

# Pierce Transit

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2013  
PIERCE COUNTY, WA

# go!







## *Pierce Transit*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2013  
PIERCE COUNTY, WA**

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**CHIEF EXECUTIVE OFFICER**

**PREPARED BY THE FINANCE DEPARTMENT**

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**FINANCE MANAGER**

*Liz Passmore*  
**FINANCE ASSISTANT MANAGER**

# go!

*This year's report features a few of the many specialized teams that play vital roles in Pierce Transit's ability to connect communities with safe, reliable, customer-friendly transit options.*



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

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*Pierce Transit's instructors provide quality training and teach technical skills to transit and SHUTTLE operators. As a result, our drivers are our greatest safety feature, earning national recognition for their skills.*

# GO!





June 24, 2014

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, 2013 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, Pierce Transit's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of Pierce Transit. All disclosures necessary to enable the reader to gain the maximum understanding of Pierce Transit's business have been included.

The Washington State Auditor's Office has issued an unqualified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2013. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

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

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

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

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

Pierce Transit's fixed route bus service is provided along more than 37 routes throughout Pierce County. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Tacoma to Seattle has been funded by Sound Transit, and operated by Pierce Transit. Pierce Transit operates 12 routes for Sound Transit service. In 2013, Pierce Transit fixed route services carried 10.3 million passengers while Sound Transit services operated by Pierce Transit carried 4.6 million passengers for a combined total of 14.9 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 2013, total ridership was 371,302.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to 346 vans with 3,494 daily weekday riders. With 926,359 annual passenger boardings, the vanpool program accounted for 8% of the Agency's total ridership in 2013 (excluding Sound Transit ridership).

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

The Six-Year Financial Plan is sustainable at 2014 budgeted fixed route service levels of 427,717 service hours. Pierce Transit's Board of Commissioners has directed staff to look for innovative service options to provide service to under-served communities as well as to look for ways to improve service performance.

### **Major Initiatives**

Pierce Transit's Strategic Plan is a framework for improving the Agency and becoming the safest transit agency on the West Coast. The Board of Commissioners has identified five Strategic Focus Areas.

- **Operational Excellence:** Pierce Transit is committed to achieving excellence in the way the Agency performs its work and delivers transit service.
- **Financial Stability:** In order to maximize and sustain a consistent level of service to the public, maintaining long-term financial stability continues to be a high priority for the Agency.

- **Improved Public Perception:** Achieving a high level of confidence from our riders and the general public is a priority for the Agency.
- **Innovative Community Solutions:** As the Agency rebuilds service, innovative community solutions will be designed to meet the diverse needs of the communities served.
- **Balanced Service Allocation:** To ensure a balanced allocation of service hours between efficiency and developing markets, the Agency will allocate 85 percent of its service hours to existing efficient transit routes and 15 percent of its service hours to innovative community solutions that include carefully designed demonstration projects and improvement of current service that is not performing at the desired standard.

In response to the Board of Commissioners' strategic direction for innovative community solutions, Pierce Transit's Business Development Office (BDO) was launched in May 2013. To provide services to the community, the Business Development Office uses a rapid design process to launch projects tailored to community needs.

The rapid design process has four phases. The discovery phase seeks stakeholders input on their community's transportation needs through a Community Investment Team. The design phase develops innovative service concepts tailored to the community's needs, and the decision point phase presents recommendations to the Board of Commissioners. Once approved, the deliver phase implements the demonstration service.

The actual demonstration (test period) ranges from three to twelve months. At the end of the demonstration period, a decision is made as to whether or not to continue (operationalize) the service.

Some 2013 projects that used the rapid design process include the Gig Harbor Trolley, the Fife-Milton-Edgewood Community Connector, the Puyallup Community Connector and a Custom Bus Project.

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

- Technology equipment replacements and upgrades in the amount of \$15.2 million. Projects include a farebox system, cameras on buses, a radio communication project and upgrades to core business systems.
- Capital maintenance and improvements in the amount of \$10.0 million at base, park and ride, and transit center facilities.
- Revenue vehicle fleet replacements totaling \$11.3 million.
- Administrative and shop equipment and tools in the amount of \$2.1 million.

Anticipated grant and partnership revenue on these projects total \$14.2 million.

### III. ECONOMIC CONDITION AND OUTLOOK

Local economic conditions and retail spending play major roles in the generation of sales tax revenue which is Pierce Transit's primary operating revenue source. Pierce Transit relies heavily on sales tax collected within its Public Transportation Benefit Area (PTBA) for its operating revenue. Sales tax contributed 51% of total operating revenues in 2013 (69% excluding Sound Transit regional transit service revenue) and is expected to generate \$63 million in sales tax revenue in 2014. Pierce Transit's sales tax collections made slow improvements during 2013. Sales tax growth has continued through the most recent February 2014 sales tax collections. Changes in Gross Domestic Product (GDP) and increased employment are some of the main drivers of the growth in sales tax. GDP is expected to grow by about 2.9% in 2014 and Washington State

employment is expected to increase by about 1.9% in 2014. These factors should contribute to a modest growth in sales tax revenue for Pierce Transit.

With the Gross Domestic Product (GDP) growing only 3.0 percent between 2009 and 2013, it's been a sluggish crawl out of the Great Recession. Though the economic recovery has been slow, there are signs that the 2014 Puget Sound economy is improving. After a settlement with its machinists' union, Boeing announced that it would produce the 777X airplane in the Puget Sound area. The approximately 31,000 machinists each received \$10,000 as part of the contract agreement, which effectively raised income growth in the first quarter of 2014. The 777X airplane production is also expected to support 8,500 aerospace jobs, with a total favorable impact of 25,000 to jobs.

Consumer confidence has still not fully recovered from an economy that has not performed well. With slow but steady economic growth over the last several years, consumption is finally returning to pre-recession levels. In 2014, Pierce County's economy is expected to grow by about 2.9 percent. The Washington state unemployment rate, which ended 2013 at 7.4 percent, declined to 6.3 percent in March of 2014. Home construction is rebounding and personal income growth is expected to contribute to economic growth in 2014. Regional home prices continue to rise, a good sign that a housing recovery is underway.

A slowing Chinese economy, the potential for a slowdown in the recovery of the U.S. housing market and European economic and debt problems all remain major threats to the U.S. economy. Locally, the Seattle City Council voted to gradually raise the minimum wage within the City of Seattle from \$9.32 per hour (already the highest minimum wage in the country) to \$15 per hour. Businesses with more than 500 employees nationally will be required to phase in the increase over three years (four years if they provide health insurance). Smaller businesses will be given seven years to phase in the \$15 minimum wage. Based on estimates from the Congressional Budget Office (CBO), the region could stand to lose 7,000 jobs as a result of the increase. Once the regional minimum wage rises to \$15 per hour, it will be above the current national minimum wage of \$10.10 by one half. At that level, the region could lose some of its economic competitiveness. It is unclear if the rise in minimum wage in the City of Seattle would force some businesses to relocate outside the city limits to avoid the increase. Since the new minimum wage applies only to businesses outside of Pierce Transit's taxing area, it is unclear what the economic impact, if any, would be to Pierce Transit.

#### **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, 2012. This was the twenty-sixth 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

Board of Commissioners  
2013 CAFR Transmittal Letter

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  
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Pierce Transit  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO



## BOARD OF COMMISSIONERS

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

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



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



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



**Commissioner Don Anderson**  
Lakewood Deputy Mayor  
Term Expires 12/31/14



**Commissioner Glenn Hull**  
Fife Mayor Pro Tem  
Term Expires 12/31/14



**Commissioner Kent Keel**  
University Place Council  
Term Expires 12/31/14



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



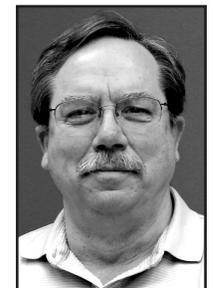
**Commissioner Steve Vermillion**  
Puyallup City Council  
Term Expires 5/1/14



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



**Commissioner Derek Young**  
Gig Harbor Council  
Term Expires 12/31/13



**Commissioner Don McKnight**  
Non-voting Union Representative  
Term Expires N/A



2014 ORGANIZATIONAL CHART

CITIZENS OF PIERCE COUNTY

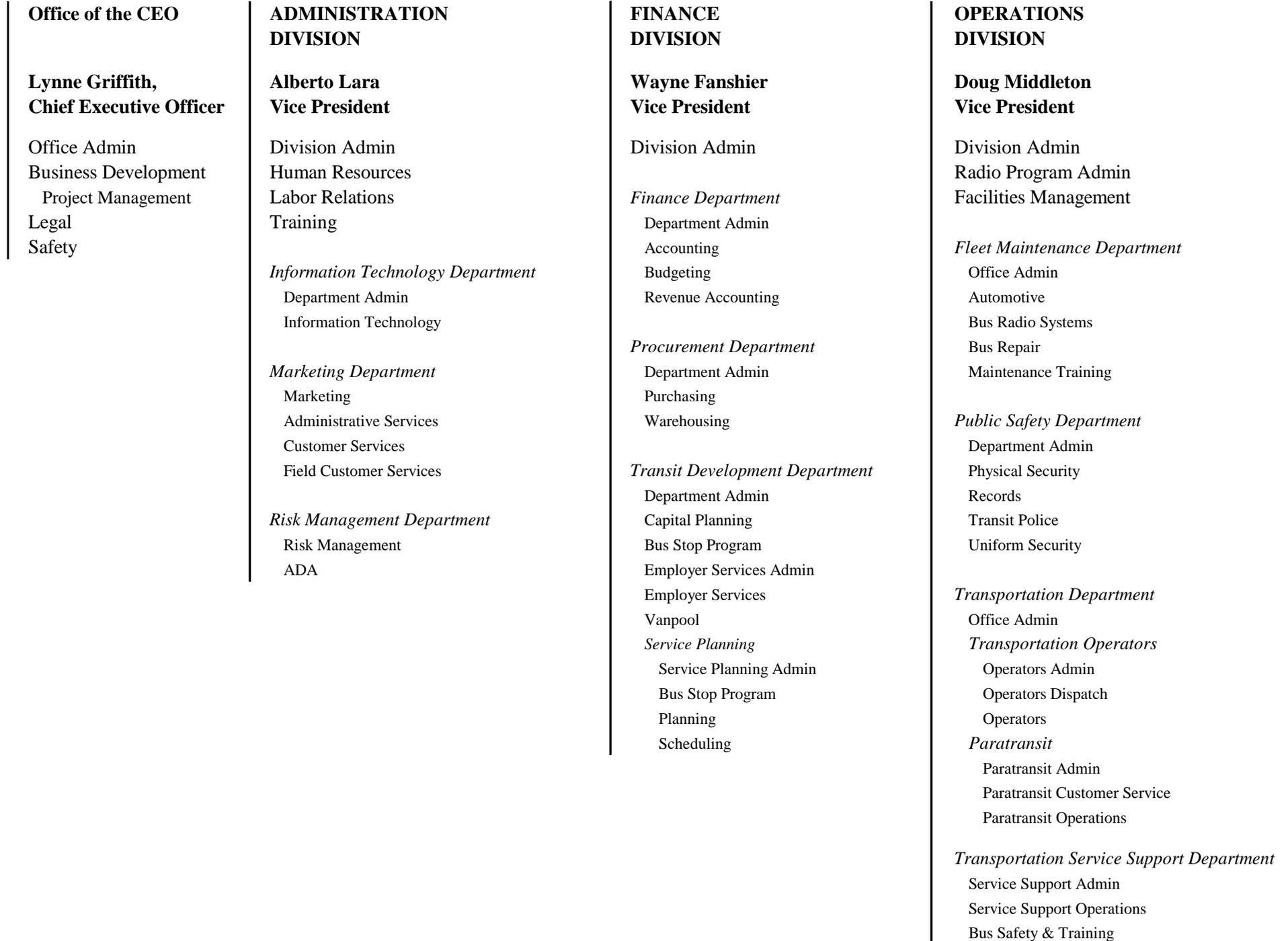
BOARD OF COMMISSIONERS

CHIEF EXECUTIVE OFFICER

Lynne Griffith

CLERK OF THE BOARD,  
ASSISTANT TO CEO

Deanne Jacobson



*Pierce Transit's expert maintenance team routinely completes major mechanical, structural, interior, and exterior repairs to our extensive fleet of vehicles, to assure our riders are safe and comfortable.*



# go!







# Washington State Auditor Troy Kelley

## INDEPENDENT AUDITOR'S REPORT

June 20, 2014

Board of Commissioners  
Pierce Transit  
Lakewood, Washington

### ***REPORT ON FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Pierce Transit's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Pierce Transit's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pierce Transit's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Transit, Pierce County, Washington, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

In accordance with *Government Auditing Standards*, we will also issue our report dated June 20, 2014, on our consideration of Pierce 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 Pierce 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pierce Transit's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

**TROY KELLEY**  
STATE AUDITOR

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*Pierce Transit's dispatch group works diligently to ensure that for every patron waiting at a bus stop, an operator is scheduled to arrive on that run. The system works behind-the-scenes, seamlessly, to meet the needs of our passengers.*

# go!





**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2013 and 2012**

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Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2013 and 2012. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

### **Financial Highlights**

- Net income for 2013, before contributions, was \$1.8 million, compared to \$(2.0) million for 2012 and \$(14.1) million in 2011. The 2013 increase is due to a decrease in personnel and fuel expenditures. The 2012 increase in net income came from expense reductions resulting from the annualization of service reductions in 2011. Capital contributions of \$5.8 million and a \$1.8 million net gain accounted for the approximately \$7.1 million increase in net position in 2013.
- Due to declining sales tax revenues as a result of the recession, Pierce Transit has implemented fixed route service reductions over the last several years, reducing fixed route service hours to 427,717 in 2014 from high of 660,657 hours in 2008. Sales tax revenues, while not yet at pre-recession levels, are increasing over the prior year and are expected to grow modestly in the future. Projected expenditures are now in alignment with projected revenues and 2014 service levels are anticipated to be sustainable over the next six years.
- Pierce Transit's assets exceeded its liabilities on December 31, 2013 by \$227.4 million (net position) compared to \$219.7 million in 2012 and \$219.2 million in 2011. Investments in capital assets decreased by \$4.5 million, \$7.4 million and \$6.9 million in 2013, 2012 and 2011 respectively. Unrestricted net position increased by \$12.1 million in 2013 and by \$7.9 million in 2012 and decreased by \$3.5 million in 2011. These reserves are available to fund operating, capital and self-insurance commitments.

### **Overview of the Financial Statements**

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

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

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

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2013 and 2012**

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

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

Pierce Transit's financial statements can be found on page 22 to 24 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 25 to 42 of this report.

**Financial Statement Analysis**

As noted earlier, net position may serve as a useful indication of the Agency's financial position. Total net position exceeds liabilities by \$227.4 million, \$219.7 million and \$219.2 million in 2013, 2012 and 2011 respectively.

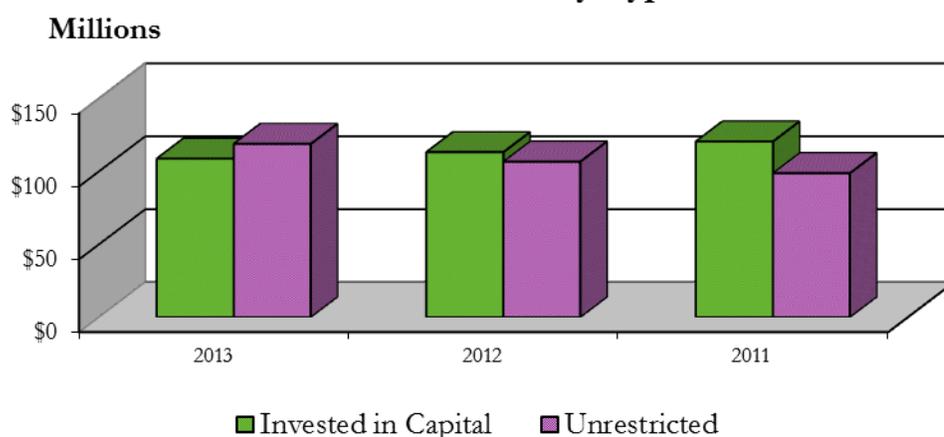
**Summary Statement for Net Position**  
**For the years ending December 31, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>			
Current Assets	\$ 131,433,577	\$ 120,843,031	\$ 115,359,981
Capital Assets (net)	108,630,726	113,079,561	120,444,631
<b>Total Assets</b>	<u>\$ 240,064,303</u>	<u>\$ 233,922,592</u>	<u>\$ 235,804,612</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 11,111,172	\$ 12,531,022	\$ 11,945,780
Other Non-Current Liabilities	1,552,869	1,666,324	4,665,857
<b>Total Liabilities</b>	<u>12,664,041</u>	<u>14,197,346</u>	<u>16,611,637</u>
<b>Net position:</b>			
Net Investment in Capital Assets	108,630,726	113,079,562	120,444,631
Unrestricted Net Position	118,769,537	106,645,684	98,748,344
Total Net Position	<u>227,400,262</u>	<u>219,725,246</u>	<u>219,192,975</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 240,064,303</u>	<u>\$ 233,922,592</u>	<u>\$ 235,804,612</u>

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2013 and 2012**

A large majority of Pierce Transit's 2013 capital assets (\$108.6 million) reflect its investment in capital assets (e.g. revenue vehicles, passenger facilities, and shop equipment). The Agency uses these capital assets to provide transportation to the community. These are committed assets and this portion of the net position balance is not available for future spending. A portion (\$30.6 million) of the remaining net position balance of \$118.8 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 \$88.2 million is available to support future obligations for transportation operations.

**Net Position by Type**



**Comparative Statement of Revenue, Expense and Change in Net Position  
For the years ended December 31, 2013, 2012 & 2011**

	2013	2012	2011
Operating Revenue	\$ 46,650,262	\$ 43,858,454	\$ 44,499,060
Non-Operating Revenue	4,248,092	5,132,967	5,481,656
Operating Subsidies	73,898,968	75,370,259	74,495,170
<b>Total Revenue</b>	<b>124,797,322</b>	<b>124,361,680</b>	<b>124,475,886</b>
Operating Expense	107,114,336	111,719,860	121,984,843
Non-Operating Expense	1,117,008	1,194,016	2,016,445
Depreciation	14,746,142	13,431,897	14,524,411
<b>Total Expense</b>	<b>122,977,486</b>	<b>126,345,773</b>	<b>138,525,699</b>
Net Position before Contribution	1,819,836	(1,984,093)	(14,049,813)
Capital Grants	5,855,179	2,516,365	3,668,952
<b>Change in Net Position</b>	<b>\$ 7,675,015</b>	<b>\$ 532,272</b>	<b>\$ (10,380,861)</b>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2013 and 2012**

A description of operating & non-operating revenue follows:

<b>Operating Revenue</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Passenger Fares	\$ 12,266,180	\$ 12,219,240	\$ 13,502,385
Advertising	952,540	658,345	738,817
Regional Transit Service	33,431,542	30,980,869	30,257,858
<b>Total Operating Revenue</b>	<b>46,650,262</b>	<b>43,858,454</b>	<b>44,499,060</b>
<b>Non-Operating Revenue</b>			
Operating Subsidies:			
Sales Tax	63,407,486	65,190,106	64,512,697
Operating Grants	10,491,482	10,180,153	9,982,473
Other Non-Operating Revenue:			
Investment Income	151,610	198,874	100,949
Miscellaneous Income	4,096,480	4,934,093	5,380,707
Total Non-Operating Revenue	78,147,058	80,503,226	79,976,826
<b>Total Revenue</b>	<b>\$ 124,797,320</b>	<b>\$ 124,361,680</b>	<b>\$ 124,475,886</b>

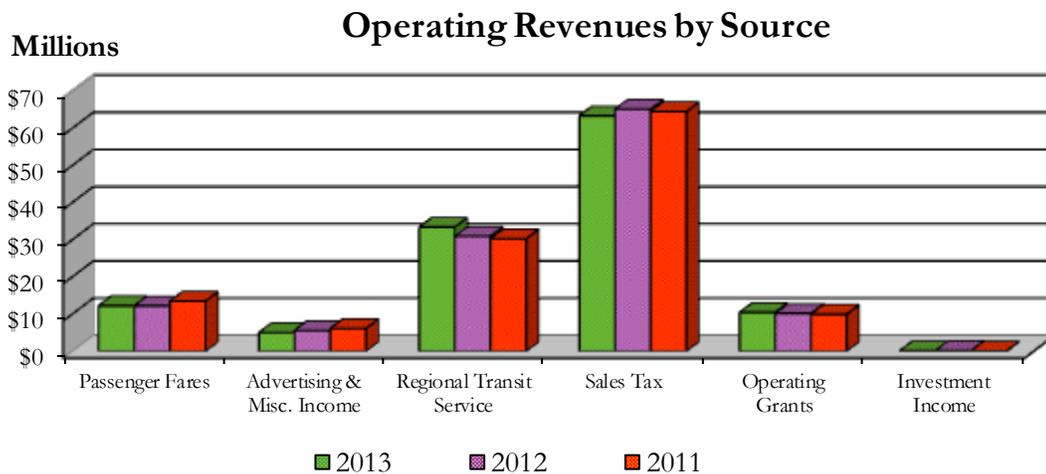
**Operating Revenue**

- Pierce Transit's passenger fares consist of revenues from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Pierce Transit has partnered with six other Central Puget Sound transit agencies on a regional fare collection system (ORCA) using smart card technology. Customers can purchase fare media from any of the six partners, regardless of where the media is used.
- Fare revenues leveled out in 2013 to \$12.3 million. Fare revenues in 2012 and 2011 were \$12.2 million and \$13.55 million respectively. Fare revenues decreased in 2012 over 2011 levels because of the service reductions that took place due in late 2011 and additional reductions in 2012.
- Advertising revenues were \$.9 million in 2013, .7 million in 2012 and .7 million in 2011. 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, 2014. Revenues generated from this regional transit service were \$33.4 million in 2013, an increase of 8% over 2012. Regional transit service revenues were \$31 million and \$30.3 million in 2012 and 2011, respectively. These increases were a result of a change in the number of service hours as well as the rate Pierce Transit charges for providing this service.

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- Sales tax, accounting for 51% of Pierce Transit's total revenue (excluding capital), decreased by \$1.8 million, a decrease of 2.73% over 2012. The decrease is due to Pierce Transit's boundary reduction for sales tax collection combined with an increase in retail sales within the new boundaries. The increase between 2011 and 2012 was due to a small increase in retail sales during 2012. Sales tax revenue was \$63.4 million in 2013, as compared to \$65.2 million in 2012 and \$64.5 million in 2011.
- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2013 totaled \$10.5 million compared to \$10.2 million in 2012 and \$10 million in 2011. The changes in grant revenues are because operating grant contracts are awarded on an annual basis and vary from year to year.
- Investment income increased 97% from 2011 earnings. 2013 investment earnings were \$.2 million compared to \$.2 million in 2012 and \$.1 million in 2011. This primarily due to flat interest rates in 2013.

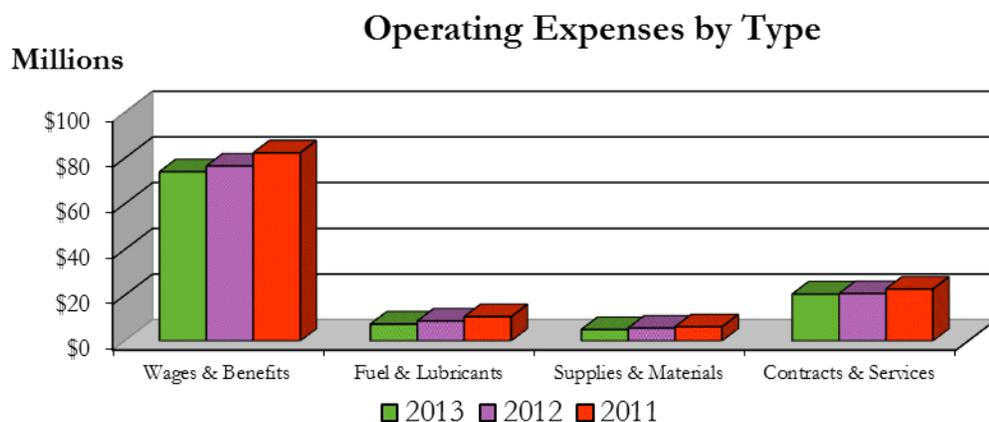


### Operating Expenses

Total 2013 operating expenses, excluding depreciation and capital, totaled \$121.9 million decreasing 2.6% from 2012 levels. Operating expenses for 2012 and 2011 were \$125.2 million and \$136.5 million respectively. The decrease between 2013 and 2012 is due to a reduction in non-operator salaries and benefits including contract personnel, positions being unfilled in 2013, agency reorganization, and lower CNG costs. The decrease between 2012 and 2011 is due to service reductions that were implemented in October 2011. 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.

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<b>Operating Expenses:</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Wages & Benefits	\$ 74,160,441	\$ 76,615,405	\$ 82,413,780
Fuel & Lubricants	7,409,160	8,698,804	10,620,144
Supplies & Materials	5,011,098	5,683,897	6,200,926
Contracts & Services	20,533,637	20,721,754	22,749,993
Depreciation & Amortization	14,746,142	13,431,897	14,524,411
<b>Total Operating Expenses</b>	<b>121,860,478</b>	<b>125,151,757</b>	<b>136,509,254</b>
<b>Non-Operating Expenses:</b>			
Items Previously Deferred	224,061	126,620	909,998
Grant Exchange Funds	882,644	884,000	1,106,447
Total Non-Operating Expenses	1,106,705	1,010,620	2,016,445
<b>Total Expenses</b>	<b>\$ 122,967,183</b>	<b>\$ 126,162,377</b>	<b>\$ 138,525,699</b>



Wages and benefits for 2013 of \$74.2 million make up 69% of operating expenses (exclusive of depreciation) and decreased 3.2% over 2012 levels. Wages and benefits for 2012 and 2011 were \$76.6 million and \$82.4 million respectively and decreased by .7% between 2012 and 2011. The decrease between 2012 and 2011 was due to the reduction in service and related layoffs that occurred in June and October 2011.

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

<b>Service Hours:</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Fixed Route Pierce Transit	412,704	416,746	498,819
Fixed Route Sound Transit	283,037	262,762	253,505
Specialized Transportation	182,492	188,451	214,183
Vanpool	144,384	140,411	140,533
<b>Total</b>	<b>1,022,617</b>	<b>1,008,370</b>	<b>1,107,040</b>

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### **Capital Assets**

Capital assets include revenue vehicles, support vehicles, projects in progress, land, buildings, shop equipment, passenger facilities, and other assets having a life of more than one year with an acquisition value of more than \$5,000. Pierce Transit's investment in capital assets as of December 31, 2013 totaled \$108.6 million, net of accumulated depreciation. This compares to a 2012 net investment in capital assets of \$113.1 million and a 2011 net investment in capital assets of \$120.4 million. 2013 net capital decreased by 3.9%, or \$4.5 million. This is the result of the increase of .3 million in assets and \$4.8 million in accumulated depreciation for 2013. Net 2012 capital assets decreased by 6.1% or \$7.4 million and decreased by .54% or \$6.9 million for 2011.

Capital contributions in 2013 totaled \$5.9 million. Capital grants funded 53% of Pierce Transit's capital acquisitions in 2013. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 11.

Capital acquisitions during 2013 totaled \$11 million and included the following major capital assets:

- \$3.9 million for Gillig Hybrid Electric Coaches
- \$.6 million for property improvements and building improvements
- 1.5 million for a SHUTTLE and Vanpool Vehicles
- \$5 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, 2013.

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 \$129,306,679. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$427,954,219. This estimate is based on the assessed value of the cities and towns of Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Pacific, Puyallup, Ruston, Steilacoom, Tacoma, and University Place, which are served by Pierce Transit. This estimate

does not include any of the assessed valuation from the unincorporated areas of Pierce County within Pierce Transit's jurisdiction.

### **Reserve Policies**

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

- **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

**Pierce Transit**  
**Management's Discussion and Analysis**  
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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 2013.

### **Factors Affecting Financial Condition**

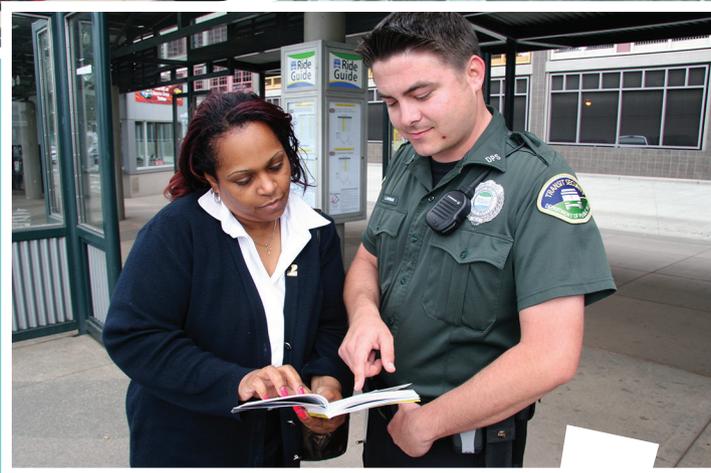
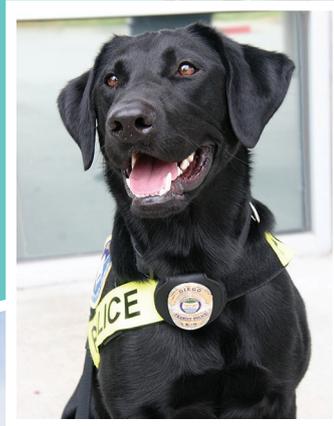
#### **Local Economy**

- Sales tax revenue is projected to be 50% of Pierce Transit's operating revenues in 2014, compared to 51% in 2013. Excluding contracted regional transit service, which does not fund local Pierce Transit service, sales tax revenue was 69% of total operating revenues in 2013, compared to 72% of total operating revenues projected in 2014. Because Pierce Transit relies heavily on sales tax to fund local service, local and national economic conditions are a significant influence on Pierce Transit's operating revenues.
- The Pierce County economy is expected to experience slow growth of about 2.9% in 2014. Boeing's recent decision to produce the 777X plane in the Puget Sound region will positively impact the local economy in 2014. Consumption is slowly returning to pre-recession levels and Washington state unemployment declined to 6.3 percent in March of 2014, down from year-end 2013 levels of 7.4 percent. A potential increase to the minimum wage in the City of Seattle will have an undetermined impact to the local economy. However, statistics from the Congressional Budget Office indicate that the region could lose 7,000 direct jobs as a result, with up to 25,000 jobs being impacted.
- Pierce Transit has yet to recover from lost sales tax revenues resulting from the recession. Pierce Transit projects an increase of three percent in sales tax revenues in 2014. Service reductions have been taken over the last several years to bring expenditures more in alignment with revenues.

#### **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 \$20 million in 2014.
- Pierce Transit has implemented fixed route service reductions over the last several years, bringing fixed route service hours down to 427,717 in 2014 from high of 660,657 hours in 2008. The 2014 service levels will be sustainable over the Six-Year Financial Plan.

*Pierce Transit's Public Safety department makes sure our customers are safe, whether riding to their destination, or waiting at a PT facility. In addition, they provide instruction on bike safety during National Bike Month.*



# go!





**Pierce Transit  
Financial Statements  
Years Ended December 31, 2013 and 2012**

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**Comparative Statement of Net Position**

December 31, 2013 and 2012

<b>CURRENT ASSETS</b>	<b>2013</b>	<b>2012</b>
Cash & Cash Equivalents	\$ 8,029,518	\$ 4,561,531
Investments	97,093,503	88,770,470
Accounts Receivable	2,288,413	1,045,535
Interest Receivable	0	116
Sales Tax Receivable	11,391,413	10,880,016
Due From Other Governments	9,823,651	12,553,456
Prepaid Expenses	275,889	458,292
Inventories	2,531,190	2,573,615
<b>TOTAL CURRENT ASSETS</b>	<b>131,433,577</b>	<b>120,843,031</b>
<b>CAPITAL ASSETS</b>		
Land	19,380,991	19,380,991
Work in Progress	10,573,006	13,152,159
Structures & Improvements	70,460,279	70,037,604
Site Improvements	53,571,111	48,411,655
Machinery & Equipment	127,273,018	129,910,568
Less: Accumulated Depreciation	(172,627,679)	(167,813,416)
<b>NET INVESTMENT IN CAPITAL ASSETS</b>	<b>108,630,726</b>	<b>113,079,561</b>
<b>TOTAL ASSETS</b>	<b>\$ 240,064,303</b>	<b>\$ 233,922,592</b>
<b>CURRENT LIABILITIES</b>		<b>2012</b>
Checks Payable	\$ 315,770	\$ 433,118
Accounts Payable	2,421,604	3,060,972
Retainage Payable	31,390	107,329
Unearned Revenue	201,307	466,167
Wages and Benefits Payable	1,390,852	1,474,121
Employee Leave Payable	3,979,862	4,288,907
Due to Other Governments	1,471,289	1,112,675
Provision for Uninsured Claims	1,299,098	1,587,733
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,111,172</b>	<b>12,531,022</b>
<b>LONG-TERM LIABILITIES</b>		
Employee Leave Payable	1,552,869	1,666,324
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,552,869</b>	<b>1,666,324</b>
<b>TOTAL LIABILITIES</b>	<b>12,664,041</b>	<b>14,197,346</b>
<b>NET POSITION</b>		
Net Invested in Capital Assets	108,630,726	113,079,561
Unrestricted Net Position	118,769,537	106,645,685
<b>TOTAL NET POSITION</b>	<b>227,400,262</b>	<b>219,725,246</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 240,064,303</b>	<b>\$ 233,922,592</b>

See accompanying notes to the financial statements.

Pierce Transit

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

Years ended December 31, 2013 and 2012

<b>OPERATING INCOME</b>	<b>2013</b>	<b>2012</b>
Passenger Fares	\$ 12,266,180	\$ 12,219,240
Advertising	952,540	658,345
Regional Transit Service	33,431,542	30,980,869
<b>TOTAL OPERATING REVENUE</b>	<u>46,650,262</u>	<u>43,858,454</u>
<b>OPERATING EXPENSES</b>		
Operations	64,793,783	62,391,140
Maintenance	19,791,190	21,976,196
Non-Vehicle Maintenance	4,599,756	4,458,279
General & Administration	17,929,607	22,894,245
Depreciation & Amortization	14,746,142	13,431,897
<b>TOTAL OPERATING EXPENSES</b>	<u>121,860,478</u>	<u>125,151,757</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(75,210,216)</u>	<u>(81,293,303)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Operating Subsidies:		
Sales Tax	63,407,486	65,190,106
Operating Grants	10,491,482	10,180,153
Other:		
Expense of Items Previously Deferred	(224,061)	(126,620)
Interest Income	151,610	198,874
Grant Exchange Funds	(882,644)	(884,000)
Miscellaneous Non-Operating Income	4,096,480	4,934,093
Gain (Loss) on Disposal of Assets	(10,303)	(183,396)
<b>NET NON-OPERATING INCOME</b>	<u>77,030,052</u>	<u>79,309,210</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	1,819,836	(1,984,093)
Capital Contributions	5,855,179	2,516,365
<b>NET INCOME (LOSS) AFTER CONTRIBUTIONS</b>	<u>7,675,015</u>	<u>532,272</u>
<b>NET POSITION-BEGINNING</b>	219,725,247	219,192,975
<b>NET POSITION-ENDING</b>	<u>\$ 227,400,262</u>	<u>\$ 219,725,247</u>

See accompanying notes to the financial statements.

Pierce Transit

**Comparative Statement of Cash Flows**

Years ended December 31, 2013 and 2012

**INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

	2013	2012
Cash Received From Customers	\$ 48,216,281	\$ 41,555,809
Cash Payments to Suppliers for Goods & Services	(33,441,298)	(35,071,808)
Cash Payments to Employees for Services	(74,666,210)	(78,205,283)
Miscellaneous Non-Operating Income	4,096,480	4,934,093
<b>Net Cash Used By Operating Activities</b>	<u>(55,794,747)</u>	<u>(66,787,189)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Sales Tax Received	62,896,089	65,832,351
Operating Grants Received	10,459,321	8,670,313
Grant Exchange Funds	(882,644)	(884,000)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>72,472,766</u>	<u>73,618,664</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition and Construction of Capital Assets	(10,888,279)	(7,520,363)
Capital Grants and Contributions	5,855,179	2,600,065
Principal Paid on Debt	-	-
Interest Paid on Debt	-	-
Proceeds From Sale of Equipment	(10,303)	619,539
<b>Net Cash Used By Capital and Related Financing Activity</b>	<u>(5,043,403)</u>	<u>(4,300,759)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Investment Securities	(72,011,333)	(72,695,835)
Proceeds from Maturities of Investment Securities	63,688,300	65,609,690
Interest on Investments	156,404	204,512
<b>Net Cash Used By Investing Activities</b>	<u>(8,166,629)</u>	<u>(6,881,633)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	3,467,987	(4,350,917)
Cash and Cash Equivalents at Beginning of Year	4,561,531	8,912,448
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 8,029,518</u>	<u>\$ 4,561,531</u>

See accompanying notes to the financial statements.

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

Operating Loss	<u>\$ (75,210,216)</u>	<u>\$ (81,293,303)</u>
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**ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and Amortization	14,746,142	13,431,897
Miscellaneous Non-Operating Income	4,096,480	4,934,093

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

(Increase) Decrease in Receivables	(1,242,878)	(847,855)
(Increase) Decrease in Inventories	42,425	86,082
(Increase) Decrease in Prepaid Expenses	182,403	(246,911)
(Increase) Decrease in Due from Other Governments	2,715,142	(996,397)
Increase (Decrease) in Warrants Payable	(48,138)	(147,785)
Increase (Decrease) in Accounts Payable	(375,458)	63,685
Increase (Decrease) in Unearned Revenue	(264,860)	(1,161,250)
Increase (Decrease) in Wages and Benefits Payable	(505,769)	(1,589,878)
Increase (Decrease) in Due to Other Governments	358,614	702,857
Increase (Decrease) in Retainage Payable	-	-
Increase (Decrease) in Provision for Uninsured Claims	(288,634)	277,576
<b>TOTAL ADJUSTMENTS</b>	<u>19,415,469</u>	<u>14,506,114</u>
<b>Net Cash Used By Operating Activities</b>	<u>\$ (55,794,747)</u>	<u>\$ (66,787,189)</u>

See accompanying notes to the financial statements.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

Pierce Transit has an undivided interest in a non-equity joint venture, jointly governed with seven other agencies for the provision of regional 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.

**Pierce Transit**  
**Notes to Financial Statements**  
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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 pronouncements: Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles 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 expenses, which include capital grant receipts and expenses, as well as debt service principal. Unencumbered operating appropriations lapse at year-end.

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

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

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 expenses 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 expenses 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, service requirements and agency priorities. Once the preliminary budget is balanced, the Board of Commissioners review 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 expenses and revenues are made. Should any significant budget variances in either expenses or revenues occur, budget amendments, if

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

required, are made by resolution by the Board of Commissioners. Individual department budgets are monitored for authorized expenses on a department total rather than a line-item basis. With the exception of personnel costs, travel and training, and capital acquisitions, department and 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.

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2013 and 2012, is as follows:

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

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

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

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

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

Pierce Transit  
Notes to Financial Statements  
Years Ended December 31, 2013 and 2012

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2012

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 11,787,529	\$ 12,219,240	\$ 431,711
Advertising	750,000	658,345	(91,655)
Regional Transit Service	30,711,905	30,980,869	268,964
Interest Income	121,676	198,874	77,198
Sales Tax	65,992,241	65,190,106	(802,135)
Operating Grants	9,049,602	10,180,153	1,130,551
Capital Contributions	15,931,864	2,516,365	(13,415,499)
Miscellaneous Revenues	12,897,500	4,934,093	(7,963,407)
Gain (Loss) on Disposal of Assets	-	(183,396)	(183,396)
<b>TOTAL*</b>	<b>\$ 147,242,317</b>	<b>\$ 126,694,649</b>	<b>\$ (20,547,668)</b>

**SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL**  
Year Ended December 31, 2012

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 80,148,950	\$ 76,615,405	\$ 3,533,545
Fuel and Lubricants	7,829,808	8,698,804	(868,996)
Supplies and Materials	6,238,197	5,683,897	554,300
Contracts and Services	25,147,695	20,721,754	4,425,941
Depreciation and Amortization	-	13,431,897	(13,431,897)
Expense of Items Previously Deferred	-	126,620	(126,620)
Capital Acquisitions	36,428,048	6,540,446	29,887,602
Grant Exchange Funds	860,301	884,000	(23,699)
<b>TOTAL*</b>	<b>\$ 156,652,999</b>	<b>\$ 132,702,823</b>	<b>\$ 23,950,176</b>

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

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

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

	<u>2013</u>	<u>2012</u>
Passenger Fares	\$ 12,266,180	\$ 12,219,240
Advertising	952,540	658,345
Regional Transit Service	33,431,542	30,980,869
Interest Income	151,610	198,874
Misc. Non-Operating Revenue	4,096,480	4,934,093
Operating Subsidies	73,898,968	75,370,259
Gain (Loss) on Disposal of Assets	(10,303)	(183,396)
<b>TOTAL</b>	<u>\$ 124,787,017</u>	<u>\$ 124,178,284</u>

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

Capital Grants	5,855,179	2,516,365
<b>TOTAL</b>	<u>130,642,196</u>	<u>126,694,649</u>
<b>GRAND TOTAL</b>	<u>\$ 130,642,196</u>	<u>\$ 126,694,649</u>

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

	<u>2013</u>	<u>2012</u>
Operations	\$ 64,793,783	\$ 62,391,140
Maintenance	19,791,190	21,976,196
Non-Vehicle Maintenance	4,599,756	4,458,279
General & Administration	17,929,607	22,894,245
Depreciation and Amortization	14,746,142	13,431,897
Expense of Items Previously Deferred	224,061	126,620
Grant Exchange Funds	882,644	884,000
<b>TOTAL</b>	<u>\$ 122,967,183</u>	<u>\$ 126,162,377</u>

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

Capital Acquisitions	10,954,738	6,540,446
<b>GRAND TOTAL</b>	<u>\$ 133,921,921</u>	<u>\$ 132,702,823</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, 2013 total \$5,349,341 compared to \$6,131,353 on December 31, 2012. The majority of the encumbrances for 2013 result from capital projects in progress including farebox replacement, vanpool vehicle purchase,

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

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SHUTTLE vehicle purchase, and technology improvements. Encumbrances are not shown on the financial statements.

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

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

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

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

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

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

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

**Pierce Transit**  
**Notes to Financial Statements**  
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The Summary of Changes in Capital Assets for the years ended December 31, 2013 and 2012, respectively, follows:

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

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

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

**Pierce Transit**  
**Notes to Financial Statements**  
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**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2012**

Description	Balance January 1, 2012	Additions	Retirements	Adjustment	Balance December 31, 2012
<b>Capital assets not being depreciated:</b>					
Land	\$ 19,948,961	\$ -	\$ (567,970)	\$ -	\$ 19,380,991
Work in Progress	9,144,036	6,540,446	-	(2,532,323)	13,152,159
Total capital assets not being depreciated	<u>29,092,997</u>	<u>6,540,446</u>	<u>(567,970)</u>	<u>(2,532,323)</u>	<u>32,533,150</u>
<b>Depreciable capital assets:</b>					
Structures	70,210,513	-	(172,909)	-	70,037,604
Site Improvements	48,411,655	-	-	-	48,411,655
Machinery & Equipment	133,410,575	2,626,673	(6,126,680)	-	129,910,568
Total depreciable capital assets at cost	<u>252,032,743</u>	<u>2,626,673</u>	<u>(6,299,589)</u>	<u>-</u>	<u>248,359,827</u>
<b>Total Capital Assets (gross)</b>	<u>281,125,740</u>	<u>9,167,119</u>	<u>(6,867,559)</u>	<u>(2,532,323)</u>	<u>280,892,977</u>
<b>Less accumulated depreciation for:</b>					
Structures	(47,378,425)	(2,768,655)	172,908	-	(49,974,172)
Site Improvements	(43,076,502)	(595,332)	-	-	(43,671,834)
Machinery & Equipment	(70,226,181)	(10,067,910)	6,126,681	-	(74,167,410)
Total accumulated depreciation	<u>(160,681,108)</u>	<u>(13,431,897)</u>	<u>6,299,589</u>	<u>-</u>	<u>(167,813,416)</u>
<b>Total Capital Assets (net)</b>	<u>\$120,444,632</u>	<u>\$ 4,264,778</u>	<u>\$ (567,970)</u>	<u>\$ (2,532,323)</u>	<u>\$113,079,561</u>

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

Work in progress as of 12/31/13 consists of the following projects:

Buildings & Site Improvements	\$ 631,327
Equipment & Technology	9,217,027
Park and Ride Lots/Transit Centers	724,652
Total Work in Progress	<u>\$ 10,573,006</u>

A number of projects were in process at the end of 2013. Commitments on capital projects as of December 31, 2013 totaled \$3,960,571 and are itemized as follows: buildings and site improvements \$358,276 and equipment \$3,602,295. Projects underway as of December 31, 2013 included base facility improvements, a signal priority project, various technology upgrades or replacements, vanpool vehicles, SHUTTLE vehicles, and a CCTV project.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

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

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

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

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

**K. UNEARNED REVENUE** - Revenues are recorded when earned. Unearned revenue as of December 31, 2013 and 2012 was \$201,307 and \$466,167, respectively.

**L. NET POSITION** - Net position is increased when revenues are greater than expenses and decreased when expenses exceed revenues. Net position is reserved or designated to the extent that restricted assets exceed liabilities payable from those assets. See Note 4 for details of reserved and designated net position. Net position includes 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 2013 totaled \$63,407,486 resulting in a less than three percent decrease from 2012 sales tax revenue of \$65,190,106. On May 8, 2012, Pierce Transit's service and taxing boundaries were reduced from serving 19 nineteen jurisdictions to serving fourteen jurisdictions. The sales tax collection boundary reduction went into effect on October 1, 2012.
- 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**  
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	<u>2013</u>	<u>2012</u>
Vacation-Current	\$ 2,556,214	\$ 2,728,108
Vacation-Non-Current	284,024	303,123
<b>Total Vacation Leave Liability</b>	<u>\$ 2,840,238</u>	<u>\$ 3,031,231</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, 2013 and 2012 were \$6,312,374 and \$6,718,426 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>2013</u>	<u>2012</u>
Current Liability based on usage or terminations	\$ 1,423,647	\$ 1,560,798
Non-current Liability based on expected future payoffs	1,268,846	1,363,201
<b>Total Sick Leave Liability</b>	<u>\$ 2,692,493</u>	<u>\$ 2,923,999</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>2013</u>	<u>2012</u>
Balance beginning of year	\$ 4,288,907	\$ 4,802,816
Employee leave earned	3,690,235	3,756,999
Employee leave paid	(3,999,280)	(4,270,908)
<b>Current Employee Leave Payable</b>	<u>\$ 3,979,862</u>	<u>\$ 4,288,907</u>

	<u>2013</u>	<u>2012</u>
Balance beginning of year	\$ 1,666,324	\$ 1,689,739
Employee leave earned	1,446,993	1,635,916
Employee leave paid	(1,560,447)	(1,659,331)
<b>Long-term Employee Leave Payable</b>	<u>\$ 1,552,870</u>	<u>\$ 1,666,324</u>

## 2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2013 and 2012, respectively as follows:

Composition of Cash and Cash Equivalents:

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 6,952,893	\$ 4,561,531
Investments having original maturities of less than 3 months	-	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 6,952,893</u>	<u>\$ 4,561,531</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**  
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The investment practices of Pierce Transit are governed by an investment policy adopted by the Board of Commissioners. The policy addresses interest rate risk, credit risk, and concentration of credit risk. Allowable investments are limited as follows:

- Obligations of the United States Treasury.
- Obligations of agencies of the Federal Government.
- Certificates of deposit issued by commercial banks and thrift institutes that are public depositories of the State of Washington.
- Repurchase agreements collateralized by liquid, marketable securities having a fair value of at least 102% of the repurchase price.
- Banker's acceptance issued by any qualified depository in the State of Washington or by the 30 largest foreign banks and the 30 largest domestic banks as listed by the American Banking Association.
- Washington State Local Government Investment Pool. The Washington State Investment Board regulates pool investments. The fair value of the shares in the investment pool is the same as the value of the pool shares.
- Commercial paper limited to 15% of the total portfolio, with no more than 5% with any one individual issuer.

During 2013 and 2012, 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 2013 or 2012.

**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, 2013 and 2012 was 7 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, 2013 and 2012.

**Pierce Transit**  
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<b>Investment Type</b>	Fair	<b>2013 Investment Maturities (in months)</b>				
	Value	0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$ 96,093,753	\$ 96,093,753	\$ -	\$ -	\$ -	\$ 96,093,753
U. S. Agencies	999,750	-	-	999,750	-	999,750
	<u>\$97,093,503</u>	<u>\$ 96,093,753</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,093,503</u>

<b>Investment Type</b>	Fair	<b>2012 Investment Maturities (in months)</b>				
	Value	0-3	4-6	6-12	12-24	Total
Local Government						
Investment Pool	\$87,770,470	\$87,770,470	\$ -	\$ -	\$ -	\$ 87,770,470
U. S. Agencies	1,000,000	-	1,000,000	-	-	1,000,000
	<u>\$88,770,470</u>	<u>\$ 87,770,470</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$88,770,470</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, 2013, one percent of Pierce Transit's investments are in one of the following U.S. Agencies: Federal Home Loan Banks (FHLB) and Federal National Mortgage Association (FNMA). All the U.S. Agencies held by Pierce Transit have an AAA rating from Standard & Poor's and Aaa from Moody's.

### **Concentration of Credit Risk**

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

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

### **Custodial Credit Risk**

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

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**3. RECEIVABLES**

Amounts due to Pierce Transit for year ended December 31, 2013 and 2012 (net of uncollectible) are detailed as follows:

**RECEIVABLES**

	<u>2013</u>	<u>2012</u>
Accounts Receivable	\$ 2,288,413	\$ 1,045,535
Interest Receivable	-	116
Sales Tax Receivable	11,391,413	10,880,016
Due from Other Governments:		
Federal Operating Assistance	1,918,456	1,632,805
Other Operating Partnerships	986,920	1,235,162
Fuel Tax Refund & CNG Credit	239,882	1,119,866
Regional Transit Service Revenues	6,623,295	8,463,702
Capital Grants	30,508	52,184
Other Capital Partnerships	24,590	49,737
Regional Transit Service Revenues	-	-
Total Receivables	<u>\$23,503,477</u>	<u>\$24,479,123</u>

**4. RESTRICTED AND UNRESTRICTED NET POSITION**

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

**A. RESTRICTED FOR CAPITAL** - Net position designated for capital was \$28,196,953 for 2013 and \$21,748,469 for 2012.

**B. RESTRICTED FOR INSURANCE** - Pierce Transit's Board of Commissioners established a self-insurance fund in 1982 (See Note 7). Net position designated for unemployment, liability self-insurance, and workers compensation for the periods ended December 31, 2013 and 2012 were \$2,362,636 and \$1,050,634, respectively.

**Pierce Transit**  
**Notes to Financial Statements**  
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**5. EMPLOYEE BENEFITS**

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

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

Information regarding the Public Employees Retirement System (PERS) is presented in the State Department of Retirement Systems Annual Financial Report. A copy of the report may be obtained by contacting the Department of Retirement Systems, 6825 Capital Boulevard, P.O. Box 48380, Olympia, WA 98504-8389. Information regarding the Tacoma Employees' Retirement System can be found in its annual report and may be obtained by writing to the Tacoma Employees' Retirement System, 747 Market Street, and Room 1544, Tacoma, WA 98402. Ten year historical trend information showing the retirement systems' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS and TERS Comprehensive Annual Financial Report of June 30, 2012 and December 31, 2011 respectively.

The payroll for Pierce Transit employees covered by these retirement systems was \$50,156,438 for the year ended December 31, 2013 with a total payroll for 2013 of \$52,889,537. Payroll for Pierce Transit employees covered by retirement systems as of December 31, 2012 was \$51,320,096, with a total payroll of \$54,207,729. Employees covered by the Tacoma Employees Retirement Systems (TERS) are required by State statute and City ordinance to contribute 9.20% of gross wages to the plan with 10.8% being contributed by the employer. Employees covered by the Public Employees Retirement System (PERS) are required by State statute to contribute 6% of gross wages for Plan 1 participants and 4.92% for Plan 2 participants. Pierce Transit is required by the same authority to contribute the remaining amounts necessary to pay benefits when due. The employer's contribution for PERS employees was 7.21% through June 30, 2013, 9.18% through August 31, 2013, increasing to 9.21% through December 31, 2013. 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.

**Pierce Transit**  
**Notes to Financial Statements**  
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A summary of each plan's provisions and requirements follows:

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

	<b>PLAN 1</b>	<b>PLAN 2</b>	<b>PLAN 3</b>
Vesting	5 years	5 years	10 years
Retirement Eligibility	Age 60, regardless of service credit Age 55, with 25 years of service credit	Age 65, with 5 years of service credit Age 55 with 20 years of service credit	Age 65, with 10 years of service credit Age 55 with 10 years of service credit
Retirement Benefits	Any age with 30 years of service credit  2% of highest 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 2011, 2012, and 2013, 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:

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

	<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%	\$ 54,289	4.64%	\$ 2,206,159	5-15%	\$ 249,892	8.74%	\$ 39,906
Employer	7.25%	54,772	7.25%	3,223,001	7.25%	264,887	10.26%	46,846
<b>Total 2011</b>		<u>\$ 109,061</u>		<u>\$ 5,429,160</u>		<u>\$ 514,779</u>		<u>\$ 86,752</u>
Employee	6.00%	\$ 38,766	4.64%	\$ 2,156,098	5-15%	\$ 215,620	9.20%	\$ 41,446
Employer	7.21%	46,524	7.21%	3,349,057	7.21%	266,884	10.26%	48,654
<b>Total 2012</b>		<u>\$ 85,290</u>		<u>\$ 5,505,155</u>		<u>\$ 482,504</u>		<u>\$ 90,100</u>
Employee	6.00%	\$ 36,712	4.92%	\$ 2,180,115	5-15%	\$ 198,337	9.20%	\$ 35,112
Employer	9.21%	49,577	9.21%	3,730,060	9.21%	287,914	10.80%	41,219
<b>Total 2013</b>		<u>\$ 86,289</u>		<u>\$ 5,910,175</u>		<u>\$ 486,251</u>		<u>\$ 76,331</u>

**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 2013, Pierce Transit contributed \$1,642,829. Pierce Transit contributed \$1,686,520 to this plan in 2012. 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 expenses disallowed under the terms of the grants. In the opinion of management, such disallowances, if any, will be immaterial and will not have any significant effect on the financial position of Pierce Transit.

**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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

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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, 2013 was \$4,112,809 with operating expenses of \$291,297. In 2012, ORCA revenue totaled \$4,185,855 and operating expense of \$388,997. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2013, and 2012 reported within Pierce Transit's financial statements, amounted to \$489,339 and \$376,725 respectively. Other than the funds held by the fiscal agent Pierce Transit has no equity interest.

## **7. INSURANCE**

For auto/general liability and public officials' claims prior to January 1, 2010, Pierce Transit was self-insured with a retention of \$1,000,000 and excess insurance up to \$16 million. As of January 1, 2010, Pierce Transit became a full member of the Washington State Transit Insurance Pool (WSTIP) and now retains first-dollar coverage for auto/general up to \$12 million per occurrence. As a member of the Pool, the Agency is able to take advantage of collective retentions, competitive re-insurance rates and an exchange of best practices that help to reduce liability exposure. In addition to auto/general liability, WSTIP policies include property coverage of up to \$350 million (\$10,000 deductible) per occurrence, crime coverage of up to \$1 million (\$10,000 deductible) per loss, cyber-liability coverage up to \$20 million, and public officials' liability coverage of up to \$12 million (\$5,000 deductible) per occurrence. Pierce Transit continues to insure pollution/underground storage tank liability through an independent broker, with coverage up to \$1 million (\$25,000 deductible) per occurrence.

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

On December 31, 2013, the self-insurance assets totaled \$3,798,012, of which a liability of \$1,299,098 is recorded for workers' compensation and unemployment compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2012, Pierce Transit's self-insurance assets totaled \$2,811,113 of which a liability of \$1,587,733 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.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2013 and 2012**

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A reconciliation of claims liabilities follows:

	<u>2013</u>	<u>2012</u>
Balance beginning of year	\$ 1,587,733	\$ 1,310,157
Provision for incurred claims	1,980,890	3,236,159
Payments made for claims	<u>(2,269,525)</u>	<u>(2,958,583)</u>
Claims liabilities year ended	<u>\$ 1,299,098</u>	<u>\$ 1,587,733</u>

**8. DEBT**

Pierce Transit did not have any debt as of December 31, 2013 or December 31, 2012.

*Pierce Transit consists of numerous specialized teams that play vital roles in the Agency's ability to connect communities with safe, reliable, customer-friendly transit options.*

# go!





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

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This part of Pierce Transit’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Pierce Transit’s overall financial health. This information presented in this section has not been audited.

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

**Financial Trends  
Net Assets by Component  
2004 - 2013**

	Invested in		Total
	Capital Assets	Unrestricted	
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
2012	113,079,561	106,645,685	219,725,246
2013	108,630,726	118,769,536	227,400,262

**Financial Trends  
Expense Comparisons by Type  
2004 – 2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Personnel	\$53,276,898	\$57,785,602	\$60,736,927	\$67,667,670	\$77,278,554	\$79,346,300	\$82,910,872	\$82,413,780	\$76,615,405	\$74,160,441
Fuel & Lubricants	3,731,581	5,386,453	5,917,776	4,763,794	7,123,019	5,718,378	7,409,316	10,620,144	8,698,804	7,409,160
Supplies & Materials	4,944,439	4,851,849	4,636,806	5,962,609	5,921,096	5,246,793	5,534,848	6,200,926	5,683,897	5,011,098
Contracts & Services	13,770,279	13,925,196	15,974,894	17,065,225	18,258,165	18,273,761	22,341,235	22,749,993	20,721,754	20,533,637
Depreciation & Amortization	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142
Capital Acquisition	21,187,250	21,717,527	14,426,046	20,005,358	23,593,957	13,182,990	13,841,193	8,850,528	6,540,446	10,954,738
on Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	355,000	365,000	380,000	395,000	415,000	1,335,000	-	-	-	-
Interest	130,548	117,413	103,543	94,799	77,616	45,252	-	-	-	-
Expense										
Previously	1,277	61,865	50,590	132,357	234,942	2,460,260	381,012	909,998	126,620	224,061
Deferred Items										
Grant										
Exchange Funds		1,714,333	711,191	1,758,451	860,301	952,540	1,113,622	1,106,447	884,000	882,644
Total	\$109,672,134	\$118,492,362	\$116,618,920	\$133,591,049	\$147,880,050	\$140,566,409	\$146,360,722	\$147,046,227	\$132,702,823	\$133,921,921

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

**Financial Trends  
Changes in Net Position  
2004 – 2013**

<b>Operating Revenue</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>	<b>2012</b>	<b>2013</b>
Passenger Fares	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	12,219,240	12,266,180
Advertising	442,378	851,602	1,094,081	816,563	968,104	905,896	1,120,406	738,817	658,345	952,540
Regional Transit Service	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542
Total Operating Revenue	23,351,312	24,787,446	27,700,692	30,083,334	32,293,853	35,670,160	39,753,579	44,499,060	43,858,454	46,650,262
<b>Non-Operating Revenue</b>										
Sales Tax	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486
MVET	-	-	-	-	-	-	-	-	-	-
Operating Grants	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482
Investment Income	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361	346,746	100,949	198,874	151,610
Miscellaneous Income Gain(Loss)on Disposal of Assets	947,521	1,005,346	969,860	1,401,198	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,482
	91,584	350,686	284,261	108,715	122,190	91,084	368,928	99,912	(183,396)	(10,303)
Total Non-Operating Revenue	68,735,159	80,331,996	87,038,110	91,176,467	85,405,970	78,908,979	79,189,348	79,976,826	80,319,830	78,136,757
<b>Total Revenue</b>	92,086,471	105,119,442	114,738,802	121,259,801	117,699,823	114,579,139	118,942,927	124,475,886	124,178,284	124,787,019
<b>Operating Expense</b>										
Fixed Route	60,018,905	66,764,882	70,476,920	76,043,175	86,654,338	86,680,889	96,282,650	98,836,124	90,192,642	86,365,065
Demand Response	12,772,330	12,359,269	13,856,252	15,807,504	17,637,236	17,806,552	17,597,639	18,513,933	17,229,379	16,609,716
Vanpool	2,931,961	2,824,949	2,933,231	3,608,619	4,289,260	4,097,791	4,315,982	4,634,786	4,297,219	4,139,555
Depreciation & Amortization	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142
Total Operating Expense	87,998,058	94,516,224	100,947,550	111,205,084	122,698,234	122,590,367	131,024,895	136,509,254	125,151,137	121,860,478
<b>Non-Operating Expense</b>										
Expense of Deferred Items	1,277	61,865	50,590	132,357	234,942	2,460,260	381,012	909,998	126,620	224,061
Interest Expense	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	884,000	882,644
Total Non-Operating Expense	131,825	1,893,611	865,324	1,985,607	1,172,859	3,458,052	1,496,634	2,016,445	1,010,620	1,106,705
<b>Total Expense</b>	88,129,883	96,409,835	101,812,874	113,190,691	123,871,093	126,048,419	132,519,529	138,525,699	126,162,377	122,967,183
Net Expense	3,956,588	8,709,607	12,925,928	8,069,110	(6,171,270)	(11,469,280)	(13,576,602)	(14,049,813)	(1,984,093)	1,819,836
Capital Grants	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179
<b>Change in Net Position</b>	\$20,926,902	\$23,018,006	\$18,456,051	\$16,167,484	\$2,564,925	\$(8,651,967)	\$(4,434,137)	\$(10,380,861)	\$(532,272)	\$7,675,015

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

**Revenue Capacity  
Revenue and Subsidies Comparisons  
2004 – 2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Passenger Fares	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180
School Service	-	-								
Regional										
Transit Fares	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542
Advertising	442,379	851,602	1,094,081	816,563	968,104	905,896	1,120,406	738,817	658,345	952,540
Interest Income	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361	346,746	99,912	198,874	151,610
Sales Tax	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486
MVET	-	-	-	-	-	-	-	-	-	-
Operating										
Subsidies	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482
Capital Grants	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179
Gain on										
Disposal of										
Assets	91,584	350,686	816,663	108,715	122,190	91,084	368,928	99,912	(183,396)	(10,303)
Miscellaneous	947,521	1,005,345	969,860	1,041,198	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,480
<b>Total</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>	<b>\$126,694,649</b>	<b>\$130,642,196</b>

**Revenue Capacity  
Fixed Route Farebox Recovery  
2004 - 2013**

Year	Farebox Recovery
2004	16%
2005	14%
2006	17%
2007	16%
2008	16%
2009	19%
2010	17%
2011	15%
2012	16%
2013	18%

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

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**Revenue Capacity  
Fare History  
2004 - 2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Cash Fares</b>										
Adult	\$ 1.25	\$ 1.25	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Senior/Disabled/Youth	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
<b>Passes</b>										
Adult Pass	45.00	45.00	54.00	54.00	54.00	63.00	72.00	72.00	72.00	72.00
Senior/Disabled Pass	18.00	18.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Transfers	Free									

**Revenue Capacity  
2004 & 2013 Taxable Sales Comparisons  
Pierce County**

	2004		2013	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 5,868,240,440	\$ 35,209,443	\$ 6,321,236,862	\$ 32,882,748
Services	926,564,280	5,559,386	2,147,970,780	11,173,633
Contracting	1,647,225,387	9,883,352	1,822,350,688	9,479,774
Manufacturing	308,854,760	1,853,129	231,100,825	1,202,175
Transportation/Utilities	514,757,933	3,088,548	52,829,278	274,815
Wholesaling	720,661,107	4,323,967	708,410,590	3,685,115
Finance/Insurance/Real Estate	205,903,173	1,235,419	899,448,382	4,678,884
Other Business	102,951,587	617,710	5,832,565	30,342
<b>TOTAL</b>	<b>\$ 10,295,158,667</b>	<b>\$ 61,770,952</b>	<b>\$ 12,189,179,970</b>	<b>\$63,407,486</b>

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

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**Debt Capacity  
Legal Debt Margin  
2013**

	<b>Non-voted</b>	<b>Maximum Debt Capacity*</b>
Assessed Valuation	\$34,481,781,096	\$34,236,337,504
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 129,306,679	\$ 427,954,219
Less: Outstanding Debt	-	-
Debt Margin	\$ 129,306,679	\$ 427,954,219

\* 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  
2004 – 2013**

				<b>% Ratio of Bonded Debt to Assessed Value</b>	<b>Bonded Debt Per Capita</b>
<b>December 31</b>	<b>Population</b>	<b>Assessed Value (In Thousands)</b>	<b>General Bonded Debt</b>		
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	-	-	-
2012	808,200	33,245,935	-	-	-
2013	814,500	34,481,782	-	-	-

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

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**Debt Capacity  
Computation of Direct and Overlapping Debt  
2013**

	<b>Net Bonded Debt Outstanding</b>	<b>Percentage Applicable*</b>	<b>Authority Share</b>
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	245,900,000	30.54%	75,097,860
Pierce County	183,068,506	42.27%	77,383,057
			<u>\$152,480,917</u>
PTBA Population			560,000
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  
2004 – 2013**

<b>Fiscal Year Dec 31</b>	<b>Pierce County Population</b>	<b>Median Household Income (1)</b>	<b>Personal Income (2) (In Thousands)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2004	744,000	49,151	23,273,083	31,281	140,626	7.1
2005	755,900	50,678	24,440,169	32,448	139,032	5.9
2006	773,500	55,506	26,769,608	35,054	139,434	5.1
2007	790,500	56,426	28,949,941	37,446	139,945	4.7
2008	805,400	57,674	31,046,350	39,444	141,246	5.7
2009	813,600	56,555	32,332,969	40,577	141,182	9.3
2010	795,225	55,531	32,212,709	40,500	138,687	9.5
2011	802,150	56,114	33,117,849	40,992	132,480	8.5
2012	808,200	57,162	35,232,946	N/A	127,399	8.5
2013	813,000	N/A	N/A	N/A	N/A	7.4

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

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

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

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**Demographic and Economic Information**

**Principal Employers  
Comparisons of Employees and Percent of Total Employment  
2013 and 2004**

Employer	2013			2004		
	Employees	Rank	Percent of Total County Population	Employees	Rank	Percent of Total County Population
Joint Base Lewis McChord	63,501	1	58.4%	42,436	1,3,7*	55.5%
Local Public Schools (K-12)	13,133	2	12.1%	13,010	2	17.0%
MultiCare Health System	6,776	3	6.3%	3,587	5	4.7%
Washington State Employees	6,209	4	5.7%	6,991	4	9.2%
Franciscan Health Systems	5,814	5	5.4%	2,769	8	3.6%
City of Tacoma (Public Utilities Included)	3,466	6	3.2%			
Pierce County Government	2,873	7	2.7%	3,154	6	4.1%
Fred Meyer	2,328	8	2.2%	1,960	10	2.6%
Washington Higher Education	2,196	9	2.0%	2,491	9	3.3%
Walmart	2,102	10	2.0%	-	-	-
<b>Total</b>	<b>108,398</b>		<b>100%</b>	<b>76,398</b>		<b>100%</b>
Pierce County Population	<u>813,000</u>			<u>740,137</u>		

Source: Tacoma-Pierce County Economic Development Board  
Fort Lewis, McChord, and Madigan Army Hospital is now combined into one unit

**Operating Information**

**Pierce Transit Employee by Function  
2004 - 2013**

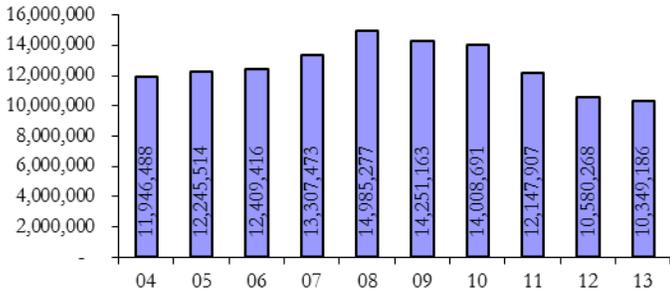
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operations	589	701	746	747	708	674	674	598	575	572
Maintenance	149	157	154	169	162	163	161	144	109	105
Administration	<u>127</u>	<u>145</u>	<u>153</u>	<u>174</u>	<u>168</u>	<u>145</u>	<u>144</u>	<u>139</u>	<u>132</u>	<u>125</u>
	865	1,003	1,053	1,090	1,038	982	979	881	816	802

\*Contracted Employees not included in totals prior to 2005

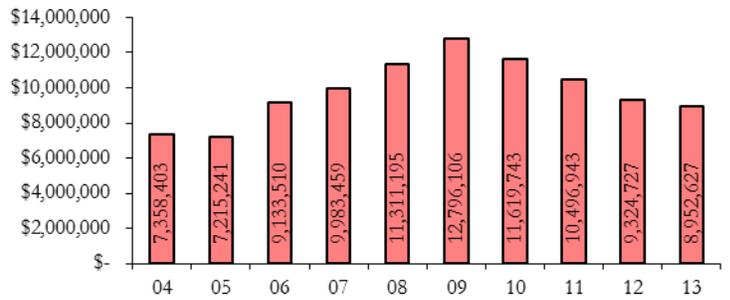
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2013

Operating Information  
 Fixed Route Statistics  
 2004 – 2013

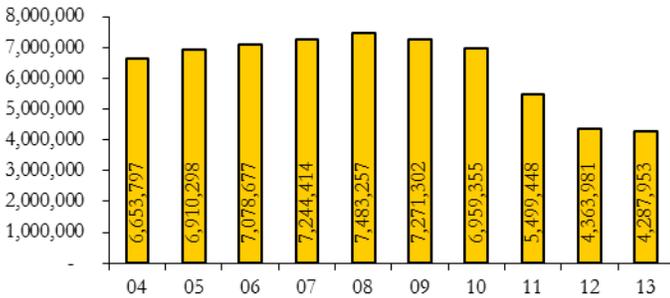
Annual Boardings



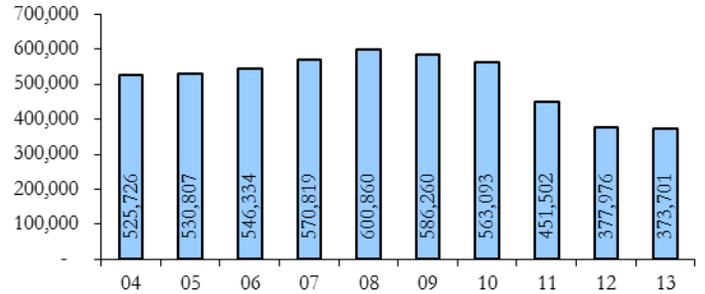
Annual Passenger Fare Revenues



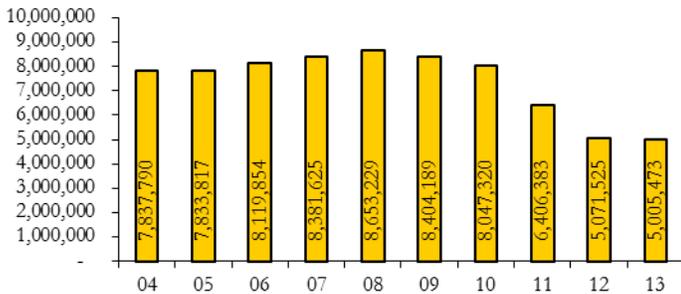
Actual Revenue Miles



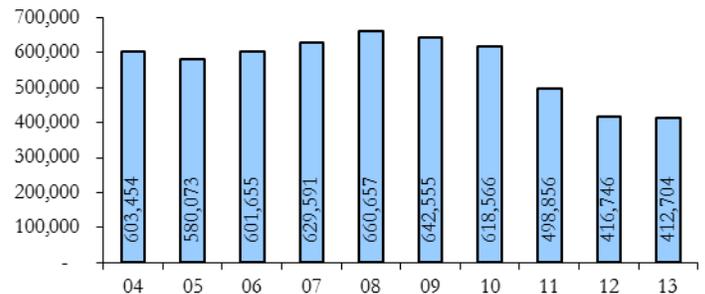
Actual Revenue Hours



Service Miles



Service Hours

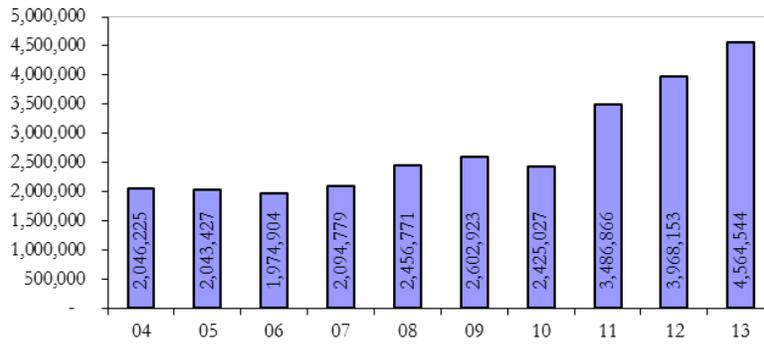


Source: National Transit Database (NTD)

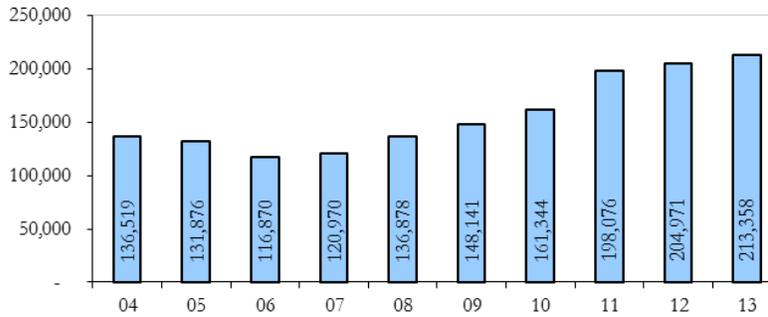
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2013

Operating Information  
 Sound Transit  
 Fixed Route Statistics  
 2004 – 2013

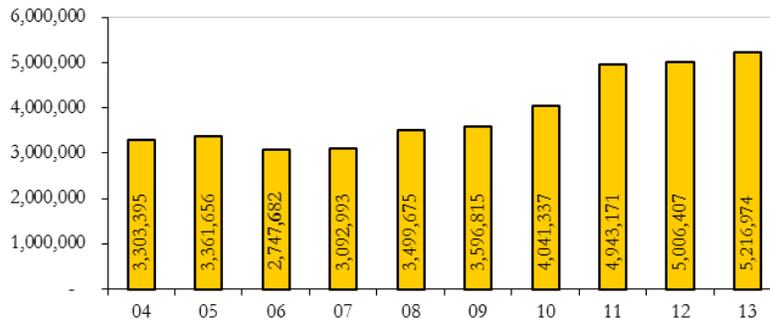
Annual Boardings



Revenue Hours



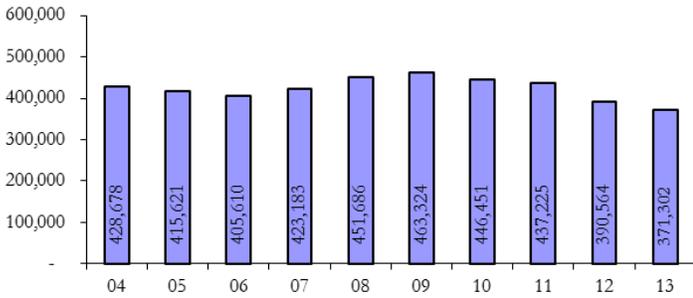
Revenue Miles



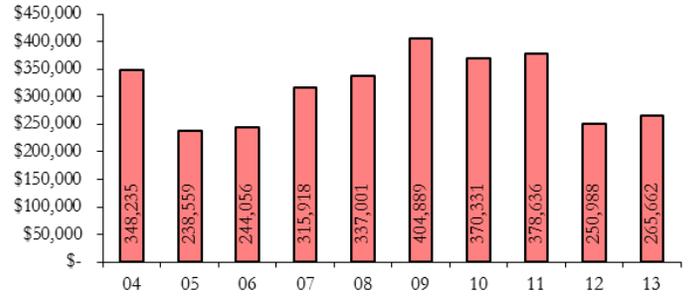
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2013

Operating Information  
 Specialized Transportation (SHUTTLE)  
 2004 – 2013

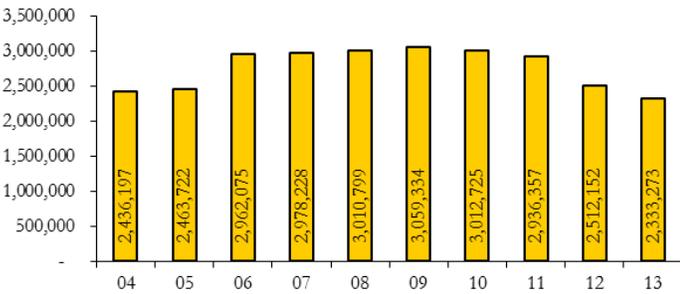
Annual Boardings



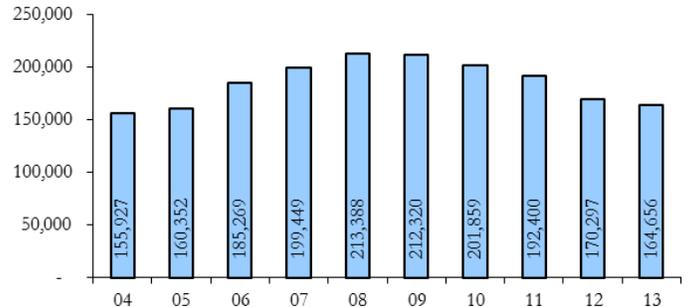
Annual Passenger Fare Revenues



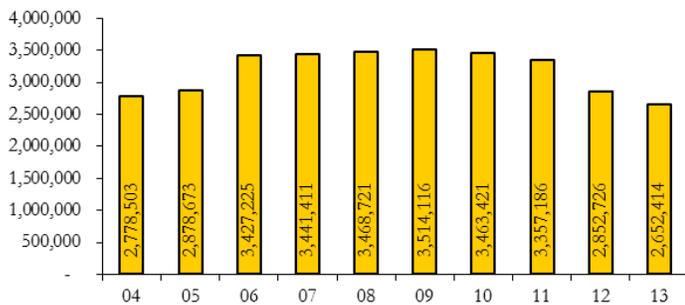
Actual Revenue Miles



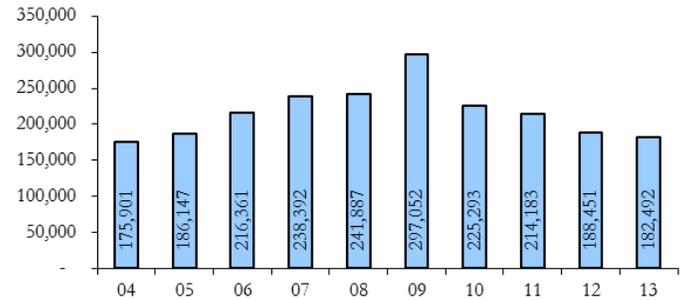
Actual Revenue Hours



Service Miles



Service Hours

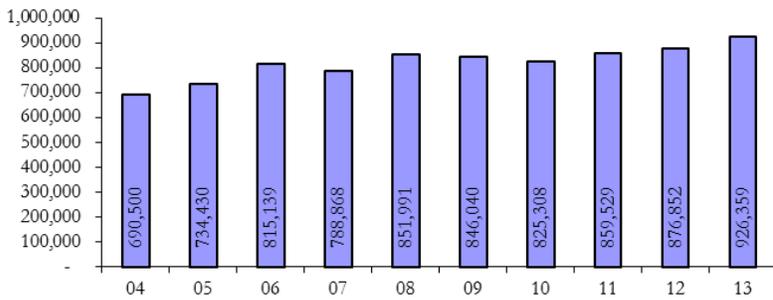


Includes directly operated and purchased transportation services.

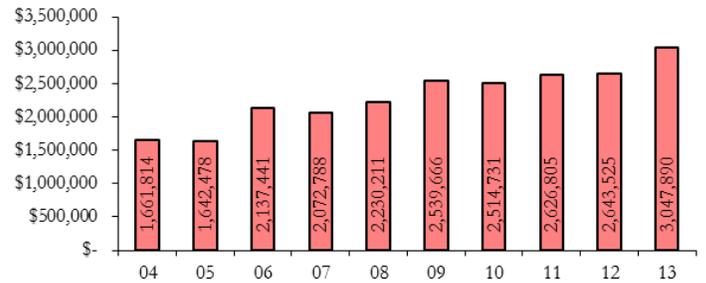
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2013

Operating Information  
 Vanpool Statistics  
 2004 – 2013

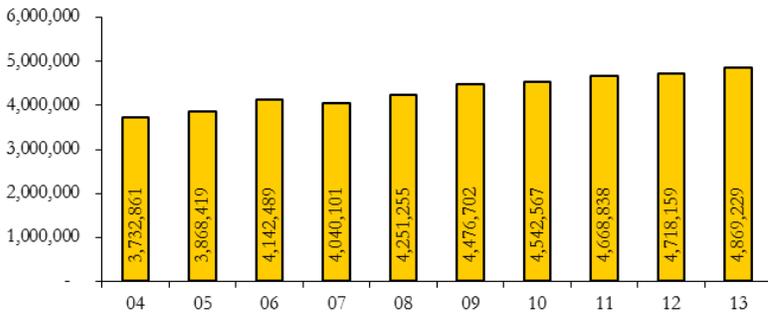
Annual Boardings



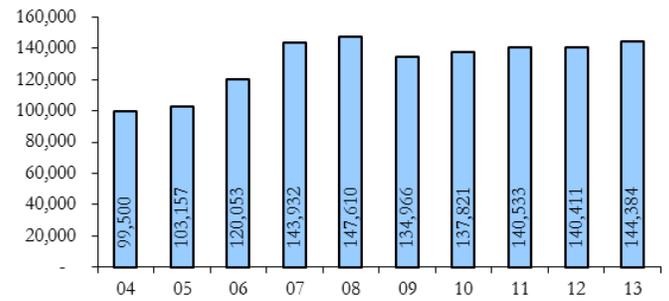
Annual Passenger Fare Revenues



Revenue/Service Miles



Revenue /Service Hours



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

**Operating Information  
Key Performance Measures  
2004 – 2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):</b>										
Annual Boardings	11,946,488	12,245,514	12,409,416	13,307,473	14,985,277	14,251,163	14,008,691	12,147,907	10,580,268	10,349,186
Cost per Service Hour	\$ 81.50	\$ 86.80	\$ 90.36	\$ 96.96	\$ 104.96	\$ 105.80	\$ 114.02	\$ 134.82	\$ 136.99	\$ 119.13
Farebox Recovery	16%	14%	17%	16%	16%	19%	17%	16%	16%	18%
Passengers per Service Hour	21.25	21.1	20.6	21.1	22.7	22.2	22.7	24.4	25.4	25.1
Cost per Passenger	\$ 3.84	\$ 4.11	\$ 4.38	\$ 4.59	\$ 4.63	\$ 4.77	\$ 5.03	\$ 5.54	\$ 5.40	\$ 4.75
<b>SHUTTLE:</b>										
Annual Boardings	428,678	415,621	405,610	425,539	451,686	463,324	446,451	437,225	390,564	371,302
Cost per Service Hour	\$ 72.47	\$ 66.23	\$ 64.17	\$ 66.26	\$ 72.92	\$ 71.18	\$ 78.11	\$ 86.44	\$ 91.43	\$ 91.02
Farebox Recovery	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Passengers per Service Hour	2.4	2.2	1.9	1.8	1.9	1.9	2.0	2.0	2.1	2.0
Cost per Passenger	\$ 29.73	\$ 29.67	\$ 34.23	\$ 37.32	\$ 39.05	\$ 38.43	\$ 39.42	\$ 42.34	\$ 44.11	\$ 44.71
<b>VANPOOL:</b>										
Annual Boardings	690,500	734,430	815,139	788,868	851,991	846,040	825,308	859,529	876,852	926,359
Cost per Service Hour	\$ 28.98	\$ 26.93	\$ 24.93	\$ 25.07	\$ 29.06	\$ 30.36	\$ 31.32	\$ 32.98	\$ 30.60	\$ 28.67
Farebox Recovery	57%	59%	71%	57%	52%	57%	58%	63%	62%	74%
Passengers per Service Hour	6.9	7.1	6.7	5.5	5.8	6.27	5.99	6.12	6.24	6.42
Cost per Passenger	\$ 4.23	\$ 3.82	\$ 3.71	\$ 4.57	\$ 5.03	\$ 4.84	\$ 5.23	\$ 5.39	\$ 4.90	\$ 4.47

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  
2004 – 2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Pierce Transit Buses	208	193	176	176	218	189	182	182	173	177
SHUTTLE Vans	154	100	118	146	145	157	171	167	100	100
Vanpool Vans	<u>284</u>	<u>293</u>	<u>300</u>	<u>320</u>	<u>328</u>	<u>328</u>	<u>326</u>	<u>326</u>	<u>347</u>	<u>371</u>
	646	586	594	642	691	674	679	675	620	648

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

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**Grant Information  
Capital Grant History  
2004 – 2013**

<u>ETA</u>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Section 3	\$ 2,131,762	\$ 2,774,048	\$ 343,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,944	\$ 62,692
Section 4	-	-	-	-	-	-	-	-	20,808	3,339,533
Section 8	-	-	-	-	-	-	-	-	-	-
Section 9	14,921,797	10,261,877	4,687,911	7,528,260	3,172,893	1,474,753	6,741,534	1,886,861	1,931,405	915,379
Other	-	-	-	53,793	148,056	96,502	82,380	383,078	17,256	1,394,913
 <u>WA STATE</u>										
Misc Grants	(99,912)	215,807	344,798	504,380	223,262	-	478,620	1,125,916	473,901	142,662
 <u>MUNICIPAL/ LOCAL</u>										
Partnerships	16,667	1,056,667	154,311	11,941	5,191,984	1,246,058	1,839,931	(26,903)	45,050	-
	<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>	<u>\$ 2,516,364</u>	<u>\$ 5,855,179</u>



*Pierce Transit*

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