



# go!

## Pierce Transit

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

YEAR ENDED DECEMBER 31, 2011 | PIERCE COUNTY, WASHINGTON



# Pierce Transit

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2011 | PIERCE COUNTY, WASHINGTON

Lynne M. Griffith

CHIEF EXECUTIVE OFFICER

*Prepared by  
The Finance Department*

Wayne Franshier

VICE PRESIDENT OF FINANCE

Kathy Sullivant

FINANCE MANAGER

Liz Passmore

FINANCE ASSISTANT MANAGER



*Pierce Transit has identified five strategic priorities that represent how we plan to strengthen the agency and provide a valuable public transportation system for our community. Read more about what we're doing to ensure each of these five priorities becomes a reality.*

**Pierce Transit  
Comprehensive Annual Financial Report  
Year Ended December 31, 2011**

---

**Introductory Section**

Letter of Transmittal.....	01-05
Certificate of Achievement for Excellence in Financial Reporting .....	06
Organizational Chart.....	07
Principal Officials.....	08

**Financial Section**

Independent Auditor's Report .....	09-10
Management's Discussion & Analysis (MD&A) .....	11-20
Contents.....	21
Financial Statements:	
Comparative Statement of Net Assets .....	22-23
Comparative Statement of Revenues, Expenses, and Changes in Net Assets .....	24
Comparative Statement of Cash Flows.....	25
Notes to the Financial Statements .....	26-46

**Statistical Section**

Contents.....	47
Financial Trends.....	48
Changes in Net Asset .....	49
Revenue Capacity.....	50-51
Debt Capacity .....	52-53
Demographic and Economic Information .....	53-54
Operating Information.....	55-59
Grant Information .....	60

This page left intentionally blank

## ENSURE QUALITY CUSTOMER EXPERIENCE

At Pierce Transit, the customer is central to all we do. We strive to ensure that passengers feel safe, comfortable and welcome on our buses and vans. We respond to all customer comments, and conduct regular public outreach to learn how to improve service. We have strategic targets for minimizing complaints, consistently providing on-time service, and reducing the number of security incidents so we stay focused on actively improving the customer experience.



June 30, 2012

Board of Commissioners  
Pierce County Public Transportation  
Benefit Area Corporation

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

Pierce Transit's Comprehensive Annual Financial Report for the year ending December 31, 2011 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control 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, 2011. 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 (Pierce Transit), was formed under Chapter 36.57A of the revised Code of Washington. In February 2002, Pierce County voters approved a ballot measure increasing local sales tax support from 0.3% to 0.6%. Sales tax collections based on the new tax rate began in July 2002. This additional sales tax revenue was used to restore service cut as a result of the loss of motor vehicle excise tax (MVET) revenues.

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's is governed by an appointed Board of Commissioners. The Board is comprised of three members of the Tacoma City Council, two members of the Pierce County Council, the Pierce County Executive delegate, a member of the City of Lakewood council, one member selected by the City Councils of the cities of Puyallup and University Place, an elected official chosen by the remaining small cities and towns, and an representative of the Amalgamated Transit Union. Appointments are based on three-year terms.

Pierce Transit's services are provided over a 414 square mile radius to an estimated population of 760,000. Pierce Transit's service area includes the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Puyallup, Ruston, Steilacoom, Sumner, Tacoma, University Place, and the portions of Auburn and Pacific in Pierce County along with extensive unincorporated areas of Pierce County. A Board of Commissioners governs the Agency. Subsequent changes have occurred as stated below in the in the long term financial planning and outlook section.

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

Pierce Transit provides fixed route, specialized transportation (SHUTTLE), vanpool, rideshare, Bus PLUS, and inter-county express service to Seattle and Olympia. 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 38 routes throughout Pierce County, including local fixed route, Bus PLUS, contracted service and express service. 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 10 routes for Sound Transit service. In 2011, all local and express fixed route services combined (including Sound Transit services) carried 15.6 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 2011, total ridership was 437,225.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to 326 vans with 3,237 daily weekday riders. With 859,529 passenger boardings, the vanpool program accounted for 6% of the Agency's total ridership in 2011 (excluding Sound Transit ridership).

During 2011, as a result of declining sales tax revenues, Pierce Transit implemented a thirty-five percent service reduction, with a twenty percent reduction in June 2011 and a fifteen percent reduction in October 2011. This resulted in a reduction in fixed route ridership of 13.3% below 2010 levels.

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

On November 4, 2011 a Public Transportation Improvement Conference (PTIC) as outlined by RCW 36.57A.020 was convened by resolution of the Pierce Transit Board of Commissioners. The purpose of the conference was to consider changing the current boundaries of the Pierce Transit Public Transportation Benefit Area (PTBA). As a result of the PTIC process, the service and taxing area of the PTBA were changed.

These changes went into effect on May 8<sup>th</sup> for boundary revisions and October 1, 2012 for sales tax revenue collection. Pierce Transit will go from serving nineteen jurisdictions with an approximate population of 760,000 to serving fourteen jurisdictions with an approximate population of 560,000. The financial impact is an estimated loss of \$7.5 million in sales tax revenues annually.

As a result of the change in the PTBA boundaries, a change in the composition of the Board of Commissioners will also occur. The Board composition will continue to remain a nine member Board of Commissioners. The City of Tacoma and Pierce County will go from three Commissioners each to two Commissioners each. The cities of Lakewood, Puyallup and University Place will each have one commissioner. The cities of Edgewood, Fife and Milton will have one Commissioner, elected among the three cities, representing their interests. The remaining towns and cities will have one Commissioner, elected among the six cities, representing their interest. The new composition of the Board of Commissioners became effective on May 8, 2012.

The Six-Year Financial Plan (adjusted for the loss of sales tax revenues from the boundary reductions) is sustainable at 2011 year end service levels of 418,835 service hours through 2014. Beyond that time, new funding or service reductions will be necessary to continue Pierce Transit's current service levels. Pierce Transit has authority to levy additional sales tax of .3% with voter approval. Pierce Transit's Board of Commissioners is currently considering options for future financial sustainability.

### **Major Initiatives**

Pierce Transit's Board of Commissioners has adopted five strategic priorities:

- Ensure Quality Customer Experience
- Develop New Markets
- Add Value to the Community
- Develop New Revenue Streams
- Value Employee Success

Pierce Transit has scaled back its programs significantly in response to the economic downturn and declining sales tax revenues. The initiatives for 2012 have been planned in accordance with Pierce Transit's Six-Year Financial Plan but each project will be carefully reviewed before it is implemented to ensure that the project is affordable and meets Pierce Transit's strategic priorities. Planned initiatives and capital projects include:

- Technology equipment replacements and upgrades in the amount of \$2.9 million, including core business system upgrades..
- Capital maintenance and improvements in the amount of \$8.1 million at base, park and ride, and transit center facilities.
- Revenue vehicle fleet replacements in the amount of \$4.0 million.
- Required replacement of administrative and shop equipment and tools in the amount of \$2.5 million.



### III. ECONOMIC CONDITION AND OUTLOOK

The economic recovery continues to be slow and tedious. Pierce Transit relies heavily on sales tax collected within its Public Transportation Benefit Area (PTBA) for its operating revenue. Pierce Transit's sales tax collections have lagged behind the nation in recovering from the recession, with the last seven months in 2011 below collections in the same month in 2010. This negative trend has continued through our most recent March 2012 sales tax collection.

There is still a long way to go before the economy recovers to pre-recession levels. With about 8 unemployed workers per job opening in 2011, job prospects continue to be poor. A 9.6% unemployment rate in 2011 is still significantly higher than the 2007 pre-recession unemployment rate of 4.7%. The slow growth in the local economy over the last few years is expected to finally yield 2012 employment in Pierce County back to 2009 levels.

In 2012, Pierce County's economy is expected to grow by little more than two percent. Slower troop buildup at Joint Base Lewis-McChord, challenges to trade activity and weakening consumer spending is projected to be offset by recovery in the construction and aerospace industries. In 2012, Pierce County's unemployment rate is expected to average about 8.7%, a modest improvement over the 2011 rate. Given these factors, the economic recovery is still likely to be slow and uncertain.

As the Pierce County recovery takes hold and unemployment declines, total personal income will slowly begin increasing. This modest growth in personal income will contribute to the slow growth of the local economy and will add small increases to retail spending. However, consumer confidence is still expected to be weak as real personal income finally returns to 2006 levels.

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. Sales tax is the largest component of Pierce Transit's operating revenues, and is expected to contribute 50% of total operating revenues in 2012 (67% excluding Sound Transit regional transit service revenue). Pierce Transit's sales tax rate of 0.6% is anticipated to generate nearly \$66 million in sales tax revenue in 2012.

Pierce Transit's heavy reliance on sales tax makes it particularly sensitive to economic downturns. Pierce Transit has experienced a significant decline in sales tax collections, the Agency's primary funding source, since December 2007. Pierce Transit's service and taxing boundaries will change effective October 1, 2012. This will result in a \$7.5 million annual loss in sales tax collections.

The combination of reductions in sales tax collections from a slow to recover economy and reduced taxing boundaries, Pierce Transit's current service levels are sustainable only through 2014. We are continuing to tighten our belts in every way possible, to look for efficiencies in service delivery and to pursue new funding. Pierce Transit's Board of Commissioners continues to believe that transit is an essential service for seniors, the disabled and for people who rely on Pierce Transit for mobility. The Board is currently considering a ballot measure which would exercise Pierce Transit's taxing authority. Increased sales tax revenues would restore service and provide for improvements to the transit system.

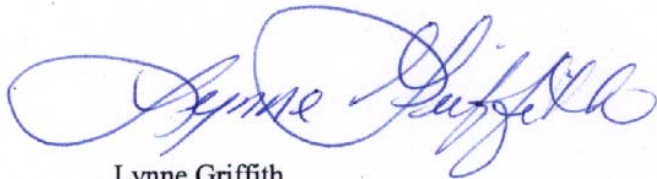
Looking forward, we have three objectives: maintain service at the highest possible level, improve the efficiency and effectiveness of the service, and continue to plan for the future. These objectives will assist the Agency in meeting our mission of connecting communities with safe, reliable, customer-friendly transit options.

#### 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, 2010. This was the twenty-fourth year that Pierce Transit has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



Lynne Griffith  
Chief Executive Officer



Wayne Fanshier  
Vice President of Finance

# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Egan*

Executive Director



**2012 ORGANIZATIONAL CHART**

**CITIZENS OF PIERCE COUNTY**



Office of the CEO	Office of Public Safety	ADMINISTRATION DIVISION	FINANCE DIVISION	OPERATIONS DIVISION	TRANSIT DEVELOPMENT DIVISION
<b>Lynne Griffith,</b> <b>Chief Executive Officer</b>	<b>Rod Baker,</b> <b>Public Safety Chief</b>	<b>Alberto Lara</b> <b>Vice President</b>	<b>Wayne Fanshier</b> <b>Vice President</b>	<b>Kelly Hayden</b> <b>Acting Vice President</b>	Vacant (Not Funded) <b>Vice President</b>
Office Admin Project Management Safety	Office Admin Physical Security Transit Police Uniform Security	Division Admin Administrative Services Customer Services Human Resources Labor Relations  <i>Information Technology Department</i> Department Admin Information Technology  <i>Organizational Development Department</i> Organizational Development Employee Development/Instruction Maintenance Training  <i>Risk Management Department</i> Risk Management ADA	Division Admin Data Analytics Internal Auditing  <i>Finance Department</i> Department Admin Accounting Budgeting ORCA Revenue Accounting  <i>Procurement Department</i> Department Admin Purchasing Warehousing	Division Admin  Maintenance Office Office Admin Automotive <i>Bus Department</i> Bus Maintenance Bus Radio Systems Bus Repair Facilities  <i>Transportation Office</i> Office Admin <i>Transportation Service Support Department</i> Service Support Admin Service Support Operations <i>Transportation Operators Department</i> Operators Admin Operators Dispatch Operators <i>Paratransit Department</i> Paratransit Admin Paratransit Customer Service Paratransit Operations	Division Admin Capital Planning  <i>Market Development &amp; Research Department</i> Department Admin Business Partnerships Field Customer Service Marketing Vanpool  <i>Service Planning Department</i> Department Admin Bus Stop Program Planning Scheduling



## BOARD OF COMMISSIONERS

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

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



**Commissioner Claudia Thomas**  
Lakewood City Council  
CHAIR  
Term Expires 12/31/11



**Commissioner Spiro Manthou**  
Tacoma City Council  
VICE CHAIR  
Term Expires 12/31/11



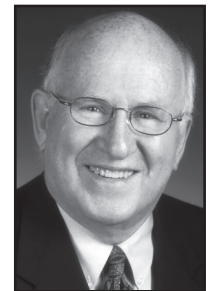
**Commissioner Tim Farrell**  
Pierce County Council  
Term Expires 5/1/12



**Commissioner Jake Fey**  
Tacoma City Council  
Term Expires 12/31/12



**Commissioner Neil Johnson**  
Small Cities and Towns  
Term Expires 5/1/13



**Commissioner Don Malloy**  
Puyallup City Council  
Term Expires 5/1/12



**Commissioner Pat McCarthy**  
Pierce County Executive  
Term Expires 5/1/12



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



**Commissioner Rick Talbert**  
Pierce County Council  
Term Expires 12/31/13



**Commissioner Don McKnight**  
Non-voting Union Representative



## DEVELOP NEW REVENUE STREAMS

Pierce Transit is currently funded through several sources, including customer fares, federal grants and local sales tax. Sales tax remains our main revenue source. We value our taxpayer support and want to do everything we can to be good stewards of the public's contribution. We work with local, state and federal legislators, provide a solid business case for transit investment to a variety of investors, and explore other, non-tax-based options for revenue.





**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 21, 2012

Board of Commissioners  
Pierce Transit  
Tacoma, Washington

We have audited the accompanying basic financial statements of Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Transit, Pierce County, Washington, as of December 31, 2011 and 2010, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 21, 2012, on our consideration of the Transit'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'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 the internal control over financial reporting or on compliance. That report is an



integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 20 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 the 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.

The information identified in the table of contents as the Financial and Statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Transit. 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## DEVELOP NEW MARKETS

We know that a strong transportation system serves a wide spectrum of people. It is important that our service is useful and convenient to our community. We work to grow transit ridership and actively seek new customers. We collect high quality, meaningful data that helps us understand the needs of our markets, and have set targets related to business segments, overall ridership and vanpool usage.



**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2011 and 2010**

---

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2011 and 2010. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

**Financial Highlights**

- Net income for 2011, before contributions, was \$(14.1) million, compared to \$(13.6) million for 2010 and \$(11.5) million in 2009. The 2011 decrease in net income was the result of a 4 percent increase in expenses. Capital contributions of \$3.7 million and a \$(14.1) million net loss accounted for the approximately \$10.4 million decrease in net assets in 2011. The net loss indicates that reserves are being used to fund current operations and a deterioration of Pierce Transit's financial position.
- A Public Transportation Improvement Conference (PTIC) as outlined by RCW 36.57A.020 was convened by resolution of the Pierce Transit Board of Commissioners on November 14, 2011. The purpose of the conference was to consider changing the current boundaries of the Pierce Transit Public Transportation Benefit Area (PTBA). As a result of the PTIC process, the service and taxing area of the PTBA were changed. Pierce Transit will go from serving nineteen jurisdictions with an approximate population of 760,000 to serving fourteen jurisdictions with an approximate population of 560,000. The change in the taxing authority in the areas that were removed from the PTBA will occur on October 1, 2012. The financial impact is an estimated loss of \$7.5 million in sales tax revenues annually.
- The Six-Year Financial Plan (adjusted for the loss of sales tax revenues from the boundary reductions) is sustainable at 2012 service levels through 2014. Beyond that time, new funding or service reductions will be necessary to continue Pierce Transit's current service levels. Pierce Transit has authority to levy additional sales tax of .3% with voter approval. Pierce Transit's Board of Commissioners is currently considering options for future financial sustainability.
- Pierce Transit's assets exceeded its liabilities on December 31, 2011 by \$219.2 million (net assets) compared to \$229.6 million in 2010 and \$234 million in 2009. Investments in capital assets decreased by \$6.9 million, \$.5 million and \$3.4 million in 2011, 2010 and 2009 respectively. Unrestricted net assets decreased by \$3.5 million in 2011, \$5.1 million in 2010 and by \$6.6 million in 2009. These reserves are available to be used to fund operating and capital commitments over the next three years.
- No debt was issued during the last three years.

**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 Assets presents information on Pierce Transit's assets and liabilities, with the difference between assets and

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2011 and 2010**

---

liabilities reported as net assets. Over time, increases or decreases in net assets 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 Assets presents information showing how the Agency's net assets changed during the current and prior fiscal years. All changes to net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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 22 to 25 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 26 to 46 of this report.

**Financial Statement Analysis**

As noted earlier, net assets may serve as a useful indication of the Agency's financial position. Total net assets exceed liabilities by \$219.2 million, \$229.6 million and \$234 million in 2011, 2010 and 2009 respectively.

**Summary Statement for Net Assets**  
**For the years ending December 31, 2011, 2010 and 2009**

	2011	2010	2009
<b>Assets:</b>			
Current Assets	\$ 83,878,048	\$ 86,934,214	\$ 94,234,770
Other Non-Current Assets	31,481,933	33,547,430	31,146,750
Capital Assets (net)	120,444,631	127,352,648	126,721,089
Total Assets	<u>\$ 235,804,612</u>	<u>\$ 247,834,292</u>	<u>\$ 252,102,609</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 11,945,780	\$ 11,778,546	\$ 13,036,293
Other Non-Current Liabilities	4,665,857	6,481,910	5,058,343
Total Liabilities	<u>16,611,637</u>	<u>18,260,456</u>	<u>18,094,636</u>

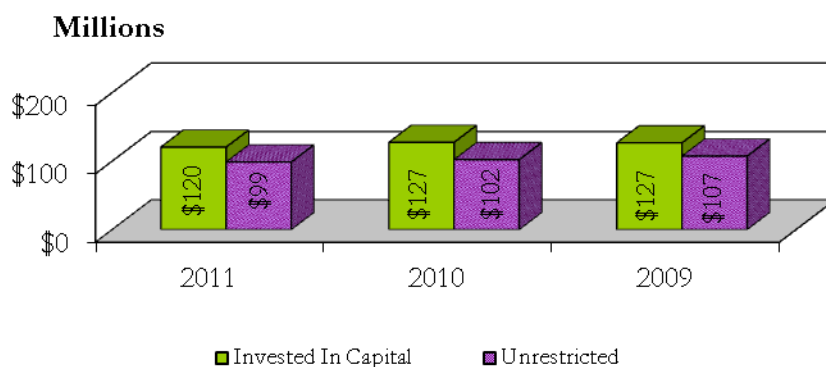
**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2011 and 2010**

**Net Assets:**

Invested in Capital Assets, net of related debt	120,444,631	127,352,648	126,721,090
Unrestricted Net Assets	<u>98,748,344</u>	<u>102,221,188</u>	<u>107,286,883</u>
Total Net Assets	<u>219,192,975</u>	<u>229,573,836</u>	<u>234,007,973</u>
Total Liabilities and Net Assets	<u>\$ 235,804,612</u>	<u>\$ 247,834,292</u>	<u>\$ 252,102,609</u>

A large majority of Pierce Transit's 2011 capital assets (\$120.4 million) reflect its investment in capital assets (e.g. revenue vehicles, passenger facilities, and shop equipment). The Agency uses these capital assets to provide transportation to the community. These are committed assets and this portion of the net asset balance is not available for future spending. A portion (\$28.5 million) of the remaining net asset balance of \$98.7 million has been restricted or designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs) or by bond covenants. The remainder of \$70.2 million is available to support future obligations for transportation operations.

**Net Assets by Type**



**Comparative Statement of Revenues, Expenses and Changes in Net Assets  
For the years ended December 31, 2011, 2010 & 2009**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 44,499,060	\$ 39,753,579	\$ 35,670,160
Operating Expenses	(121,984,843)	(118,196,271)	(108,585,232)
Depreciation	(14,524,411)	(12,828,624)	(14,005,135)
Operating Loss	<u>(92,010,194)</u>	<u>(91,271,316)</u>	<u>(86,920,207)</u>
Operating Subsidies	74,495,170	75,263,852	76,653,625
Non-Operating Revenues	5,481,656	3,925,496	2,255,354
Non-Operating Expenses	(2,016,445)	(1,494,634)	(3,458,052)
Net Non-Operating Income	<u>77,960,381</u>	<u>77,694,714</u>	<u>75,450,927</u>
Net Income (Loss) Before Contributions	(14,049,813)	(13,576,602)	(11,469,280)
Capital Grants	<u>3,668,952</u>	<u>9,142,465</u>	<u>2,817,313</u>
Change in Net Assets	<u>\$ (10,380,861)</u>	<u>\$ (4,434,137)</u>	<u>\$ (8,651,967)</u>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2011 and 2010**

A description of operating & non-operating revenues follows:

<b>Operating Revenues</b>	<b>2011</b>	<b>2010</b>	2009
Passenger Fares	\$ 13,502,385	\$ 14,504,805	\$ 15,460,517
Advertising	738,817	1,120,406	905,896
Regional Transit Service	30,257,858	24,128,368	19,303,747
Total Operating Revenues	<u>44,499,060</u>	<u>39,753,579</u>	<u>35,670,160</u>
<b>Non-Operating Revenues</b>			
Operating Subsidies:			
Sales Tax	64,512,697	65,338,852	63,335,030
Operating Grants	9,982,473	9,925,000	13,318,595
Other Non-Operating Revenues:			
Investment Income	100,949	346,746	1,014,361
Miscellaneous Income	5,380,707	3,578,750	1,240,993
Total Non-Operating Revenues	<u>79,976,826</u>	<u>79,189,348</u>	<u>78,908,979</u>
Total Revenues	<u>\$ 124,475,886</u>	<u>\$ 118,942,927</u>	<u>\$ 114,579,139</u>

**Operating Revenues**

- 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 decreased in 2011 by \$1 million to \$13.5 million. This was largely due to the modified service reduction in February due to the CNG station fire, a planned service reduction in June of 20% and an additional 15% service reduction in October. Fare revenues in 2010 and 2009 were \$14.5 million and \$15.4 million respectively. Fare revenues decreased in 2010 over 2009 levels because of change in the average fare per boarding under the ORCA fare collection system.
- Advertising revenues were \$.7 million in 2011, \$1.1 million in 2010 and \$.9 million in 2009. These fluctuations were due to the timing of contractual guarantees and reduced service hours in 2011.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit has been established for the operation of this service. The agreement is for a period of two years. The current operating agreement ends on December 31, 2012. Revenues generated from this regional transit service were \$30.3 million in 2011, an increase of 25.4% over 2010. Regional transit service revenues were \$24.1 million and \$19.3 million in 2010 and 2009 respectively. These increases were a result of a change in the number of service hours as well as the rate Pierce Transit charges for providing this service.

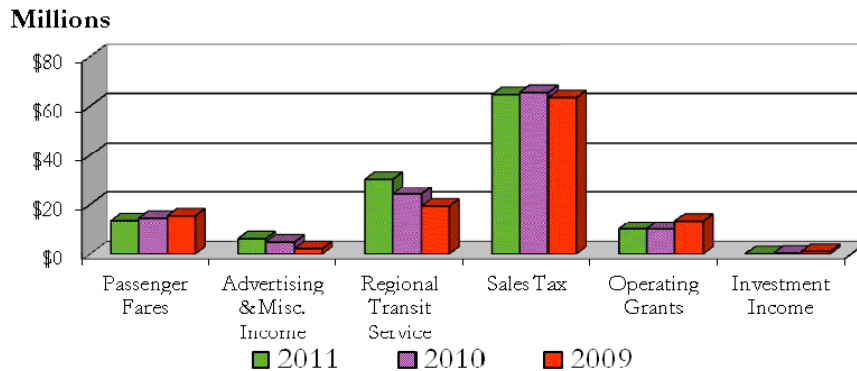


**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2011 and 2010**

---

- Sales tax, accounting for 52% of Pierce Transit's total revenue (excluding capital), decreased by \$.8 million, a decrease of 1.3% over 2010. The decrease is due to the continued recessionary economy and continued unemployment. Sales tax for 2010 increased 3.2% over 2009. The increase in 2010 represented a small increase in taxable sales in Pierce County. Sales tax revenue was \$64.5 million in 2011, as compared to \$65.3 million in 2010 and \$63.3 million in 2009.
- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2011 totaled \$10 million compared to \$9.9 million in 2010 and \$13.3 million in 2009. The changes in grant revenues are because operating grant contracts are awarded on an annual basis and vary from year to year.
- Investment income decreased nearly 71% from 2010 earnings. 2011 investment earnings were \$.1 million compared to \$.4 million in 2010 and \$1 million in 2009. The decrease is primarily due to a shrinking investment portfolio and lower interest rates.

**Operating Revenue by Source**



**Operating Expenses**

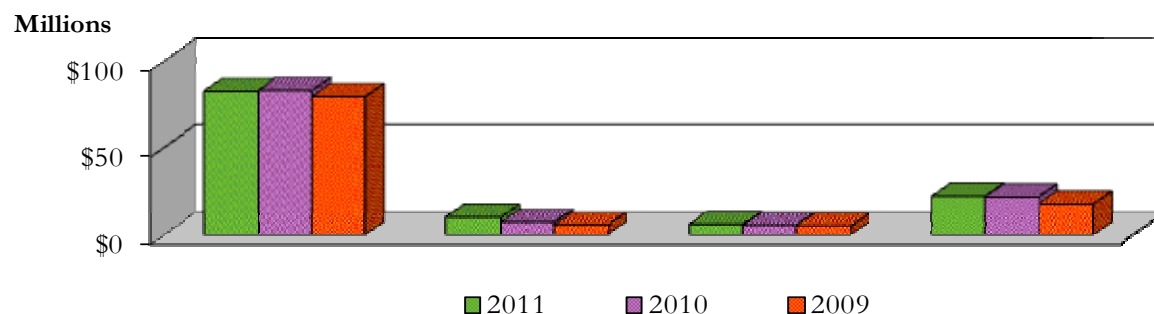
Total 2011 operating expenses, excluding depreciation and capital, totaled \$122 million increasing 3.2% over 2010 levels. Operating expenses for 2010 and 2009 were 118.2 million and \$108.6 million respectively. The increase between 2011 and 2010 is due to the increase in the Sound Transit service contract, and increases in benefits. In addition, a fire in Pierce Transit's CNG fueling station required buses to be fueled off-site and increased 2011 fuel and labor expenditures. Several factors, including contractual wage and benefit increases as well as increased fuel costs and insurance premiums contributed to the rise in operating expenses between 2010 and 2009.



**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2011 and 2010**

<b>Operating Expenses:</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Wages & Benefits	\$ 82,413,780	\$ 82,910,872	\$ 79,346,300
Fuel & Lubricants	10,620,144	7,409,316	5,718,378
Supplies & Materials	6,200,926	5,534,848	5,246,793
Contracts & Services	22,749,993	22,341,235	18,273,761
Depreciation & Amortization	14,524,411	12,828,624	14,005,135
<b>Total Operating Expenses</b>	<b>136,509,254</b>	<b>131,024,895</b>	<b>122,590,367</b>
<b>Non Operating Expenses:</b>			
Items Previously Deferred	909,998	381,012	2,460,260
Grant Exchange Funds	1,106,447	1,113,622	952,540
Interest Expense	-	-	45,252
<b>Total Non-Operating Expenses</b>	<b>2,016,445</b>	<b>1,496,634</b>	<b>3,458,052</b>
<b>Total Expenses</b>	<b>\$ 138,525,699</b>	<b>\$ 132,519,529</b>	<b>\$ 126,048,419</b>

**Operating Expenditures by Type**



Wages and benefits for 2011 of \$82.4 million make up 68% of operating expenses (exclusive of depreciation) and decreased .6% over 2010 levels. The small decrease was due to the delay of scheduled layoffs for the June and October service reductions. Due to the February CNG Station Fire employees were needed to shuttle buses for fueling purposes. Wages and benefits for 2010 and 2009 were \$82.9 million and \$79.3 million respectively and increased by 4.5% between 2009 and 2010. The increase between 2010 and 2009 was driven by a 4.0% wage increase on July 1, 2009 and increased costs for contracts and services.

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 2011, 2010 and 2009:

<b>Service Hours:</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Fixed Route Pierce Transit	498,819	618,566	642,555
Fixed Route Sound Transit	253,505	208,939	195,708
Specialized Transportation	214,183	225,293	250,178
Vanpool	140,533	137,821	134,966
<b>Total</b>	<b>1,107,040</b>	<b>1,190,619</b>	<b>1,223,407</b>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2011 and 2010**

---

### **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, 2011 totaled \$120.4 million, net of accumulated depreciation. This compares to a 2010 net investment in capital assets of \$127.3 million and a 2009 net investment in capital assets of \$126.7 million. Net 2011 capital decreased by 5.4%, or \$6.9 million. This is the net result of the decrease of \$6.4 million in assets and \$.5 million in accumulated depreciation for 2011. Net 2010 capital assets increased by .5%, or \$.6 million and decreased by 2.6%, or \$3.4 million for 2009.

Capital contributions in 2011 totaled \$3.7 million. Capital grants funded 43% of Pierce Transit's capital acquisitions in 2011. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 11.

Capital acquisitions during 2011 totaled \$8.5 million and included the following major capital assets:

- \$3.1 million for CNG Station Repair & Replacement Equipment
- \$.9 million for property improvements and building improvements
- \$.9 million for the purchase of the property west of the base for future expansion
- \$2.6 million for a signal priority project and a CCTV project
- \$1 million for technology projects and administrative equipment.

### **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, 2011.

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 \$157,349,763. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$521,278,415. This estimate is based on the assessed value of the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Pacific, Puyallup, Ruston, Steilacoom, Sumner, 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. When the boundary reduction occurs in 2012, debt capacity will be adjusted accordingly.

### **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:

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2011 and 2010**

---

- **Operating Reserve:** Pierce Transit will maintain the Operating Reserve at a minimum of two months of Agency operating expenditures. The Operating Reserve will be maintained at a level to provide sufficient working capital, to provide an adequate cash balance to finance cash flow requirements, to offset unanticipated downturns in revenues and to provide funds for emergency expenditure requirements.
- **Insurance Reserve:** The Insurance Reserve will be set at a level to adequately protect the Agency from self-insurance risks.
- **Capital Reserve:** The minimum amount of the Capital Reserve will be set at a level equal to ten percent of the six-year average annual capital expenditures and fifty percent of the average annual grant funding programmed in the Six-Year Financial Plan. The capital reserve has been set at a level to enable the Agency to respond to urgent unanticipated capital expenditure requirements as well as to protect Pierce Transit from the uncertainty of Federal and State grant funding.
- Pierce Transit complied with its reserve policies during 2011.

### **Factors Affecting Financial Condition**

#### **Local Economy**

- Sales tax revenue is projected to be 51% of Pierce Transit's operating revenues in 2012, compared to 52% in 2011. Local economic conditions play a major role in sales tax generation for Pierce Transit. The national recession is being felt locally. The impact of the recession is most apparent in the unemployment rate, which rose sharply from 4.7 percent in 2007 to 9.6 percent in 2011. The unemployment rate in 2012 is expected to improve only slightly, to about 8.7%. High unemployment translates into a lack of consumer confidence which constrains sales tax revenue growth.
- Pierce Transit projects a small increase of one percent in sales tax revenues in 2012. Actual collections for 2011 were 1.3 percent, or \$.8 million, less than 2010 collections. This is far less than the 6.8% average increase in sales tax revenue over the six year period of 2002 through 2007, when the recession began. Sales tax revenues of \$64.5 million collected in 2011 are still below 2007 collections of \$77.2 million. Pierce Transit has yet to recover from lost sales tax revenues resulting from the recession.
- The economy is recovering slowly. Consumer confidence is still weak, fueled by an uncertain job market, rising fuel prices and the stability of the economic recovery. This translates into slow growth in the local economy and lackluster sales tax growth.

#### **Long Term Financial Outlook**

- Pierce Transit recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, Pierce Transit has in place reserve policies to insulate it from short term revenue downturns and unanticipated expenditures. The operating reserve policy sets operating reserves to be equal to two months' operating expenses. This amounts to nearly \$19 million in 2012.

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2011 and 2010**

---

- Pierce Transit implemented a thirty-five percent service reduction in 2011. Due to continued negative sales tax growth as well as the loss of \$7.5 million annually from boundary reductions, Pierce Transit faces a deficit by the end of 2014. The Board of Commissioners is reviewing options to make the agency financially sustainable. These options included reducing expenditures, pursuing additional or new revenues and reducing service levels.
  
- Recognizing that economic conditions dramatically affect sales tax collections and the Agency's financial viability, this financial plan will continue to be carefully monitored.

**End of Management's Discussion and Analysis**

This page left intentionally blank

## ADD VALUE TO THE COMMUNITY

Public transportation is part of a community's fabric. It is a key to economic strength, getting people to jobs, and customers to businesses. People ride Pierce Transit to get to medical appointments, social service providers, and to see friends and family. Transit improves quality of life by reducing congestion, improving air quality and by evacuating people quickly and safely out of harm's way during emergencies. We believe in the value of transit, and work every day with local communities, governments and business leaders to ensure Pierce Transit is an integral, valuable element of their planning and success.



**Pierce Transit  
Financial Statements  
Years Ended December 31, 2011 and 2010**

---

**Contents**

<b><u>Financial Statements</u></b>	<b><u>Page</u></b>
Comparative Statement of Net Assets	22-23
Comparative Statement of Revenues, Expenses and Changes in Net Assets	24
Comparative Statement of Cash Flows	25

**Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies	26-36
Note 2 - Cash and Investments	36-39
Note 3 – Receivables	39
Note 4 - Reserved and Designated Assets	40
Note 5 – Employee Benefits	40-42
Note 6 – Commitments and Contingencies	42-43
Note 7 – Insurance	43-44
Note 8 – Debt	44
Note 9 – Compressed CNG Incident	44
Note 10 – Subsequent Event	44-45



Pierce Transit

**Comparative Statement of Net Assets**

December 31, 2011 and 2010

<b>CURRENT ASSETS</b>	<b>2011</b>	<b>2010</b>
Cash & Cash Equivalents	\$ 8,639,877	\$ 7,045,826
Investments	50,758,583	58,198,378
Accounts Receivable	197,680	188,354
Interest Receivable	1,076	7,216
Sales Tax Receivable	11,522,261	11,631,545
Due From Other Governments	9,887,493	6,769,682
Prepaid Expenses	211,381	272,996
Inventories	2,659,697	2,820,217
<b>TOTAL CURRENT ASSETS</b>	<b>83,878,048</b>	<b>86,934,214</b>
<b>CURRENT RESTRICTED ASSETS</b>		
Cash & Cash Equivalents	272,571	143,835
Investments	30,925,742	31,629,660
Accounts Receivable	35,515	-
Interest Receivable	4,679	9,310
Due From Other Governments	243,426	1,764,625
<b>TOTAL CURRENT RESTRICTED ASSETS</b>	<b>31,481,933</b>	<b>33,547,430</b>
<b>TOTAL CURRENT ASSETS</b>	<b>115,359,981</b>	<b>120,481,644</b>
<b>CAPITAL ASSETS</b>		
Land	19,948,962	19,066,078
Work in Progress	9,144,035	15,856,138
Structures & Improvements	70,210,512	69,594,633
Site Improvements	48,411,655	47,359,700
Machinery & Equipment	133,410,576	135,676,097
Less: Accumulated Depreciation	(160,681,109)	(160,199,998)
<b>TOTAL CAPITAL ASSETS</b>	<b>120,444,631</b>	<b>127,352,648</b>
<b>TOTAL ASSETS</b>	<b>\$ 235,804,612</b>	<b>\$ 247,834,292</b>

See accompanying notes to the financial statements.

Pierce Transit

**Comparative Statement of Net Assets**

December 31, 2011 and 2010

<b>CURRENT LIABILITIES</b>	<b>2011</b>	<b>2010</b>
Checks Payable	\$ 419,916	\$ 509,246
Accounts Payable	2,159,138	3,269,873
Unearned Revenue	1,627,417	193,929
Wages and Benefits Payable	2,526,675	1,447,654
Employee Leave Payable	4,802,816	5,060,023
Due to Other Governments	409,818	1,296,127
Retainage Payable	-	1,694
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,945,780</b>	<b>11,778,546</b>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Checks Payable	129,949	326,476
Accounts Payable	1,402,337	1,706,718
Retainage Payable	133,675	34,010
Provision for Uninsured Claims	1,310,157	2,643,122
<b>TOTAL RESTRICTED LIABILITIES</b>	<b>2,976,118</b>	<b>4,710,326</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,921,898</b>	<b>16,488,872</b>
<b>LONG-TERM LIABILITIES</b>		
Employee Leave Payable	1,689,739	1,771,584
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,689,739</b>	<b>1,771,584</b>
<b>TOTAL LIABILITIES</b>	<b>16,611,637</b>	<b>18,260,456</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	120,444,631	127,352,648
Unrestricted Net Assets	98,748,344	102,221,188
<b>TOTAL NET ASSETS</b>	<b>219,192,975</b>	<b>229,573,836</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 235,804,612</b>	<b>\$ 247,834,292</b>

See accompanying notes to the financial statements.

Pierce Transit

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

Years ended December 31, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>OPERATING INCOME</b>		
Passenger Fares	\$ 13,502,385	\$ 14,504,805
Advertising	738,817	1,120,406
Regional Transit Service	30,257,858	24,128,368
<b>TOTAL OPERATING REVENUE</b>	<u>44,499,060</u>	<u>39,753,579</u>
<b>OPERATING EXPENSES</b>		
Operations	68,748,001	69,186,925
Maintenance	26,761,207	22,021,255
Non-Vehicle Maintenance	3,900,720	6,243,353
General & Administration	22,574,915	20,744,738
Depreciation & Amortization	14,524,411	12,828,624
<b>TOTAL OPERATING EXPENSES</b>	<u>136,509,254</u>	<u>131,024,895</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(92,010,194)</u>	<u>(91,271,316)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Operating Subsidies:		
Sales Tax	64,512,697	65,338,852
Operating Grants	9,982,473	9,925,000
Other:		
Expense of Items Previously Deferred	(909,998)	(381,012)
Interest Income	100,949	346,746
Grant Exchange Funds	(1,106,447)	(1,113,622)
Miscellaneous Non-Operating Income	5,280,795	3,209,822
Gain (Loss) on Disposal of Assets	99,912	368,928
<b>NET NON-OPERATING INCOME</b>	<u>77,960,381</u>	<u>77,694,714</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(14,049,813)	(13,576,602)
Capital Contributions	3,668,952	9,142,465
<b>NET INCOME (LOSS) AFTER CONTRIBUTIONS</b>	<u>(10,380,861)</u>	<u>(4,434,137)</u>
<b>NET ASSETS-BEGINNING</b>	229,573,836	234,007,973
<b>NET ASSETS-ENDING</b>	<u>\$ 219,192,975</u>	<u>\$ 229,573,836</u>

See accompanying notes to the financial statements.

**Comparative Statement of Cash Flows**

Years ended December 31, 2011 and 2010

	2011	2010
<b>INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Customers	\$ 37,023,506	\$ 43,171,769
Cash Payments to Suppliers for Goods & Services	(41,531,704)	(35,197,100)
Cash Payments to Employees for Services	(81,673,811)	(82,426,756)
Miscellaneous Non-Operating Income	5,280,795	3,209,822
<b>Net Cash Used By Operating Activities</b>	<b>(80,901,214)</b>	<b>(71,242,265)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Sales Tax Received	64,621,981	64,964,136
Operating Grants Received	15,211,936	9,222,297
Grant Exchange Funds	(1,106,447)	(1,113,622)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>78,727,470</b>	<b>73,072,811</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(9,381,634)	(12,125,749)
Capital Grants and Contributions	4,928,684	7,902,915
Proceeds From Sale of Equipment	94,047	368,928
<b>Net Cash Used By Capital and Related Financing Activity</b>	<b>(4,358,903)</b>	<b>(3,853,906)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investment Securities	(70,001,975)	(75,276,586)
Proceeds from Maturities of Investment Securities	78,145,688	79,937,890
Interest on Investments	111,721	353,941
<b>Net Cash Used By Investing Activities</b>	<b>8,255,434</b>	<b>5,015,245</b>
Net Increase (Decrease) in Cash and Cash Equivalents	1,722,787	2,991,885
Cash and Cash Equivalents at Beginning of Year	7,189,661	4,197,776
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,912,448</b>	<b>\$ 7,189,661</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (92,010,194)	\$ (91,271,316)
<b>ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation and Amortization	14,524,411	12,828,624
Miscellaneous Non-Operating Income	5,280,795	3,209,822
<b>CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:</b>		
(Increase) Decrease in Receivables	(9,326)	(73,510)
(Increase) Decrease in Inventories	160,520	(233,829)
(Increase) Decrease in Prepaid Expenses	61,615	(190,882)
(Increase) Decrease in Due from Other Governments	(8,085,807)	5,778,935
Increase (Decrease) in Warrants Payable	(114,037)	(70,908)
Increase (Decrease) in Accounts Payable	(734,080)	735,578
Increase (Decrease) in Unearned Revenue	1,433,488	(2,551)
Increase (Decrease) in Wages and Benefits Payable	739,969	484,116
Increase (Decrease) in Due to Other Governments	(813,909)	(2,284,684)
Increase (Decrease) in Retainage Payable	(1,694)	(6,875)
Increase (Decrease) in Provision for Uninsured Claims	(1,332,965)	(144,785)
<b>TOTAL ADJUSTMENTS</b>	<b>11,108,980</b>	<b>20,029,051</b>
<b>Net Cash Used By Operating Activities</b>	<b>\$ (80,901,214)</b>	<b>\$ (71,242,265)</b>

See accompanying notes to the financial statements.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The Pierce Transit Board of Commissioners is responsible for governance of the Agency. The nine member Board consists of three members of the Tacoma City Council, two members of the Pierce County Council, the Pierce County Executive (or delegate), a member of the Lakewood City Council, a member shared by Puyallup and University Place, and an elected official chosen by the remaining small cities and towns within Pierce Transit's jurisdiction. In 2012, the composition of the Board of Commissioners will change due to boundary revisions (See note 10).

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

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

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

In accordance with Government Accounting Standards Board (GASB) Statement 20, the Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncements conflict or contradict GASB

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

pronouncements: Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principals Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

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

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

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

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

The first step in developing an Agency budget is the development of the Agency goals. These goals then act as a focus for the development of programs and objectives. Concurrently with the development of programs and objectives, revenues for the coming year are estimated. The estimate of the following year's operating revenues is then used as a guide for the Agency to determine the amount of service to be provided in the following year. The emphasis is placed on operating revenues and expenses as other expenditures are tied to resolutions, contractual agreements, and separately approved spending plans. Washington State law requires a balanced budget. The budget is balanced when adequate reserves are available to cover any excess of expenditures over current revenues.

Following the receipt of the preliminary budget request, the Executive Team reviews the programs, objectives, and expenditure requests to balance the total budget with the projected revenues and service requirements and priorities. Once the preliminary budget is balanced, the Board of Commissioners reviews the budget requests. During this period, the Board holds a public study session on the budget proposals. When the budget review and final adjustments are complete, the budget is adopted by resolution.

During the fiscal year, periodic budget reviews of actual expenditures and revenues are made. Should any significant budget variances in either expenses or revenues occur, budget amendments, if required, are made by resolution by the Board of Commissioners. Individual department budgets are monitored for authorized expenditures on a department total rather than a line-item basis. With the exception of personnel costs, travel and training, and capital acquisitions, department and

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

division managers may exercise their judgment in exceeding line item appropriations so long as they do not exceed their total appropriations. Any overruns for the Agency as a whole must be authorized by resolution by the Board of Commissioners.

On December 13, 2010, the Board of Commissioners adopted a Continuing Budget for 2011. The Continuing Budget provided for expenditures at the level of the 2010 Amended Budget. The need for a Continuing Budget was based on the fact that the results from a proposition giving Pierce Transit authority to impose its remaining sales tax authority of 3/10% of 1 percent, or 3 cents on \$10 of taxable sales were unknown. On February 8, 2011 voters rejected this proposition. As a result, the Board of Commissioners directed staff to implement a thirty-five percent service reduction, with a twenty percent reduction in June 2011 and a fifteen percent reduction in October 2011.

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2011 and 2010, is as follows:



Pierce Transit  
Notes to Financial Statements  
Years Ended December 31, 2011 and 2010

---

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2011

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 15,232,074	\$ 13,502,385	\$ (1,729,689)
Advertising	1,050,000	738,817	(311,183)
Regional Transit Service	23,429,250	30,257,858	6,828,608
Interest Income	693,515	100,949	(592,566)
Sales Tax	61,651,911	64,512,697	2,860,786
Operating Grants	9,163,156	9,982,473	819,317
Capital Contributions	19,684,597	3,668,952	(16,015,645)
Miscellaneous Revenues	4,050,697	5,280,795	1,230,098
Gain on Disposal of Assets	-	99,912	99,912
<b>TOTAL*</b>	<b>\$ 134,955,200</b>	<b>\$ 128,144,838</b>	<b>\$ (6,810,362)</b>

**SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2011

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 87,886,908	\$ 82,413,780	\$ 5,473,128.
Fuel and Lubricants	10,910,920	10,620,144	290,776
Supplies and Materials	6,400,020	6,200,926	199,094
Contracts and Services	23,285,904	22,749,993	535,911
Depreciation and Amortization	-	14,524,411	(14,524,411)
Expense of Items Previously Deferred	-	909,998	(909,998)
Capital Acquisitions	39,735,352	8,520,528	31,214,824
Grant Exchange Funds	860,301	1,106,447	(246,146)
<b>TOTAL*</b>	<b>\$ 169,079,405</b>	<b>\$ 147,046,227</b>	<b>\$ 22,033,178</b>

\*Expenditures 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, 2011 and 2010

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2010

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 15,232,074	\$ 14,504,805	\$ (727,269)
Advertising	1,050,000	1,120,406	70,406
Regional Transit Service	23,429,250	24,128,368	699,118
Interest Income	693,515	346,746	(346,769)
Sales Tax	61,651,911	65,338,852	3,686,941
Operating Grants	9,163,156	9,925,000	761,844
Capital Contributions	8,906,924	9,142,465	(9,764,459)
Miscellaneous Revenues	4,050,697	3,209,822	(840,875)
Gain on Disposal of Assets	-	368,928	368,928
<b>TOTAL*</b>	<b>\$ 134,177,527</b>	<b>\$ 128,085,392</b>	<b>\$ (6,092,135)</b>

**SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2010

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 87,886,906	\$ 82,910,872	\$ 4,976,034
Fuel and Lubricants	7,485,609	7,409,316	76,293
Supplies and Materials	6,387,408	5,534,848	852,560
Contracts and Services	23,298,516	22,341,235	957,281
Depreciation and Amortization	-	12,828,624	(12,828,624)
Expense of Items Previously Deferred	-	381,012	(381,012)
Capital Acquisitions	45,383,686	13,841,193	31,542,493
Grant Exchange Funds	860,301	1,113,622	(253,321)
<b>TOTAL*</b>	<b>\$ 171,302,426</b>	<b>146,360,722</b>	<b>\$ 24,941,704</b>

\*Expenditures 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, 2011 and 2010**

Following is a reconciliation of the revenues and expenditures shown on the Budget vs. Actual Schedule and the Comparative Statement of Revenues, Expenses and Changes in Net Assets:

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

	<u>2011</u>	<u>2010</u>
Passenger Fares	\$ 13,502,385	\$ 14,504,805
Advertising	738,817	1,120,406
Regional Transit Service	30,257,858	24,128,368
Interest Income	100,949	346,746
Misc. Non-Operating Revenue	5,280,795	3,209,822
Operating Subsidies	74,495,170	75,263,852
Gain on Disposal of Assets	99,912	368,928
<b>TOTAL</b>	<u>\$ 124,475,886</u>	<u>\$ 118,942,927</u>

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

Capital Grants	3,668,952	9,142,465
<b>TOTAL</b>	<u>128,144,838</u>	<u>128,085,392</u>
<b>GRAND TOTAL</b>	<u>\$ 128,144,838</u>	<u>\$ 128,085,392</u>

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

	<u>2011</u>	<u>2010</u>
Operations	\$ 68,748,001	\$ 69,186,925
Maintenance	26,761,207	22,021,255
Non-Vehicle Maintenance	3,900,720	6,243,353
General & Administration	22,574,915	20,744,738
Depreciation and Amortization	14,524,411	12,828,624
Expense of Items Previously Deferred	909,998	381,012
Grant Exchange Funds	1,106,447	1,113,622
<b>TOTAL</b>	<u>\$ 138,525,699</u>	<u>\$ 132,519,529</u>

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

Capital Acquisitions	8,520,528	13,841,193
<b>GRAND TOTAL</b>	<u>\$ 147,046,227</u>	<u>\$ 146,360,722</u>

**D. ENCUMBRANCES** - Pierce Transit encumbers all expenses for management information. Encumbrances do not, however, constitute a legal reduction of appropriations. Accounts encumbered but not expended by the end of the budget year become an encumbrance of the following year's appropriations. Encumbrances outstanding on December 31, 2011 total \$6,159,449 compared to \$5,523,496 on December 31, 2010. The majority of the encumbrances for 2011 result

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

from capital projects in progress including CCTV project, signal priority, hybrid bus purchase, and CNG equipment and station repair. Encumbrances are not shown on the financial statements.

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

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

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

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

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

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

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

The Summary of Changes in Capital Assets for the years ended December 31, 2011 and 2010, respectively, follows:

**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2011**

Description	Balance January 1, 2011	Additions	Retirements	Adjustment	Balance December 31, 2011
<b>Capital assets not being depreciated:</b>					
Land	\$ 19,066,078	882,883	-	-	\$ 19,948,961
Work in Progress	15,856,138	8,520,528	-	(15,232,630)	9,144,036
Total capital assets not being depreciated	<u>34,922,216</u>	<u>9,403,411</u>	<u>-</u>	<u>(15,232,630)</u>	<u>29,092,997</u>
<b>Depreciable capital assets:</b>					
Structures	69,594,633	615,880	-	-	70,210,513
Site Improvements	47,359,699	1,051,956	-	-	48,411,655
Machinery & Equipment	135,676,097	11,777,779	(14,043,300)	-	133,410,575
Total depreciable capital assets at cost	<u>252,630,429</u>	<u>13,445,615</u>	<u>(14,043,300)</u>	<u>-</u>	<u>252,032,743</u>
Total Capital Assets (gross)	<u>287,552,645</u>	<u>22,849,026</u>	<u>(14,043,300)</u>	<u>(15,232,630)</u>	<u>281,125,740</u>
<b>Less accumulated depreciation for:</b>					
Structures	(44,712,814)	(2,665,611)	-	-	(47,378,425)
Site Improvements	(42,197,773)	(878,729)	-	-	(43,076,502)
Machinery & Equipment	(73,289,411)	(10,980,070)	14,043,300	-	(70,226,180)
Total accumulated depreciation	<u>(160,199,998)</u>	<u>(14,524,410)</u>	<u>14,043,300</u>	<u>-</u>	<u>(160,681,108)</u>
Total Capital Assets (net)	<u>\$127,352,647</u>	<u>\$8,324,616</u>	<u>\$ -</u>	<u>\$ (15,232,630)</u>	<u>\$120,444,632</u>

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2010**

Description	Balance January 1, 2010	Additions	Retirements	Adjustment	Balance December 31, 2010
<b>Capital assets not being depreciated:</b>					
Land	\$ 19,066,078	\$ -	\$ -		\$ 19,066,078
Work in Progress	38,739,686	13,841,193	-	(36,724,741)	15,856,138
Total capital assets not being depreciated	<u>57,805,764</u>	<u>13,841,193</u>	<u>-</u>	<u>(36,724,741)</u>	<u>34,922,216</u>
<b>Depreciable capital assets:</b>					
Structures	68,983,826	610,807	-	-	69,594,633
Site Improvements	47,053,251	306,448	-	-	47,359,699
Machinery & Equipment	104,014,623	35,426,475	(3,765,001)	-	135,676,097
Total depreciable capital assets at cost	<u>220,051,700</u>	<u>36,343,730</u>	<u>(3,765,001)</u>	<u>-</u>	<u>252,630,429</u>
Total Capital Assets (gross)	<u>277,857,464</u>	<u>50,184,923</u>	<u>(3,765,001)</u>	<u>(36,724,741)</u>	<u>287,552,645</u>
<b>Less accumulated depreciation for:</b>					
Structures	(42,073,707)	(2,639,107)	-	-	(44,712,814)
Site Improvements	(41,017,284)	(1,180,489)	-	-	(42,197,773)
Machinery & Equipment	(68,045,383)	(9,009,028)	3,765,001	-	(73,289,411)
Total accumulated depreciation	<u>(151,136,374)</u>	<u>(12,828,624)</u>	<u>3,765,001</u>	<u>-</u>	<u>(160,199,998)</u>
Total Capital Assets (net)	<u>\$126,721,090</u>	<u>\$37,356,298</u>	<u>\$ -</u>	<u>\$ (36,724,741)</u>	<u>\$127,352,647</u>

Work in progress as of 12/31/11 consists of the following projects:

Buildings & Site Improvements	\$ 1,860,192
Equipment	7,283,843
Park and Ride Lots/Transit Centers	-0-
Total Work in Progress	<u>\$ 9,144,035</u>

A number of projects were in process at the end of 2011. Commitments on capital projects as of December 31, 2011 totaled \$4,935,757 and are itemized as follows: buildings and site improvements \$162,417 and equipment \$4,716,872. Projects underway as of December 31, 2011 included base facility improvements, a signal priority project, hybrid bus purchase, and a Compressed Natural Gas (CNG) station/generator project.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

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

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

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

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

**K. UNEARNED REVENUE** - Revenues are recorded when earned. Unearned revenue as of December 31, 2011 and 2010 was \$1,627,417 and \$193,929, respectively. The large increase in 2011 is due to an insurance settlement payment to cover expenditures related to the CNG fire. Revenues are being drawn down as the expenditures occur.

**L. NET ASSETS** - Net assets are increased when revenues are greater than expenses and decreased when expenses exceed revenues. Net assets are reserved or designated to the extent that restricted assets exceed liabilities payable from those assets. See Note 5 for details of reserved and designated net assets. Net assets include the following subsidies of operations:

**Sales Tax** - In February 2002, Pierce County voters approved a ballot measure increasing the local sales tax support from .3% to .6%. The sales tax increase went into effect July 1, 2002. The sales tax increase replaces funding that was lost when the Motor Vehicle Excise Tax (MVET) was eliminated in 2000. The sales tax collected in 2011 totaled \$64,512,697 resulting in a one percent decrease from 2010 sales tax revenue of \$65,338,852.

**Federal Operating Assistance** - Federal operating grants.

**State Operating Assistance** - Operating grants from the State of Washington.

**Capital Contributions** - Donated assets or grants for the acquisition of capital assets.

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Vacation-Current	\$ 3,061,777	\$ 3,111,094
Vacation-Non-Current	340,197	345,677
<b>Total Vacation Leave Liability</b>	<u>\$ 3,401,974</u>	<u>\$ 3,456,771</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, 2011 and 2010 were \$7,189,522 and \$7,851,671 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>2011</u>	<u>2010</u>
Current Liability based on usage or terminations	\$ 1,741,038	\$ 1,948,928
Non-current Liability based on expected future payoffs	1,349,542	1,425,907
<b>Total Sick Leave Liability</b>	<u>\$ 3,090,580</u>	<u>\$ 3,374,835</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>2011</u>	<u>2010</u>
Balance beginning of year	\$ 5,060,023	\$ 4,886,675
Employee leave earned	4,524,768	4,748,212
Employee leave paid	(4,781,975)	(4,574,864)
<b>Current Employee Leave Payable</b>	<u>\$ 4,802,816</u>	<u>\$ 5,060,023</u>

	<u>2011</u>	<u>2010</u>
Balance beginning of year	\$ 1,771,584	\$ 1,838,924
Employee leave earned	1,600,562	1,534,383
Employee leave paid	(1,682,407)	(1,601,723)
<b>Long-term Employee Leave Payable</b>	<u>\$ 1,689,739</u>	<u>\$ 1,771,584</u>

## 2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2011 and 2010, respectively as follows:

Composition of Cash and Cash Equivalents:

	<u>2011</u>	<u>2010</u>
Demand Deposits	\$ 8,912,448	\$ 7,189,661
Investments having original maturities of less than 3 months	-	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 8,912,448</u>	<u>\$ 7,189,661</u>

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



**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

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

- Obligations of the United States Treasury.
- Obligations of agencies of the Federal Government.
- Certificates of deposit issued by commercial banks and thrift institutes that are public depositories of the State of Washington.
- Repurchase agreements collateralized by liquid, marketable securities having a market 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.
- Commercial paper limited to 15% of the total portfolio, with no more than 5% with any one individual issuer.

During 2011 and 2010, Pierce Transit's portfolio complied with the investment policies discussed above. Management intends to hold time deposits and securities until maturity. Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities is based on quoted market prices. The fair value of the position in the Washington Local Government Investment Pool is the same as the value of the pool shares. No investment losses occurred during 2011 or 2010.

**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, 2011 and 2010 was 8 days and 8 days, respectively.

Information of the sensitivity of fair values of investments to interest rate fluctuations is provided by the following table showing maturities of all investments held by Pierce Transit as of December 31, 2011 and 2010.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

Investment Type	Fair Value	2011 Investment Maturities (in months)				
		0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 77,184,805	\$ 77,184,805	\$ -	\$ -	\$ -	\$ 77,184,805
U. S. Agencies	4,499,520	1,000,000	2,500,000	999,520	-	4,499,520
	<u>\$81,684,325</u>	<u>\$ 83,026,999</u>	<u>\$ 3,635,300</u>	<u>\$ 3,165,739</u>	<u>\$ -</u>	<u>\$ 81,684,325</u>

Investment Type	Fair Value	2010 Investment Maturities (in months)				
		0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 81,026,949	\$ 81,026,949	\$ -	\$ -	\$ -	\$ 81,026,949
Bankers Acceptances	-	-	-	-	-	-
U. S. Agencies	8,801,089	2,000,050	3,635,300	3,165,739	-	8,801,089
	<u>\$89,828,038</u>	<u>\$ 83,026,999</u>	<u>\$ 3,635,300</u>	<u>\$ 3,165,739</u>	<u>\$ -</u>	<u>\$89,828,038</u>

**Disclosures Relating to Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by GASB 31. As of December 31, 2011, six percent of Pierce Transit's investments are in the following U.S. Agencies: Federal Home Loan Banks (FHLB) and Federal National Mortgage Association (FNMA). All the U.S. Agencies held by Pierce Transit have an AAA rating from Standard & Poor's and Aaa from Moody's.

**Concentration of Credit Risk**

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

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

**Custodial Credit Risk**

Custodial credit risk for investments generally applies to direct investments in marketable securities. With the exception of the Washington State Local Government Investment Pool, Pierce Transit's marketable securities are insured, registered, or held by Pierce Transit or its agent in Pierce Transit's name. Pierce Transit's overnight repurchase agreements are collateralized by liquid, marketable securities having a market value of at least 102% of the repurchase price. Custodial credit risk does

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

not apply to Pierce Transit's indirect investment in securities through the use of the local government investment pool.

**3. RECEIVABLES**

Amounts due to Pierce Transit for year ended December 31, 2011 and 2010 (net of uncollectible) are detailed as follows:

**UNRESTRICTED RECEIVABLES**

	<u>2011</u>	<u>2010</u>
Accounts Receivable	\$ 197,680	\$ 188,354
Interest Receivable	1,076	7,216
Sales Tax Receivable	<u>11,522,261</u>	<u>11,631,545</u>
Total Receivables	<u>11,721,017</u>	<u>11,827,115</u>
Due from Other Governments:		
Other Operating Partnerships	1,358,127	1,382,254
Fuel Tax Refund & CNG Credit	408,671	1,342,942
Regional Transit Service Revenues	<u>8,120,695</u>	<u>4,044,486</u>
Total Due from Other Governments	<u>9,887,493</u>	<u>6,769,682</u>
Total Unrestricted Receivables	<u>21,608,510</u>	<u>18,596,797</u>

**RESTRICTED RECEIVABLES**

Accounts Receivable	35,515	-
Interest Receivable	<u>4,679</u>	<u>9,310</u>
Total Receivables	<u>40,194</u>	<u>9,310</u>
Due from Other Governments:		
Capital Grants	46,445	147,849
Other Capital Partnerships	174,692	1,297,504
Regional Transit Service Revenues	<u>22,289</u>	<u>319,272</u>
Total Restricted Due from Other Governments	<u>243,426</u>	<u>1,764,625</u>
Total Restricted Receivables	<u>283,620</u>	<u>1,773,935</u>
Total Receivables	<u>\$21,892,130</u>	<u>\$20,370,732</u>

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

**4. RESERVED AND DESIGNATED NET ASSETS**

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

**A. DESIGNATED FOR CAPITAL** - Net assets designated for capital were \$25,717,429 for 2011 and \$25,689,792 for 2010.

**B. DESIGNATED FOR INSURANCE** - Pierce Transit's Board of Commissioners established a self-insurance fund in 1982 (See Note 8). Net assets designated for unemployment, liability self-insurance, and workers compensation for the periods ended December 31, 2011 and 2010 were \$2,788,385 and \$3,027,900, respectively.

**C. RESTRICTED FOR DEBT SERVICE** – Pierce Transit had no debt as of December 31, 2011 and December 31, 2010.

**5. EMPLOYEE BENEFITS**

**A. RETIREMENT** - Pierce Transit contributes monthly to two separate retirement systems. Both systems are cost sharing multi-employer defined public employee retirement systems. The Agency contributions, as well as employee contributions, are based on the gross pay of an employee. Tacoma Transit employees electing to retain Tacoma Employees' Retirement System (TERS) when Pierce Transit took over the operations of Tacoma Transit in 1980 are covered by TERS which is a defined benefit plan. The Public Employees Retirement System (PERS) covers all other employees. Pierce Transit participates in PERS Plan 1, PERS Plan 2, and PERS Plan 3. The PERS system is comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Employees joining PERS after 10/1/77 are members of Plan 2 or Plan 3. As of September 1, 2002 employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. This option must be exercised within 90 days of employment. An employee is enrolled in Plan 2 until a choice is made. Employees who fail to make a choice within 90 days of employment default to PERS Plan 3. PERS is mandatory for all regular employees except for personnel working less than 70 hours per month in five months in a calendar year.

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

benefits when due is presented in the PERS and TERS Comprehensive Annual Financial Report of June 30, 2011 and December 31, 2010 respectively.

The payroll for Pierce Transit employees covered by these retirement systems was \$57,514,886 for the year ended December 31, 2011 with a total payroll for 2011 of \$60,657,649. Payroll for Pierce Transit employees covered by retirement systems as of December 31, 2010 was \$58,551,663, with a total payroll of \$61,520,750. Employees covered by the Tacoma Employees Retirement Systems (TERS) are required by State statute and City ordinance to contribute 10.26% of gross wages to the plan; employees covered by the Public Employees Retirement System (PERS) are required by State statute to contribute 6% of gross wages for Plan 1 participants and 4.64% for Plan 2 participants. Pierce Transit is required by the same authority to contribute the remaining amounts necessary to pay benefits when due. The employer's contribution for PERS employees was 5.31% through June 30, 2011, increasing to 7.25% through December 31, 2011. PERS Plan 3 employees can contribute 5% to 15% of their gross wages. Pierce Transit does not provide any post employment benefits for early retirement, post-retirement, or either voluntary or involuntary terminations.

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

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

<b>PERS</b>			
	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>PLAN 3</b>
Vesting	5 years	5 years	10 years
Retirement Eligibility	Age 60, regardless of service credit	Age 65, with 5 years of service credit	Age 65, with 10 years of service credit
	Age 55, with 25 years of service credit	Age 55 with 20 years of service credit	Age 55 with 10 years of service credit
Retirement Benefits	Any age with 30 years of service credit		
	2% of highest consecutive month average final compensation (AFC) multiplied by years of service, up to 60% of AFC	2% of highest consecutive 60 month average final compensation (AFC) multiplied by years of service. Benefits on retirements prior to age 65 are actuarially reduced	1% of highest consecutive 60 month average final compensation (AFC) multiplied by years of service. Benefits on retirements prior to age 65 are actuarially reduced
Benefits	Death and Disability	Death and Disability	Death and Disability

During 2009, 2010, and 2011, Pierce Transit and its employees made the required contributions. Contribution amounts and rates expressed as a percentage of the covered payroll for the three years ended December 31 are as follows:

	<b>PERS Plan 1</b>		<b>PERS Plan 2</b>		<b>PERS Plan 3</b>		<b>TERS</b>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
Employee	6.00%	\$ 83,154	3.89%	\$ 2,499,675	5-15%	\$ 246,786	7.36%	\$ 49,026
Employer	5.29%	95,076	5.29%	3,642,216	5.29%	281,912	8.64%	57,552
<b>Total 2009</b>		\$ 178,230		\$ 6,141,891		\$ 528,698		\$ 106,578
Employee	6.00%	\$ 71,760	3.90%	\$ 2,045,258	5-15%	\$ 260,146	7.36%	\$ 42,985
Employer	5.31%	63,507	5.31%	2,784,747	5.29%	232,640	8.64%	50,718
<b>Total 2010</b>		\$ 135,267		\$ 4,830,005		\$ 492,786		\$ 93,703
Employee	6.00%	\$ 54,289	4.64%	\$ 2,206,159	5-15%	\$ 249,892	10.26%	\$ 39,906
Employer	7.25%	54,772	7.25%	3,223,001	7.25%	264,887	8.74%	46,846
<b>Total 2011</b>		\$ 109,061		\$ 5,429,160		\$ 514,779		\$ 86,752

**B. DEFERRED COMPENSATION PLAN** - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are offered and administered through Great West Life & Annuity Insurance Company and ICMA Retirement Corporation. Pierce Transit contributes from 1% to 5.5% of the annual salary of all participating employees. In 2011, Pierce Transit contributed \$1,469,327. Pierce Transit contributed \$1,874,972

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

to this plan in 2010. On November 1, 2010, Pierce Transit temporarily discontinued the employer match for non-represented employees and was not reinstated during 2011. 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.

## **6. COMMITMENTS AND CONTINGENCIES**

**Grants** -Pierce Transit has received several federal grants for specific purposes that are subject to review and audit. Such audits could lead to requests for reimbursements for expenditures 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.

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

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

Pierce Transit's financial statements reflect its portion of ORCA fare revenues and expenses. ORCA fare revenue as of December 31, 2011 was \$4,540,147 with operating expenses of \$368,996. In 2010, ORCA revenue totaled \$4,256,776 and operating expense of \$463,332. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2011, and 2010 reported within Pierce Transit's financial statements, amounted to \$315,182 and \$560,256 respectively. Other than the funds held by the fiscal agent Pierce Transit has no equity interest.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

**7. INSURANCE**

For auto/general liability and public officials' claims prior to January 1, 2010, Pierce Transit was self-insured. For claims prior to 2010, Pierce Transit's self-insurance retention was \$1,000,000 with an excess insurance policy of \$16,000,000. As of January 1, 2010, Pierce Transit became a full member of the Washington State Transit Insurance Pool (WSTIP) and is no longer self-insured for auto/general liability and public officers' claims. As a member of this pool, the Agency is able to take advantage of competitive insurance rates and an exchange of best practices that help to reduce liability exposure. Current policies under WSTIP include first dollar (no deductible) general liability coverage of up to \$12 million dollar per occurrence, property coverage of up to \$350 million (\$10,000 deductible) per occurrence, crime coverage of up to \$1 million (\$10,000 deductible) per loss, and public officials' liability coverage of up to \$12 million (\$5,000 deductible) per occurrence.

Pierce Transit continues to be self-insured for unemployment compensation and workers' compensation. Pierce Transit is also self-insured for auto/general liability and public officers' claims prior to January 1, 2010. Self-insurance assets have been set aside for these self-insurance claims.

On December 31, 2011, the self-insurance assets totaled \$ 4,676,630, of which a liability of \$1,310,157 is recorded as a liability for all general liability tail claims (claims prior to 2010), 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, 2010, Pierce Transit's self-insurance assets totaled \$5,897,162 of which a liability of \$2,643,122 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.

A reconciliation of claims liabilities follows:

	<u>2011</u>	<u>2010</u>
Balance beginning of year	\$ 2,643,122	\$ 2,787,907
Provision for incurred claims	1,613,123	3,781,522
Payments made for claims	(2,946,088)	(3,926,307)
Claims liabilities year ended	<u>\$ 1,310,157</u>	<u>\$ 2,643,122</u>

**8. DEBT**

Pierce Transit did not have any debt as of December 31, 2011 or December 31, 2010.

**9. COMPRESSED NATURAL GAS (CNG) INCIDENT**

Nearly one hundred percent of Pierce Transit's fixed route buses are fueled by Compressed Natural Gas (CNG). On February 28<sup>th</sup> 2011, a fire in Pierce Transit's CNG fueling station limited the number of buses that could be put into service each day due to fueling issues. Buses were shuttled to three different CNG stations in the Seattle-Tacoma area for fueling. As a result, the system operated on an emergency reduced schedule until June 12, 2011 when a planned service reduction was implemented.



**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

---

The loss due to the fire is covered by an insurance policy, with a \$10,000 deductible. The station is expected to be available for fueling in April 2012.

**10. SUBSEQUENT EVENT**

A Public Transportation Improvement Conference (PTIC) as outlined by RCW 36.57A.020 was convened by resolution of the Pierce Transit Board of Commissioners on November 14, 2011. The purpose of the conference was to consider changing the current boundaries of the Pierce Transit Public Transportation Benefit Area (PTBA). As a result of the PTIC process, the service and taxing area of the PTBA were changed. Pierce Transit will go from serving nineteen jurisdictions with an approximate population of 760,000 to serving fourteen jurisdictions with an approximate population of 560,000.

The change in the taxing authority in the areas that were removed from the PTBA will occur on October 1, 2012. The financial impact is an estimated loss of \$7.5 million in sales tax revenues annually.

An Authority Composition Review Conference was called to review the Board composition after the boundary revision. This conference met on April 12, 2012. The conference of cities and the county determined that the board composition will continue to remain a nine member Board of Commissioners. The City of Tacoma and the Government of Pierce County will go from three Commissioners each to two Commissioners each. The cities of Lakewood, Puyallup and University Place will each have one commissioner. The cities of Edgewood, Fife and Milton will have one Commissioner, elected amongst the three cities, representing their interests. The remaining towns and cities will have one Commissioner, elected amongst the six cities, representing their interest. The approved delineation and the new composition of the Board of Commissioners will become effective on May 8, 2012.

This page left intentionally blank

## VALUE EMPLOYEE SUCCESS

Pierce Transit's success lies with our employees. We hire friendly, capable transit operators. We work to have a positive culture led by strong leaders. We develop knowledgeable and skilled employees and recognize their achievements. We provide regular training, and keep employees safe, healthy and on the job. All of this adds up to skilled employees ready to serve our customers.



**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

---

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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
Financial Trends	
Net Assets by Component	48
Expenses Comparisons by Type	48
Changes in Net Assets	49
Revenue Capacity	
Revenue and Subsidies Comparisons	50
Fixed Route Farebox Recovery	50
Fare History	51
Taxable Sales Comparisons for Pierce County	51
Debt Capacity	
Legal Debt Margin	52
Ratio of General Bonded Debt to Assessed Value	52
Computation of Direct and Overlapping Debt	53
Demographic and Economic Information	
Pierce Transit Employees by Function	53
Pierce County Demographic and Economic Information	53
Principal Employers	54
Operating Information	
Fixed Route Statistics	55
Sound Transit Statistics	56
Specialized Transportation Statistics	57
Vanpool Statistics	58
Key Performance Measures	59
Vehicles Available for Maximum Service	59
Grant Information	
Capital Grant History	60

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

**Financial Trends  
Net Assets by Component  
2002 - 2011**

	<b>Invested in Capital Assets</b>	<b>Unrestricted</b>	<b>Total</b>
2002 *	105,264,761	45,517,812	150,782,573
2003	97,750,689	63,775,883	161,526,572
2004	106,752,212	75,701,262	182,453,474
2005	115,927,548	89,543,932	205,471,480
2006	116,669,627	107,790,306	224,459,933
2007	120,825,987	119,269,028	240,095,015
2008	128,772,977	113,886,963	242,659,940
2009	126,721,089	107,286,883	234,007,973
2010	127,352,648	102,221,188	229,573,836
2011	120,444,631	98,748,344	219,192,975

\* Pierce Transit adopted GASB statement No.34 in 2002 which required reclassification of certain balances, including the presentation of net assets formerly labeled retained earnings and contributed capital.

**Financial Trends  
Expense Comparisons by Type  
2002 – 2011**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Personnel	\$44,656,262	\$49,732,380	\$53,276,898	\$57,785,602	\$60,736,927	\$67,667,670	\$77,278,554	\$79,346,300	\$82,910,872	\$82,413,780
Fuel & Lubricants	2,243,299	3,166,655	3,731,581	5,386,453	5,917,776	4,763,794	7,123,019	5,718,378	7,409,316	10,620,144
Supplies & Materials	3,625,479	4,050,431	4,944,439	4,851,849	4,636,806	5,962,609	5,921,096	5,246,793	5,534,848	6,200,926
Contracts & Services	12,326,267	11,606,002	13,770,279	13,925,196	15,974,894	17,065,225	18,258,165	18,273,761	22,341,235	22,749,993
Depreciation & Amortization	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411
Capital Acquisition	12,351,346	5,897,918	21,187,250	21,717,527	14,426,046	20,005,358	23,593,957	13,182,990	13,841,193	8,520,528
Losses on Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	325,000	340,000	355,000	365,000	380,000	395,000	415,000	1,335,000	-	-
Interest Expense	251,279	142,788	130,548	117,413	103,543	94,799	77,616	45,252	-	-
Previously Deferred Items	464,330	15,209	1,277	61,865	50,590	132,357	234,942	2,460,260	381,012	909,998
Grant Exchange Funds				1,714,333	711,191	1,758,451	860,301	952,540	1,113,622	1,106,447
<b>Total</b>	<b>\$89,591,000</b>	<b>\$88,437,217</b>	<b>\$109,672,134</b>	<b>\$118,492,362</b>	<b>\$116,618,920</b>	<b>\$133,591,049</b>	<b>\$147,880,050</b>	<b>\$140,566,409</b>	<b>\$146,360,722</b>	<b>\$147,046,227</b>

**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

**Financial Trends  
Changes in Net Assets  
2002 – 2011**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Operating Revenue</b>										
Passenger Fares	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385
Advertising	466,549	673,295	442,378	851,602	1,094,081	816,563	968,104	905,896	1,120,406	738,817
Regional Transit Service	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858
Total Operating Revenue	20,217,644	22,589,069	23,351,312	24,787,446	27,700,692	30,083,334	32,293,853	35,670,160	39,753,579	44,499,060
<b>Non-Operating Revenue</b>										
Sales Tax	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697
MVET	-	-	-	-	-	-	-	-	-	-
Operating Grants	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473
Investment Income	760,368	685,934	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361	346,746	100,949
Miscellaneous Income Gain(Loss)on Disposal of Assets	704,771 65,597	779,793 89,504	947,521 91,584	1,005,346 350,686	969,860 284,261	1,401,198 108,715	805,296 122,190	1,149,909 91,084	3,209,822 368,928	5,280,795 99,912
Total Non-Operating Revenue	48,209,144	67,768,808	68,735,159	80,331,996	87,038,110	91,176,467	85,405,970	78,908,979	79,189,348	79,976,826
Total Revenue	68,426,788	90,357,877	92,086,471	105,119,442	114,738,802	121,259,801	117,699,823	114,579,139	118,942,927	124,475,886
<b>Operating Expense</b>										
Fixed Route	49,498,514	54,828,986	60,018,905	66,764,882	70,476,920	76,043,175	86,654,338	86,680,889	96,282,650	98,836,124
Demand Response	11,184,461	11,164,370	12,772,330	12,359,269	13,856,252	15,807,504	17,637,236	17,806,552	17,597,639	18,513,933
Vanpool	2,168,332	2,562,112	2,931,961	2,824,949	2,933,231	3,608,619	4,289,260	4,097,791	4,315,982	4,634,786
Depreciation & Amortization	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411
Total Operating Expense	76,199,045	82,041,302	87,998,058	94,516,224	100,947,550	111,205,084	122,698,234	122,590,367	131,024,895	136,509,254
<b>Non-Operating Expense</b>										
Expense of Deferred Items	464,330	15,209	1,277	61,865	50,590	132,357	234,942	2,460,260	381,012	909,998
Interest Expense	251,279	142,788	130,548	117,413	103,543	94,799	77,616	45,252	-	-
Grant Exchange Funds	-	-	-	1,714,333	711,191	1,758,451	860,301	952,540	1,113,622	1,106,447
Total Non-Operating Expense	715,609	157,997	131,825	1,893,611	865,324	1,985,607	1,172,859	3,458,052	1,496,634	2,016,445
Total Expense	76,914,654	82,199,299	88,129,883	96,409,835	101,812,874	113,190,691	123,871,093	126,048,419	132,519,529	138,525,699
Net Expense	(8,487,866)	8,158,578	3,956,588	8,709,607	12,925,928	8,069,110	(6,171,270)	(11,469,280)	(13,576,602)	(14,049,813)
Capital Grants	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952
Change in Net Assets	\$(1,197,225)	\$10,743,999	\$20,926,902	\$23,018,006	\$18,456,051	\$16,167,484	\$2,564,925	\$(8,651,967)	\$(4,434,137)	\$(10,380,861)

**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

**Revenue Capacity  
Revenue and Subsidies Comparisons  
2002 – 2011**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Passenger Fares	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385
School Service	-	-	-	-	-	-	-	-	-	-
Regional										
Transit Fares	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858
Advertising	466,549	673,295	442,379	851,602	1,094,081	816,563	968,104	905,896	1,120,406	100,949
Interest Income	760,368	685,934	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361	346,746	99,912
Sales Tax	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697
MVET	-	-	-	-	-	-	-	-	-	-
Operating										
Subsidies	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473
Capital Grants	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952
Gain on										
Disposal of										
Assets	65,597	89,504	91,584	350,686	816,663	108,715	122,190	91,084	368,928	99,912
Miscellaneous	704,771	779,793	947,521	1,005,345	969,860	1,401,198	805,296	1,149,909	3,209,822	5,280,795
<b>Total</b>	<b>\$75,717,429</b>	<b>\$92,943,298</b>	<b>\$109,056,786</b>	<b>\$119,427,840</b>	<b>\$120,801,327</b>	<b>\$129,358,175</b>	<b>\$126,436,018</b>	<b>\$117,396,452</b>	<b>\$128,085,392</b>	<b>\$128,144,838</b>

**Revenue Capacity  
Fixed Route Farebox Recovery  
2002 - 2011**

Year	Farebox Recovery
2002	0.19
2003	0.18
2004	0.16
2005	0.14
2006	0.17
2007	0.16
2008	0.16
2009	0.19
2010	0.17
2011	0.15

**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

---

**Revenue Capacity  
Fare History  
2002 - 2011**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Cash Fares</b>										
Adult	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.00	\$ 2.00
Senior/Disabled/Youth	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75
<b>Passes</b>										
Adult Pass	45.00	45.00	45.00	45.00	54.00	54.00	54.00	63.00	72.00	72.00
Senior/Disabled Pass	18.00	18.00	18.00	18.00	27.00	27.00	27.00	27.00	27.00	27.00
Transfers	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free

**Revenue Capacity  
2002 & 2011 Taxable Sales Comparisons  
Pierce County**

	2002		2011	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 5,403,822,018	\$ 13,301,745	\$ 5,494,604,735	\$ 33,692,474
Services	923,377,572	7,189,506	1,928,678,337	11,826,500
Contracting	1,561,331,248	14,726,670	1,416,164,834	8,683,809
Manufacturing	229,309,813	662,549	199,425,220	1,222,859
Transportation/Utilities	446,924,074	1,798,828	48,519,944	297,520
Wholesaling	681,824,114	1,343,107	602,965,574	3,697,336
Finance/Insurance/Real Estate	175,798,072	957,816	827,377,063	5,073,409
Other Business	84,905,492	1,158,035	3,064,138	18,790
<b>TOTAL</b>	<b>\$ 9,507,292,403</b>	<b>\$ 41,138,256</b>	<b>\$ 10,520,799,845</b>	<b>\$64,512,697</b>



**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

---

**Debt Capacity  
Legal Debt Margin  
2011**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$41,959,936,902	\$41,702,273,218
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 157,349,763	\$ 521,278,415
Less: Outstanding Debt	-	-
Debt Margin	\$ 157,349,763	\$ 521,278,415

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

**Debt Capacity  
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita  
2002 – 2011**

	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
December 31					
2002	670,820	26,350,592	3,585,000	.02	5.35
2003	679,815	27,778,725	3,245,000	.02	4.78
2004	702,060	29,619,949	2,890,000	.01	4.11
2005	705,018	32,815,525	2,525,000	.01	3.58
2006	721,445	35,336,989	2,145,000	.01	2.97
2007	732,435	42,915,280	1,750,000	.01	2.38
2008	749,350	50,503,813	1,335,000	.01	1.78
2009	813,600	48,742,260	3,910,000	.02	6.07
2010	795,225	45,155,305	-	-	-
2011	802,150	41,959,937	-	-	-

**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

---

**Debt Capacity  
Computation of Direct and Overlapping Debt  
2011**

	<b>Net Bonded Debt Outstanding</b>	<b>Percentage Applicable*</b>	<b>Authority Share</b>
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	198,397,000	30.54%	60,590,444
Pierce County	147,150,000	42.27%	62,200,305
			<u>\$122,790,749</u>
PTBA Population			802,150
Direct Debt as a % of Personal Income			.0000%
Direct and Overlapping Debt per Capita			\$ -

\* 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  
2002 - 2011**

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)
2002	725,000	50,127	21,502,845	29,659	139,759	8.1
2003	733,700	51,662	21,131,368	28,801	142,050	8.2
2004	744,000	54,132	23,273,083	31,281	140,626	7.1
2005	755,900	55,785	24,440,169	32,448	139,032	5.9
2006	773,500	56,487	26,769,608	35,054	139,434	5.1
2007	790,500	57,733	28,949,941	37,446	139,945	4.7
2008	805,400	56,740	31,046,350	39,444	141,246	5.7
2009	813,600	55,436	N/A	N/A	141,182	9.3
2010	795,225	55,531	N/A	N/A	138,687	9.5
2011	802,150	56,114	N/A	N/A	132,480	9.6

Sources: (1) Washington State Office of Financial Management  
(2) Federal Bureau of Economic Analysis  
(3) Superintendent of Public Instruction

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

**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

**Demographic and Economic Information**

**Principal Employers  
Comparisons of Employees and Percent of Total Employment  
2011 and 2002**

Employer	2011			2002		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
Federal Government	56,899	1	12.71%	40,090	1	10.72%
Local Government	33,744	2	7.55	32,522	2	8.70
MultiCare Health System	6,756	3	1.51	6,119	3	1.64
Franciscan Health Systems	5,507	4	1.23	2,892	4	.77
Emerald Queen Casino	2,230	5	0.50	1,000	8	0.27
The Boeing Company(Fredrickson)	1,450	6	0.32	1,000	9	0.27
Wal-Mart	1,447	7	0.32	-	-	-
Fred Meyer Stores	1,301	8	0.29	1,093	7	0.29
Safeway Stores	1,123	9	0.25	-	-	-
Costco	1,115	10	0.25	-	-	-
Puyallup Tribe	-	-	-	1,795	5	0.48
Intel Corporation	-	-	-	1,500	6	0.40
Albertsons, Inc	-	-	-	958	10	0.26
<b>Total Taxpayer Employment</b>	<b>111,572</b>		<b>24.93%</b>	<b>88,869</b>		<b>23.80%</b>
<b>Total Employment Pierce County</b>	<b>447,619</b>			<b>373,749</b>		

Source: Tacoma-Pierce County Economic Development Board

**Demographic and Economic Information  
Pierce Transit Employee by Function  
2002 - 2011**

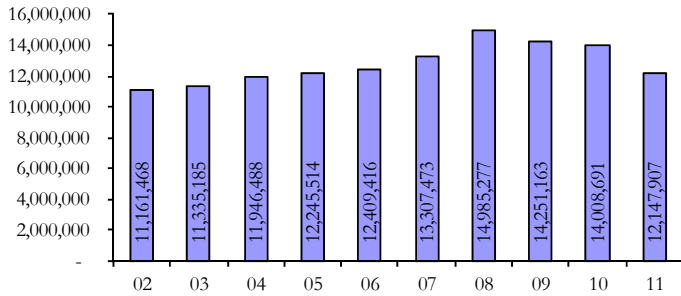
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Operations</b>	608	605	589	701	746	747	708	674	674	598
<b>Maintenance</b>	136	156	149	157	154	169	162	163	161	144
<b>Administration</b>	125	128	127	145	153	174	168	145	144	139

\*Contracted Employees not included in totals prior to 2005

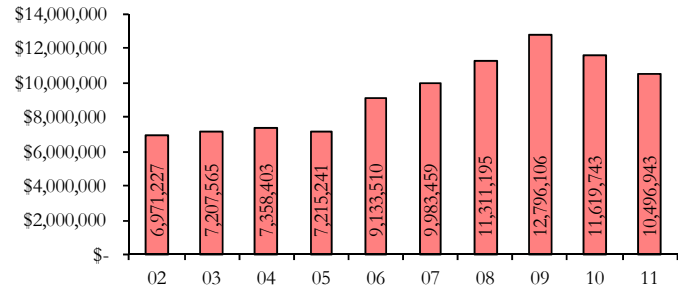
Pierce Transit  
Statistical Section  
Year ended December 31, 2011

Operating Information  
Fixed Route Statistics  
2002 – 2011

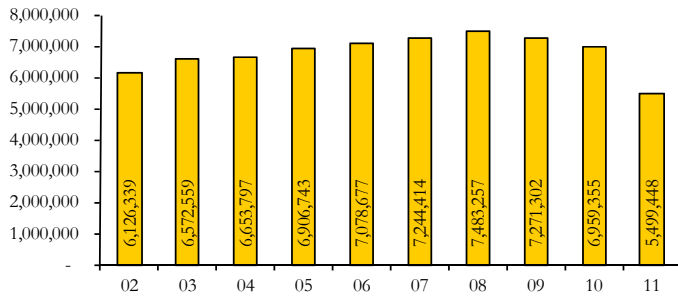
Annual Boardings



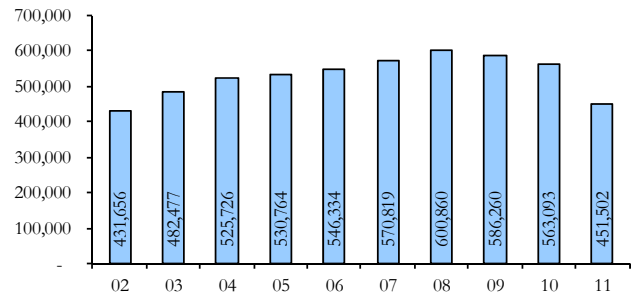
Annual Passenger Fare Revenues



Revenue Miles



Actual Revenue Hours



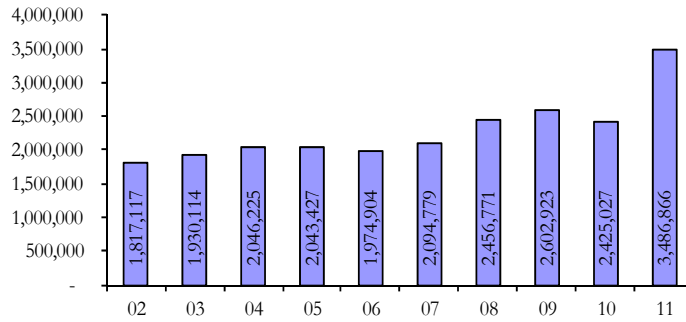
Source: National Transit Database (NTD)

Pierce Transit  
Statistical Section  
Year ended December 31, 2011

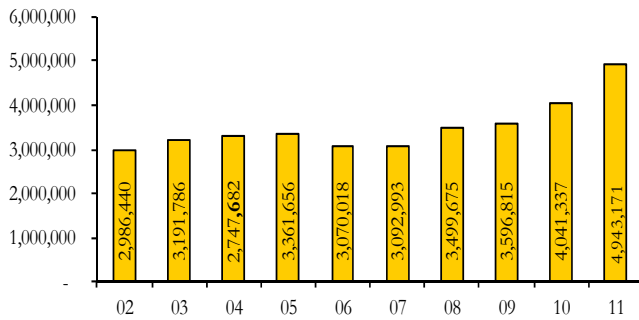
---

**Operating Information**  
**Sound Transit**  
**Fixed Route Statistics**  
2002 – 2011

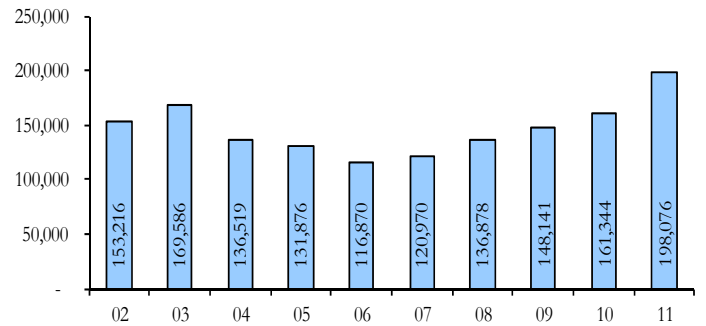
**Annual Boardings**



**Revenue Miles**



**Actual Revenue Hours**

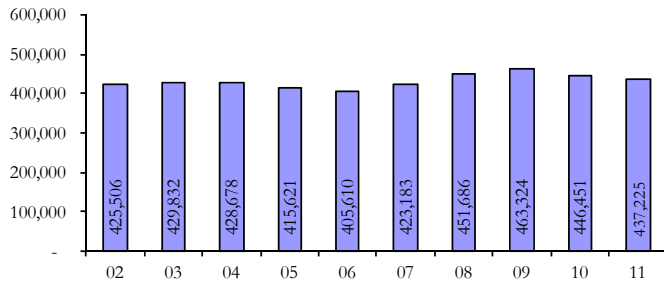


Source: National Transit Database (NTD)  
Sound Transit Seattle Express service began in September 1999.

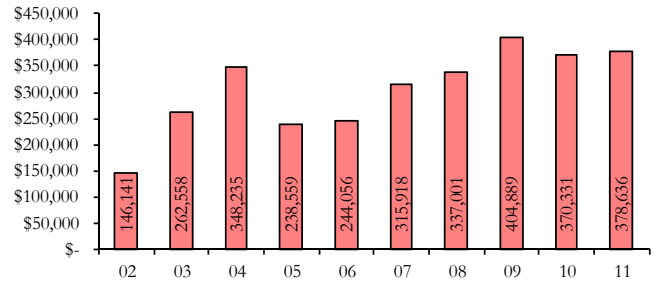
Pierce Transit  
Statistical Section  
Year ended December 31, 2011

Operating Information  
Specialized Transportation (SHUTTLE)  
2002 - 2011

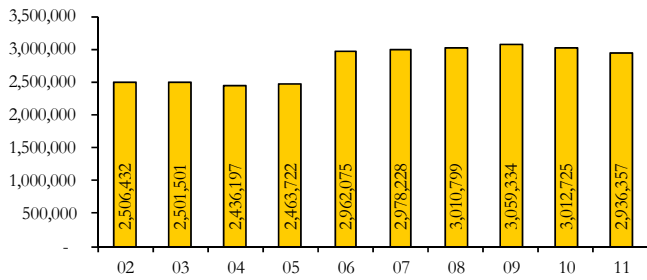
Annual Boardings



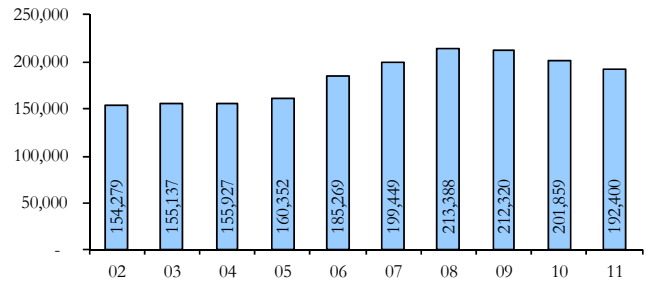
Annual Passenger Fare Revenues



Revenue Miles



Actual Revenue Hours



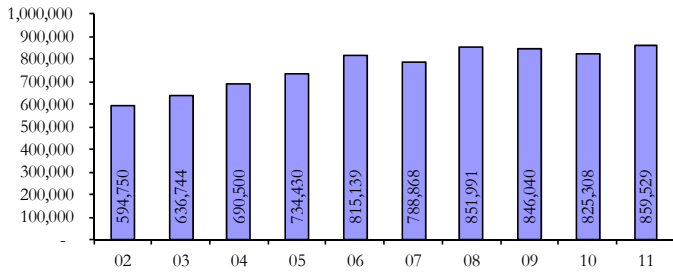
Includes directly operated and purchased transportation services.

Pierce Transit  
Statistical Section  
Year ended December 31, 2011

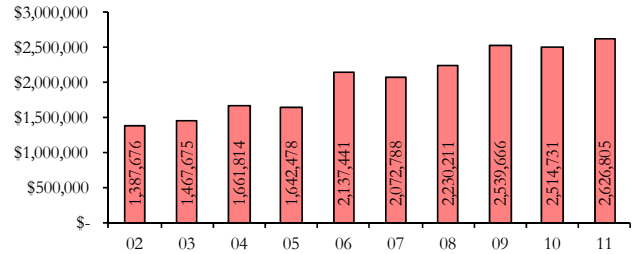
---

Operating Information  
Vanpool Statistics  
2002 – 2011

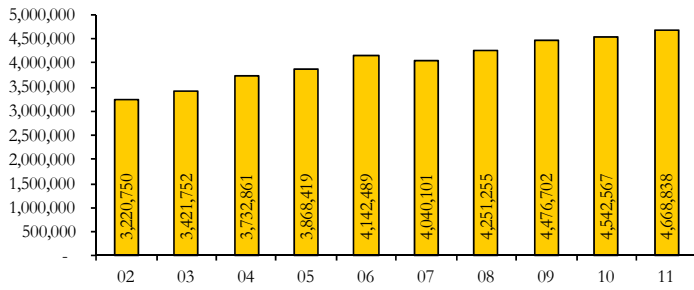
Annual Boardings



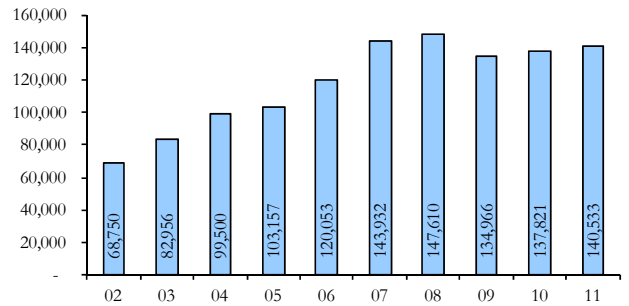
Annual Passenger Fare Revenues



Revenue Miles



Actual Revenue Hours



**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

**Operating Information  
Key Performance Measures  
2002 – 2011**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):</b>										
Annual Boardings	11,161,468	11,335,185	11,946,488	12,245,514	12,409,416	13,307,473	14,985,277	14,251,163	14,008,691	12,147,907
Cost per Service Hour	\$ 75.15	\$ 72.36	\$ 81.50	\$ 86.80	\$ 90.36	\$ 96.96	\$ 104.96	\$ 107.47	\$ 114.02	\$ 139.91
Farebox Recovery	19%	18%	16%	14%	17%	16%	16%	19%	17%	15%
Passengers per Service Hour	22.5	20.4	21.2	21.1	20.6	21.1	22.7	22.7	22.7	24.35
Cost per Passenger	\$ 3.34	\$ 3.55	\$ 3.84	\$ 4.11	\$ 4.38	\$ 4.59	\$ 4.63	\$ 4.63	\$ 5.03	\$ 5.75
<b>SHUTTLE:</b>										
Annual Boardings	425,506	429,832	428,678	415,621	405,610	423,539	451,686	463,324	446,451	437,225
Cost per Service Hour	\$ 63.22	\$ 63.97	\$ 72.47	\$ 66.23	\$ 64.17	\$ 66.26	\$ 72.92	\$ 71.67	\$ 73.25	\$ 87.66
Farebox Recovery	1%	2%	3%	2%	2%	2%	2%	2%	2%	2%
Passengers per Service Hour	2.4	2.5	2.4	2.2	1.9	1.8	1.9	1.9	2.02	2.04
Cost per Passenger	\$ 26.29	\$ 25.97	\$ 29.73	\$ 29.67	\$ 34.23	\$ 37.32	\$ 39.05	\$ 38.70	\$ 36.23	\$ 42.94
<b>VANPOOL:</b>										
Annual Boardings	594,750	636,744	690,500	734,430	815,139	788,868	851,991	846,040	825,308	825,308
Cost per Service Hour	\$ 30.98	\$ 30.44	\$ 28.98	\$ 26.93	\$ 24.93	\$ 25.07	\$ 29.06	\$ 31.33	\$ 31.32	\$ 29.74
Farebox Recovery	64%	57%	57%	59%	71%	57%	52%	57%	58%	63%
Passengers per Service Hour	8.5	7.6	6.9	7.1	6.7	5.5	5.8	6.27	5.99	6.12
Cost per Passenger	\$ 3.65	\$ 4.02	\$ 4.23	\$ 3.82	\$ 3.71	\$ 4.57	\$ 5.03	\$ 5.00	\$ 5.23	\$ 4.86

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  
2002 – 2011**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pierce Transit Buses	166	168	208	193	176	176	218	189	182	182
SHUTTLE Vans	144	166	154	100	118	146	145	157	171	167
Vanpool Vans	250	270	284	293	300	320	328	328	326	326



**Pierce Transit  
Statistical Section  
Year ended December 31, 2011**

---

**Grant Information  
Capital Grant History  
2002 – 2011**

<u>FTA</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Section 3	\$ 1,132,955	\$ 157,643	\$ 2,131,762	\$ 2,774,048	\$ 343,103	\$ -	\$ -	\$ -	\$ -	\$ -
Section 4	132	454	-	-	-	-	-	-	-	-
Section 8	36,715	610	-	-	-	-	-	-	-	-
Section 9	6,056,583	2,278,019	14,921,797	10,261,877	4,687,911	7,528,260	3,172,893	1,474,753	6,741,534	1,886,861
Other	-	-	-	-	-	53,793	148,056	96,502	82,380	383,078
 <b><u>WA STATE</u></b>										
Misc Grants	-	65,161	(99,912)	215,807	344,798	504,380	223,262		478,620	1,125,916
 <b><u>MUNCIPAL/ LOCAL</u></b>										
Partnerships	64,256	83,534	16,667	1,056,667	154,311	11,941	5,191,984	1,246,058	1,839,931	(26,903)
	<u>\$ 7,290,641</u>	<u>\$ 2,585,421</u>	<u>\$ 16,970,314</u>	<u>\$ 14,308,399</u>	<u>\$ 5,530,123</u>	<u>\$ 8,098,374</u>	<u>\$ 8,736,195</u>	<u>\$ 2,817,313</u>	<u>\$ 9,142,465</u>	<u>\$ 3,668,952</u>

# Pierce Transit

[PIERCETRANSIT.ORG](http://PIERCETRANSIT.ORG)

3701 96TH ST SW | LAKEWOOD WA 98499-4431

PO BOX 99070 | LAKEWOOD WA 98496-0070

