0.1%	Business
Total	110,456	14.0%	
2007 Pierce County Population	<u>790,500</u>		

Sources: Bureau of Labor Statistics
Pierce County CAFR

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

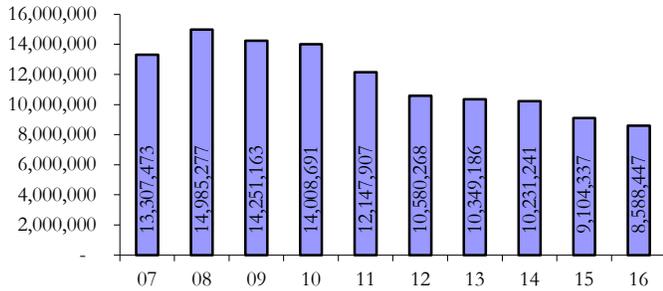
**Operating Information
Pierce Transit Employee by Function
2007 – 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operations	747	708	674	674	598	575	572	601	631	659
Maintenance	169	162	163	161	144	132	127	136	142	149
Administration	174	168	145	144	139	109	94	99	97	110
	1,090	1,038	982	979	881	816	802	836	870	870

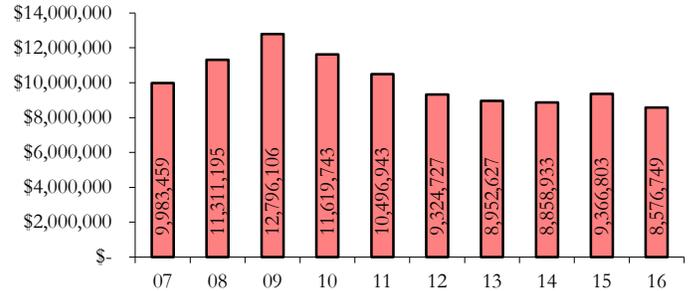
Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015

Operating Information
Fixed Route Statistics
2007 – 2016

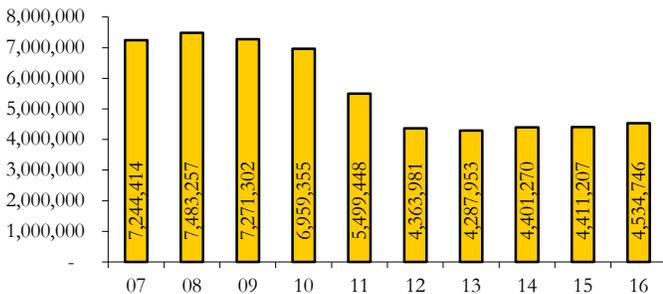
Annual Boardings



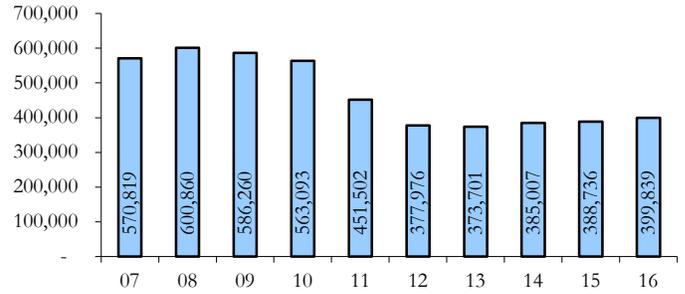
Annual Passenger Fare Revenues



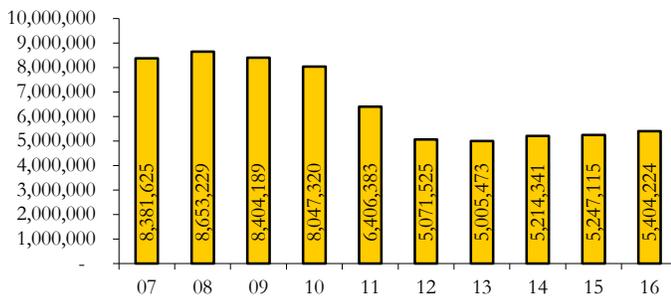
Actual Revenue Miles



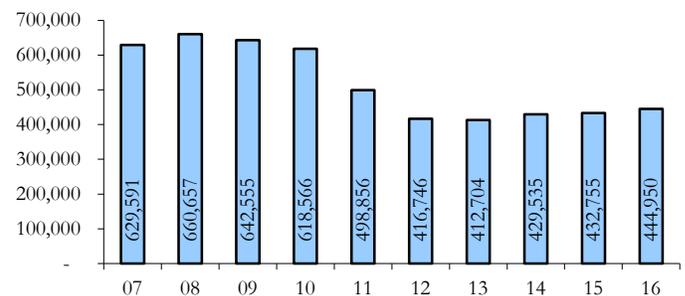
Actual Revenue Hours



Service Miles



Service Hours

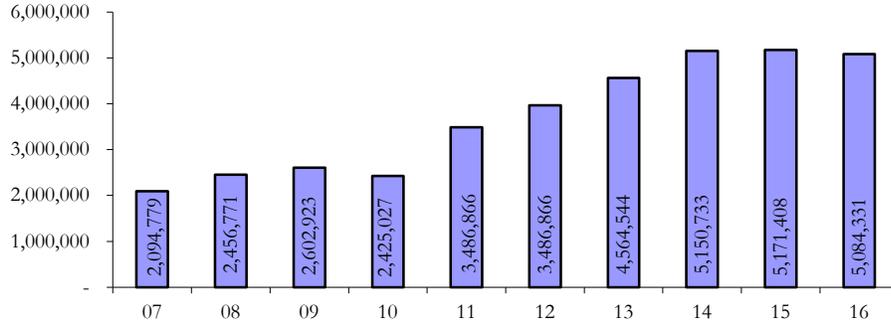


Source: National Transit Database (NTD)

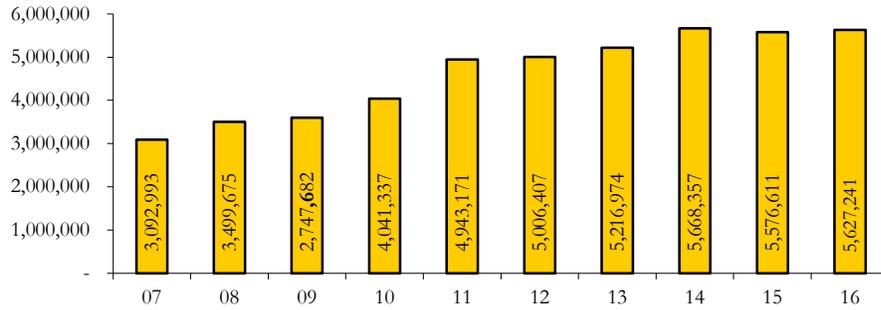
Pierce Transit
 Statistical Section
 Year ended December 31, 2016 and 2015

Operating Information
Sound Transit
Fixed Route Statistics
 2007 – 2016

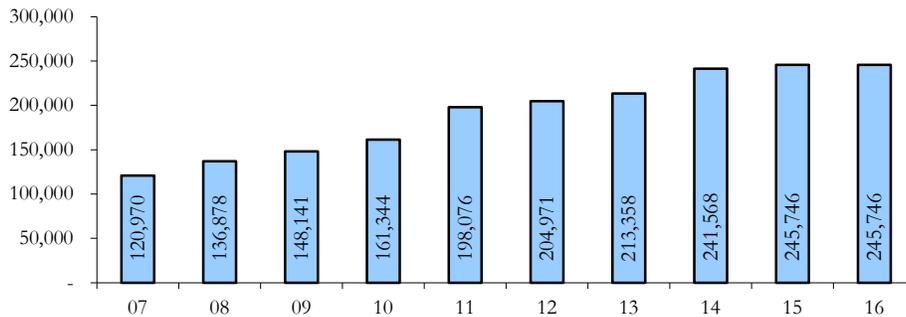
Annual Boardings



Revenue Miles



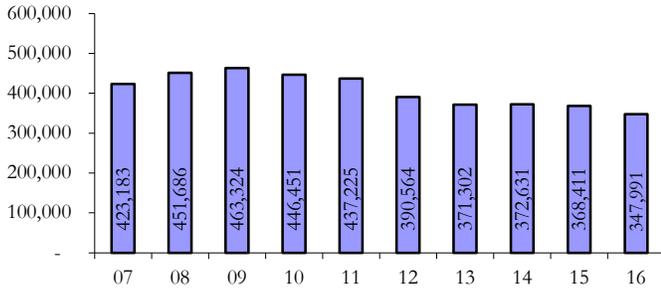
Revenue Hours



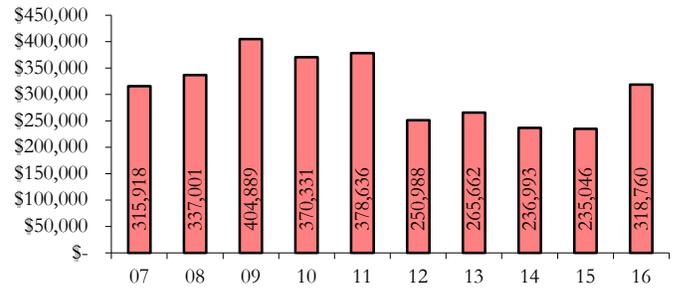
**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Operating Information
Specialized Transportation (SHUTTLE)
2007 – 2016**

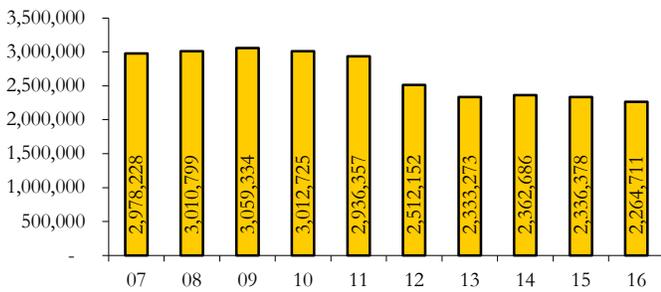
Annual Boardings



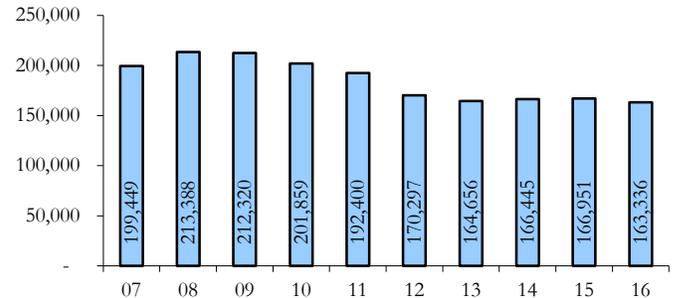
Annual Passenger Fare Revenues



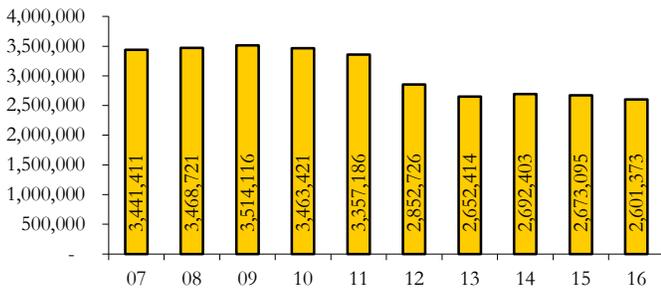
Actual Revenue Miles



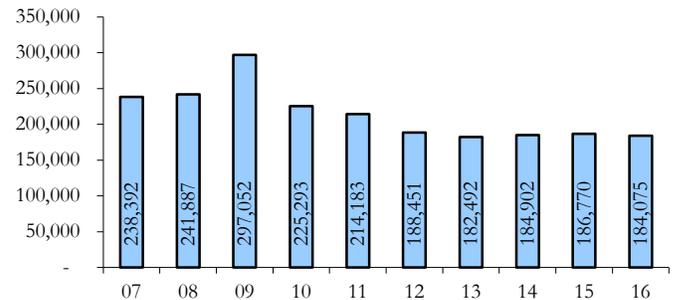
Actual Revenue Hours



Service Miles



Service Hours

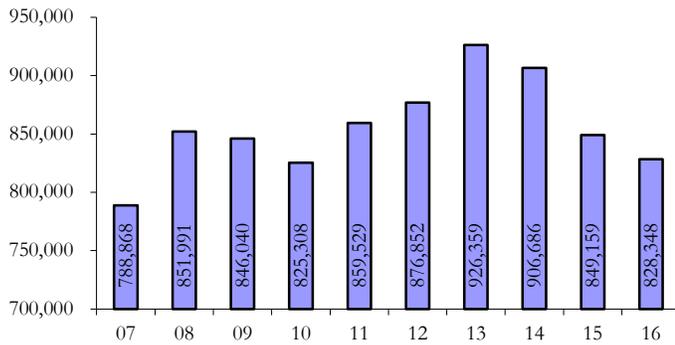


Directly operated and purchased transportation services.

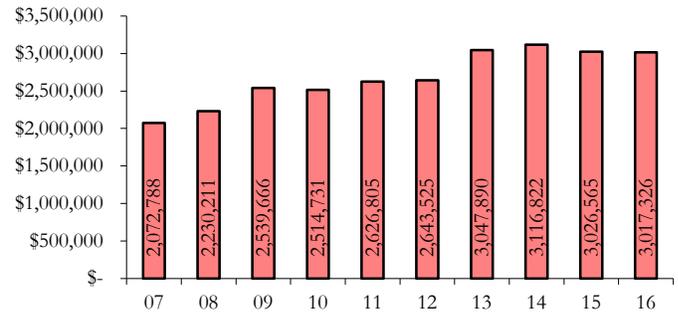
Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015

Operating Information
Vanpool Statistics
2007 – 2016

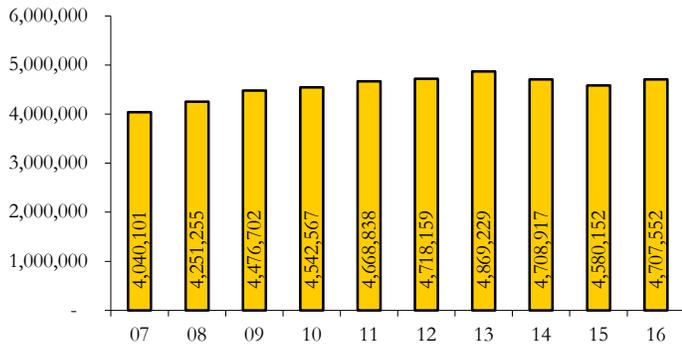
Annual Boardings



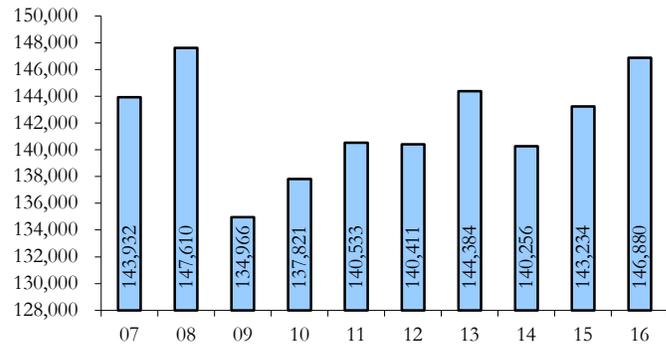
Annual Passenger Fare Revenues



Revenue/Service Miles



Revenue /Service Hours



**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Operating Information
Key Performance Measures
2007 – 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Annual Boardings	13,307,473	14,985,277	14,251,163	14,008,691	12,147,907	10,580,268	10,349,186	10,231,241	9,104,337	8,588,447
Cost per Service Hour	\$ 96.96	\$ 104.96	\$ 105.80	\$ 114.02	\$ 134.82	\$ 136.99	\$ 119.13	\$ 124.71	\$ 130.55	\$ 143.34
Farebox Recovery	16%	16%	19%	17%	16%	16%	18%	17%	17%	13%
Passengers per Service Hour	21.1	22.7	22.2	22.6	24.4	25.4	25.1	23.8	21.0	19.3
Cost per Passenger	\$ 4.59	\$ 4.63	\$ 4.77	\$ 5.03	\$ 5.54	\$ 5.40	\$ 4.75	\$ 5.24	\$ 6.21	\$ 7.43
SHUTTLE:										
Annual Boardings	425,539	451,686	463,324	446,451	437,225	390,564	371,302	372,631	368,411	347,991
Cost per Service Hour	\$ 66.26	\$ 72.92	\$ 71.18	\$ 78.11	\$ 86.44	\$ 91.43	\$ 91.02	\$ 94.94	\$ 92.88	\$ 98.07
Farebox Recovery	2%	2%	2%	2%	2%	2%	2%	1%	1%	2%
Passengers per Service Hour	1.8	1.9	1.9	2.0	2.0	2.1	2.0	2.0	2.0	1.9
Cost per Passenger	\$ 37.32	\$ 39.05	\$ 38.43	\$ 39.42	\$ 42.34	\$ 44.11	\$ 44.73	\$ 47.11	\$ 47.09	\$ 51.88
VANPOOL:										
Annual Boardings	788,868	851,991	846,040	825,308	859,529	876,852	926,359	906,686	849,159	828,348
Cost per Service Hour	\$ 25.07	\$ 29.06	\$ 30.36	\$ 31.32	\$ 32.98	\$ 30.60	\$ 28.67	\$ 30.77	\$ 29.20	\$ 29.66
Farebox Recovery	57%	52%	57%	58%	63%	62%	74%	72%	72%	69%
Passengers per Service Hour	5.5	5.8	6.3	6.0	6.1	6.2	6.4	6.5	5.9	5.6
Cost per Passenger	\$ 4.57	\$ 5.03	\$ 4.84	\$ 5.23	\$ 5.39	\$ 4.90	\$ 4.47	\$ 4.76	\$ 4.93	\$ 5.26

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
2007 – 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pierce Transit Buses	176	218	189	182	182	173	177	175	176	195
SHUTTLE Vans	146	145	157	171	167	100	100	97	97	97
Vanpool Vans	320	328	328	326	326	347	371	381	405	439
	642	691	674	679	675	620	648	653	678	678

**Pierce Transit
Statistical Section
Year ended December 31, 2016 and 2015**

**Grant Information
Capital Grant History
2007 - 2016**

FTA	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Section 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,944	\$ 62,692	1,183,372	\$ 329,438	\$ 823
Section 4	-	-	-	-	-	20,808	3,339,533	1,460,896	535,952	246,507
Section 9	7,528,260	3,172,893	1,474,753	6,741,534	1,886,861	1,931,405	915,379	4,461,195	579,872	392,673
Other	53,793	148,056	96,502	82,380	383,078	17,256	1,394,913	-	-	88,568
<u>WA STATE</u>										
Misc Grants	504,380	223,262	-	478,620	1,125,916	473,901	142,662	676,710	952,536	-
<u>LOCAL</u>										
Partnerships	11,941	5,191,984	1,246,058	1,839,931	(26,903)	45,050	-	-	-	-
Totals	\$ 8,098,374	\$ 8,736,195	\$ 2,817,313	\$ 9,142,465	\$ 3,368,952	\$ 2,516,364	\$ 5,855,179	\$ 7,782,173	\$ 2,397,798	\$ 728,571

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Mission
Vision

Pierce Transit improves people's quality of life by providing safe, reliable, innovative and useful transportation services that are locally based and regionally connected.

We cultivate a culture of mutual trust and respect with the community and our employees.



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