

# PIERCE TRANSIT

## Comprehensive Annual Financial Report



Years Ended December 31, 2017 and December 31, 2016  
Pierce County, Washington



# PIERCE TRANSIT

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Years Ended December 31, 2017 and  
December 31, 2016  
Pierce County, Washington

**Sue Dreier**  
Chief Executive Officer

*Prepared by The Finance Division*

**Brett Freshwaters**  
Chief Financial Officer

**Liz Passmore**  
Finance Manager

*2017 was a year of major improvements to our overall fixed route bus system. The agency produced better service with more frequency and longer hours on many routes. Throughout the Pierce Transit service area, passengers found there was "More to smile about!" Inside are a few of the agency's highlights.*



**Pierce Transit**  
**Comprehensive Annual Financial Report**  
**Year Ended December 31, 2017 and 2016**

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# More to *Smile* About!

INTRODUCTORY



*Route 41* saw a major in change in March 2017 when it incorporated important parts of the discontinued Route 56, shifting its southern terminus to Tacoma Mall Transit Center. Weekday span increased to 10pm and mid-day frequency improved to 30 minutes. Major destinations include the Salishan neighborhood and downtown Tacoma.



June 15, 2018

Board of Commissioners  
Pierce County Public Transportation  
Benefit Area Corporation

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

Pierce County Public Transportation Benefit Area Corporation (Pierce Transit) presents to you the CAFR for the year ending December 31, 2017. 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 unmodified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

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

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

The Chief Executive Officer (CEO) is responsible for implementation of the policies authorized by the Board of Commissioners. In order to provide overall management for the Agency, the CEO has established the following five divisions: Administration, Finance, Service Delivery and Support, Maintenance, and Planning and Community Development.

Pierce Transit provides fixed route, specialized transportation (SHUTTLE), vanpool and rideshare services. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers. Pierce Transit's fixed route bus service is provided along more than 36 routes throughout Pierce County. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Tacoma to Seattle has been funded by Sound Transit, and operated by Pierce Transit. Pierce Transit operates 13 routes for Sound Transit service. In 2017, Pierce Transit fixed route services carried 8.5 million passengers while Sound Transit services operated by Pierce Transit carried 5.1 million passengers for a combined total of 13.6 million passengers.

Specialized transportation services, known as SHUTTLE, provide transportation to individuals in the community, who, due to a disability, are unable to use fixed route bus services. SHUTTLE is provided directly by Pierce Transit employees and through contracts with local transportation providers. In 2017, total ridership was 324,753.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to a fleet of 456 vans with 3,016 daily weekday riders. With 810,383 annual passenger boardings, the vanpool program accounted for 8% of the Agency's total ridership in 2017 (excluding Sound Transit ridership).

## **Strategic Plan**

Pierce Transit's Strategic Plan aligns its mission, vision and goals with the Board of Commissioners strategic direction. The agency developed a new Strategic Plan in 2017 that established four major objective areas with major underlying themes:

### **Customer-Focused**

- Service Reliability
- Safety
- Customer Relations
- Community Partners
- Regulatory Compliance

### **Culture of Excellence**

- Safety Management System
- Data Warehouse
- Transit Asset Management Plan
- Continuous Improvement

### **Financially Responsible**

- Communication to the public
- Finance 101 for staff
- Financial Sustainability
- Decrease Costs
- Additional Funding Streams

### **Dedicated Employees**

- Employee Engagement
- Professional Development
- Performance Management
- Team Culture

The Strategic Plan is used to develop initiatives and action plans with specific measurable goals to help track progress toward achieving the desired outcomes.

### **Long Term Financial and Service Planning**

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

The 2018 Budget includes fixed route service levels of 500,130 service hours, which maintains the service hours from 2017. Pierce Transit implemented a comprehensive route analysis and service enhancement project in 2017 in two phases. Staff continue to analyze the effectiveness of the changes to determine if further changes would benefit customers.

Major projects in 2018 and beyond focus on continued innovative service to our customers, while ensuring safe and up to date transit system infrastructure and facilities. Following are a few of the major initiatives and capital projects budgeted for 2018:

- Base master plan implementation
- Tacoma Dome Station mid-life refurbishment
- Transit center enhancements and refresh
- Electric bus purchase
- Collision avoidance warning system implementation
- Financial management system replacement
- Bus Rapid Transit development

### **III. ECONOMIC CONDITION AND OUTLOOK**

The U.S. economic outlook is healthy for 2018 with gross domestic product (GDP) expected to continue to grow at a modest rate of 2.8 percent, a slight increase over the last couple of years. Consumer confidence remains at fairly high levels, buoyed by a healthy labor market with historical low unemployment and continued low inflation. Oil prices are expected to stay fairly flat, housing prices will continue to increase, and unemployment should remain relatively low in most parts of the country and Washington state. The tax reform act will provide an economic stimulus, but most economists predict a short-term impact 2018.

A big unknown clouding the forecast remains uncertainty surrounding worldwide and United States political issues, as well as long term impacts of continued US government deficit spending. It remains to be seen whether the tax cuts will provide enough stimulus to offset the decreased tax revenue and increased spending of the recently passed federal budget.

While national policies, particularly trade related policies, have an impact on Washington State, local economic conditions and retail spending play major roles in the generation of sales tax revenue, which is Pierce Transit's primary operating revenue source. Pierce Transit relies heavily on sales tax collected within its Public Transportation Benefit Area (PTBA) for its operating revenue. Sales tax contributed 57% of total operating revenues in 2017 (80% excluding Sound Transit regional transit service revenue) and is expected to generate over \$87 million in revenue in 2018, an increase of 6%.

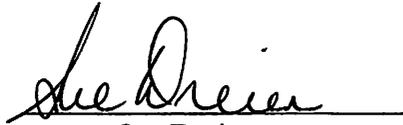
Pierce Transit's sales tax collections improved during 2017, with actual year-end collections up 6.3% over 2016. Sales tax growth has continued into 2018, with collections up 7% over 2017 actual collections for the same period. Retail spending is buoyed by increasing consumer confidence and disposable income, with growth in jobs and historically low unemployment. The most recent Pierce County unemployment rate was 6%, compared to a historical average of 6.9%, and a forecast of 6% or lower.

Factors contributing to continued growth in Pierce County include the Port of Tacoma with continued growth in container volumes, affordable housing (compared to King County), and continued growth of major employers such as Amazon, Microsoft and Boeing. These factors are expected to contribute to a modest growth in Pierce Transit's sales tax revenue. However, recent events with trade and tariffs may negatively impact our local and state economy.

### **IV. AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pierce Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. This was the 33<sup>d</sup> year that Pierce Transit has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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



Sue Dreier  
Chief Executive Officer



Brett Freshwaters  
Executive Director of Finance/CFO



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Pierce Transit  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO



## BOARD OF COMMISSIONERS

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



**Commissioner  
Kent Keel**  
Mayor Pro Tem of  
University Place;  
Chair



**Commissioner  
Nancy Henderson**  
Town of Steilacoom;  
represents Auburn,  
Gig Harbor, Fircrest,  
Pacific, Ruston, and  
Steilacoom



**Commissioner  
Don Anderson**  
Mayor of Lakewood



**Commissioner  
Daryl Eidinger**  
Mayor of Edgewood;  
represents Fife, Milton  
and Edgewood



**Commissioner  
Ryan Mello**  
Tacoma City Council



**Commissioner  
Marilyn Strickland**  
Mayor of Tacoma



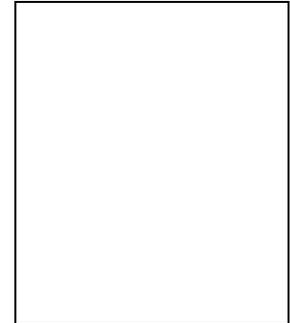
**Commissioner  
Bruce Dammeier**  
Pierce County  
Executive



**Commissioner  
Heather Shadko**  
Puyallup Council



**Commissioner  
Rick Talbert**  
Pierce County Council



**Vacant**  
Non-Voting Union  
Representative



**2018 ORGANIZATIONAL CHART**

**CITIZENS OF PIERCE COUNTY**

**BOARD OF COMMISSIONERS**

**CHIEF EXECUTIVE OFFICER**

Sue Dreier

GENERAL COUNSEL

Dana Henderson

CLERK OF THE BOARD/  
PUBLIC RECORDS OFFICER  
Deanne Jacobson

**Office of the CEO**

**Sue Dreier**  
**Chief Executive Officer**

Division Admin  
Legal  
Communications

**ADMINISTRATION  
DIVISION**

**Chris Saffer, Interim**  
**Executive Director**

Division Admin  
Employee Services  
Labor Relations  
Lean & Workforce Development  
Lean & Workforce Development  
Talent Management  
Bus Safety & Training  
Risk Management  
Risk Management  
Administrative Services

**FINANCE  
DIVISION**

**Brett Freshwaters**  
**Executive Director**

Division Admin  
Finance Department  
Department Admin  
Accounting  
Revenue Accounting  
Budget & Analytics  
Budgeting  
Data Analytics  
Information Technology  
Department Admin  
Information Technology  
Procurement  
Department Admin  
Purchasing  
Project Management

**MAINTENANCE  
DIVISION**

**Skip Huck**  
**Executive Director**

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

**PLANNING & COMMUNITY  
DEVELOPMENT  
DIVISION**

**Ryan Wheaton**  
**Executive Director**

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

**SERVICE & DELIVERY  
SUPPORT  
DIVISION**

**Mike Griffus**  
**Executive Director**

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

# More to Smile About!



FINANCIAL

From downtown Tacoma, **Route 57** travels along a two-mile stretch through the Hilltop neighborhood, ending at Tacoma Mall Transit Center, its major destination. On weekdays, service was extended to 10pm, with buses carrying an average of twenty passengers per hour. Other significant mid-route destinations include Tacoma Public Utilities and various award-winning medical facilities.





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

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

June 15, 2018

Board of Commissioners  
Pierce Transit  
Lakewood, Washington

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the Transit Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Transit Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of basic of the Pierce Transit, as of December 31, 2017 and 2016, and the respective 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 and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the Transit Authority's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the Transit Authority. Such information has not been subjected to the

auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated June 15, 2018, on our consideration of the Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Transit Authority's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy  
State Auditor  
Olympia, WA

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# More to *Smile* About!



M D & A

**Route 1**, Pierce Transit's flagship service, diligently serves people from Spanaway and Parkland to downtown Tacoma and on to Tacoma Community College. Route 1 carries an average of 135,000 passengers each month while covering a distance of 19 miles one way.



**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2017 and 2016**

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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, 2017 and 2016. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

**Financial Highlights**

- Pierce Transit's assets and deferred outflows exceeded its liabilities and deferred inflows on December 31, 2017 by \$181.4 million (net position) compared to \$190.4 million in 2016 and \$190.9 million in 2015. Investments in capital assets decreased by \$5.3 million in 2017, decreased \$6.5 million in 2016 and increased \$1.4 million in 2015. Pierce Transit's net financial position decreased in 2017 due to an increase in deferred inflows and decreased deferred outflows relating to pension liabilities. Net position remained stable between 2015 and 2016.
- Unrestricted net position decreased in 2017 by \$3.7 million. This decrease was due to the use of funds from reserves for operating and \$3 million dollar decrease in deferred outflows. Unrestricted net position increased by \$6.0 million in 2016 due to the increase in deferred outflows and the decrease in deferred inflows related to pensions. Unrestricted net position decreased by \$46.6 million in 2015, caused by the implementation of GASB 68 which restated 2015 beginning net position by \$47.8 million and increased investment of capital assets of \$1.4 million.
- In 2017, deferred outflows decreased to \$7.4 million. In 2016, deferred outflows increased to \$10.3 million as compared to \$6.2 million in 2015. The deferred outflows are related to employer pension contributions in accordance with GASB Statements 68 and 71. See Note 5 in the Notes to the Financial Statements.
- In 2017, the deferred inflow for all pension plans increased by \$6.2 million to \$7.3 million, a 517% increase over 2016. In 2016, the deferred inflow for all pension plans decreased 83.3% or \$1.2 million as compared to \$7.1 million in 2015. The deferred inflows related to the pension plans represent the net difference between projected and actual investment earnings on the pension plan investments.
- Net loss for 2017, before contributions, was \$10 million, compared to a net loss for 2016 of \$1.2 million, compared to net revenue of \$.2 million for 2015. The net loss in 2017 was caused by an increase in wages & benefit costs and other operating costs, along with a decrease in operating grants. The 2016 net loss over 2015 was due to an increase in operating expenses resulting from an increase in wage & benefit costs and an increase in service hours.

**Overview of the Financial Statements**

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

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

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2017 and 2016**

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position may serve as a useful indicator of whether Pierce Transit's financial position is improving or deteriorating.

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

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

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

Pierce Transit's financial statements can be found on pages 24 to 26 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 27 to 52 of this report.

### **Financial Statement Analysis**

As noted earlier, net position may serve as a useful indication of the Agency's financial position. Total net position is \$181.4 million, \$190.4 million and \$190.9 million in 2017, 2016 and 2015 respectively. The decrease from 2017 to 2016 was due to net loss of \$10 million before contributions.

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2017 and 2016**

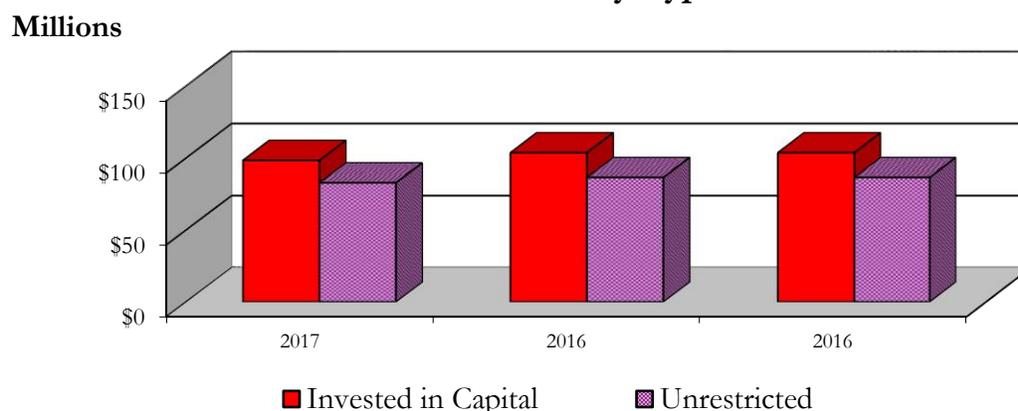
**Summary Statement for Net Position**  
**For the years ending December 31, 2017, 2016 and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Assets:</b>			
Current Assets	\$ 150,666,354	\$ 157,234,077	\$ 148,573,278
Non-Current Assets	98,503,799	103,796,164	110,277,027
<b>Total Assets</b>	<u>249,170,153</u>	<u>261,030,241</u>	<u>258,850,305</u>
Deferred Outflows	7,360,239	10,274,959	6,160,588
<b>Total Deferred Outflows</b>	<u>7,360,239</u>	<u>10,274,959</u>	<u>6,160,588</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 256,530,392</u>	<u>\$ 271,305,200</u>	<u>\$ 265,010,893</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 21,020,028	\$ 21,155,497	\$ 18,575,760
Non-Current Liabilities	46,726,602	58,538,024	48,447,281
<b>Total Liabilities</b>	<u>67,746,630</u>	<u>79,693,521</u>	<u>67,023,041</u>
Deferred Inflows	7,345,339	1,190,037	7,122,846
<b>Total Deferred Inflows</b>	<u>7,345,339</u>	<u>1,190,037</u>	<u>7,122,846</u>
<b>Total Liabilities and Deferred</b>	<u>\$ 75,091,969</u>	<u>\$ 80,883,558</u>	<u>\$ 74,145,887</u>
<b>Net position:</b>			
Net Investment in Capital Assets	98,503,799	103,796,164	110,277,027
Unrestricted Net Position	82,934,624	86,625,478	80,587,979
<b>Total Net Position</b>	<u>181,438,423</u>	<u>190,421,642</u>	<u>190,865,006</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 256,530,392</u>	<u>\$ 271,305,200</u>	<u>\$ 265,010,893</u>

A large majority of Pierce Transit's 2017 capital assets (\$98.5 million) reflect its investment in assets such as revenue vehicles, passenger facilities, technology, and shop equipment that are used to provide transportation to the community. These are committed assets and this portion of the net position balance is not available for future spending. A portion (\$64.1 million) of the remaining net position balance of \$82.9 million has been designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs). The remainder of \$18.8 million is available to support future obligations for transportation operations. Pierce Transit implemented GASB 68 in 2015 which restated 2015 beginning net position by \$47.8 million.

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2017 and 2016**

**Net Position by Type**



**Comparative Statement of Revenue, Expense and Change in Net Position  
For the years ended December 31, 2017, 2016 & 2015**

	2017	2016	2015
Operating Revenue:			
Passenger Fares	\$ 12,137,563	\$ 11,912,836	\$ 12,628,413
Advertising	528,090	669,885	782,601
Regional Transit Service	42,357,818	40,421,292	36,207,706
Non-Operating Revenue:			
Subsidies	85,760,214	89,622,942	80,735,884
Other Revenue	3,212,909	3,691,514	1,799,189
<b>Total Revenue</b>	<b>143,996,594</b>	<b>146,318,469</b>	<b>132,153,793</b>
Operating Expense	134,859,369	127,945,787	115,119,040
Non-Operating Expense	481,185	2,254,943	530,168
Depreciation	18,692,559	17,289,674	16,292,407
<b>Total Expense</b>	<b>154,033,113</b>	<b>147,490,404</b>	<b>131,941,615</b>
Net Position before Contributions	(10,036,519)	(1,171,935)	212,178
Capital Contributions	1,053,300	728,571	2,397,798
*Change in Beginning Net Position, restated for GASB 68 Implementation	-	-	(47,799,574)
<b>Change in Net Position</b>	<b>(8,983,219)</b>	<b>(443,364)</b>	<b>(45,189,598)</b>
<b>Net Position-Beginning</b>	<b>190,421,642</b>	<b>190,865,006</b>	<b>236,054,604</b>
<b>Net Position-Ending</b>	<b>\$ 181,438,423</b>	<b>\$ 190,421,642</b>	<b>\$ 190,865,006</b>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2017 and 2016**

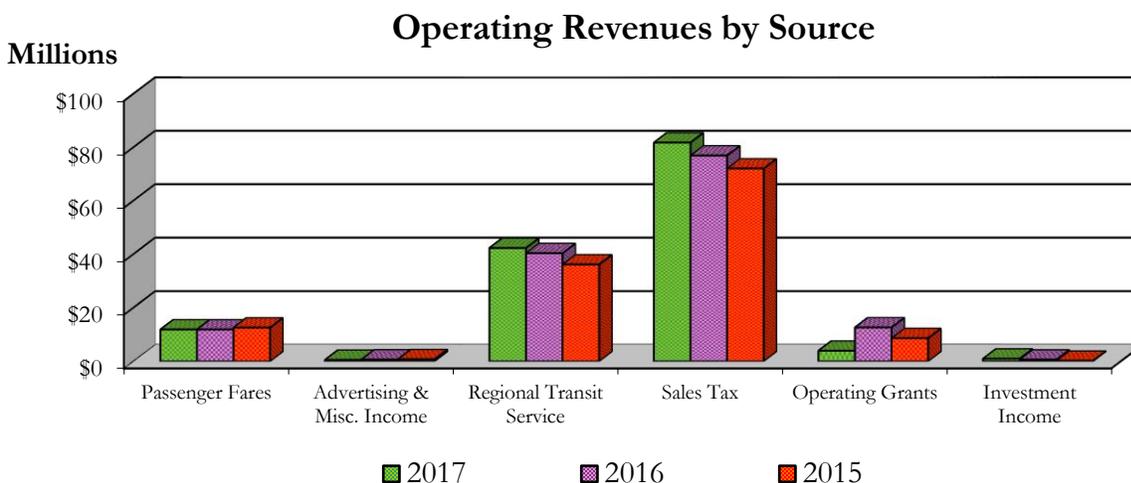
<b>Operating Revenue</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Passenger Fares	\$ 12,137,563	\$ 11,912,836	\$ 12,628,413
Advertising	528,090	669,885	782,601
Regional Transit Service	42,357,818	40,421,292	36,207,706
<b>Total Operating Revenue</b>	<b>55,023,471</b>	<b>53,004,013</b>	<b>49,618,720</b>
<b>Non-Operating Revenue</b>			
Operating Subsidies:			
Sales Tax	81,799,746	76,947,406	72,076,026
Operating Grants	3,960,468	12,675,536	8,659,858
Other Non-Operating Revenue:			
Investment Revenue	977,716	650,061	190,114
Gain on Sale of Asset	129,173	904,555	278,983
Miscellaneous Revenue	2,106,020	2,136,898	1,330,091
Total Non-Operating Revenue	88,973,123	93,314,456	82,535,072
<b>Total Revenue</b>	<b>\$ 143,996,594</b>	<b>\$ 146,318,469</b>	<b>\$ 132,153,792</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 seven partners, regardless of where the media is used.
- Fare revenues were \$12.1 million in 2017. Fare revenues in 2016 and 2015 were \$11.9 million and \$12.6 million respectively. The reduction in revenue is due to decrease in ridership on all modes of Pierce Transit service in 2016. The Board of Commissioners' approved 2017 budget included a 45,000-service hour increase to provide additional routes and more frequent service. The increase was implemented in two phases, with 35,000 occurring in March 2017, and 10,000 in September 2017.
- Advertising revenues were .5 million in 2017 and .7 million in 2016. Revenue in 2015 was .8 million. Fluctuations are due to the timing of contractual guarantees and advertising partnerships.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit establishes the operating parameters of this service. Included in the agreement is a method for determining and allocating Pierce Transit costs to provide this service. The agreement is for a period of three years. The current operating agreement ends on December 31, 2020. Revenues generated from this regional transit service were \$42.4 million in 2017, increasing 5.2% due to increases in the service hours Pierce Transit provides. Regional transit service revenues were \$40.4 million and \$36.2 million in 2016 and 2015, respectively.

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2017 and 2016**

- Sales tax, accounting for 57% of Pierce Transit's revenue increased by \$4.9 million, an increase of 6.3% over 2016. The increases in 2015 through 2017 are indicative of an improving local economy with increasing retail sales. Sales tax revenue was \$81.8 million in 2017, as compared to \$76.9 million in 2016 and \$72.1 million in 2015.
- In 2016 and 2015 the majority of operating grant revenue was received from the Federal Transit Administration (FTA) for preventive maintenance. In 2017, Pierce Transit reallocated the FTA grants to vehicle replacements (capital purchases). The remaining operating grants received were primarily from the State of Washington. Operating grants in 2017 totaled \$3.9 million compared to \$12.7 million in 2016 and \$8.7 million in 2015. Operating grant contracts are awarded annually and vary from year to year, based on funds availability and agency needs.
- Investment revenue increased 50% from 2016 earnings. 2017 investment earnings were \$1 million compared to \$.7 million in 2016 and \$.2 million in 2015. The increase is due to increasing interest rates.

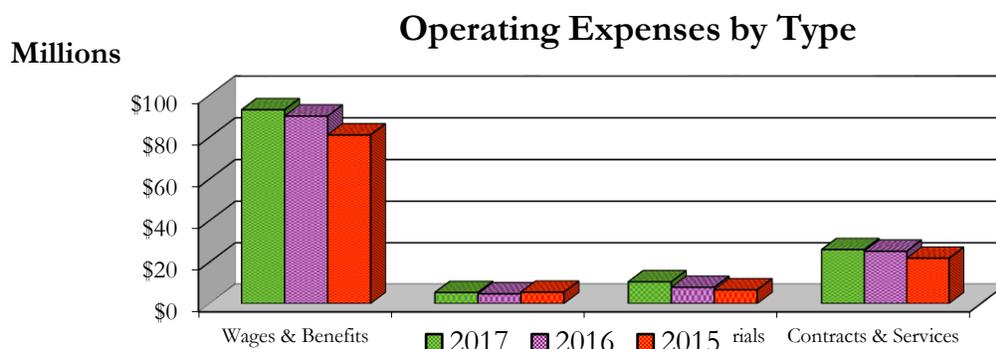


**Operating Expenses**

Operating expenses for 2017 totaled \$153.6 million increasing 3.2% from 2016 levels. Operating expenses for 2016 and 2015 were \$145.2 million and \$131.4 million respectively. The increase in 2017 was due to an increase in wages and benefits, and operating costs resulting from the service hour increases, as well as additional depreciation expenses. The increase between 2016 and 2015 was due to the labor contract settlement, hiring and training of new employees, employee wage and benefit increases, and additional depreciation expense.

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2017 and 2016**

<b>Operating Expenses:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Wages & Benefits	\$ 92,928,926	\$ 90,104,623	\$ 81,104,494
Fuel & Lubricants	5,341,710	4,721,708	5,518,422
Supplies & Materials	10,536,061	7,846,725	6,658,430
Contracts & Services	26,052,672	25,272,731	21,837,693
Depreciation & Amortization	18,692,559	17,289,674	16,292,407
<b>Total Operating Expenses</b>	<b>153,551,928</b>	<b>145,235,461</b>	<b>131,411,446</b>
<b>Non-Operating Expenses:</b>			
Items Previously Capitalized	84,873	365,535	9,995
Grant Exchange Funds	396,312	1,889,408	520,173
<b>Total Non-Operating Expenses</b>	<b>481,185</b>	<b>2,254,943</b>	<b>530,168</b>
<b>Total Expenses</b>	<b>\$ 154,033,113</b>	<b>\$ 147,490,404</b>	<b>\$ 131,941,614</b>



Wages and benefits for 2017 of \$92.9 million make 68.9% of operating expenses (exclusive of depreciation) an increase of 3.2% over 2016 levels. The increase between 2017 and 2016 is due to annual wages increases and increases in the cost of benefits. Wages and benefits for 2016 and 2015 were \$90.1 million and \$81.1 million respectively and increased 11% between 2016 and 2015. The increase between 2016 and 2015 is due to an increase in hiring, a retroactive labor agreement settlement, an increase in service hours, and increases in the cost of benefits

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 2017, 2016 and 2015:

<b>Service Hours:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Fixed Route Pierce Transit	471,683	444,950	432,755
Fixed Route Sound Transit	339,523	334,484	321,355
Specialized Transportation	178,092	184,075	186,770
Vanpool	147,103	146,880	143,234
<b>Total</b>	<b>1,136,401</b>	<b>1,089,653</b>	<b>1,084,114</b>

**Pierce Transit**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2017 and 2016**

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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, 2017 totaled \$98.5 million, net of accumulated depreciation. This compares to a 2016 net investment in capital assets of \$103.8 million and a 2015 net investment in capital assets of \$110.3 million. 2017 net capital decreased by 5.1%, or \$5.3 million, due to \$14.7 million in accumulated depreciation offsetting an increase of \$9.4 million in assets.

Capital contributions in 2017 totaled \$1.1 million. Capital grants funded 7.7% of Pierce Transit's capital acquisitions in 2017. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1.

Capital acquisitions during 2017 totaled \$13.7 million and included the following major capital assets:

- \$4.4 million for bus expansion
- \$2.5 million for property and building improvements
- \$2.2 million for support and vanpool vehicles
- \$2.5 million for technology projects and administrative equipment
- \$2.1 million for CAD/AVL and radio system

## **Debt Administration**

Pierce Transit has adopted a debt policy which governs debt issuance, the use of debt, types of debt and debt limitations. Pierce Transit had no outstanding debt as of December 31, 2017.

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 \$179,436,391. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$594,330,773. The estimate is based on the assessed value of the cities and towns of Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Pacific, Puyallup, Ruston, Steilacoom, Tacoma, and University Place, which are served by Pierce Transit. This estimate does not include any of the assessed valuation from the unincorporated areas of Pierce County within Pierce Transit's jurisdiction.

## **Factors Affecting Financial Condition**

### **Local Economy**

- Sales tax revenue was 53% of Pierce Transit's total operating revenues in 2016, compared to projected sales tax revenues of 57% in 2017. Excluding contracted regional transit service, which does not fund local Pierce Transit service, sales tax revenue was 73% of total operating revenues in 2016, compared to 80% of total operating revenues in 2017.

**Pierce Transit  
Management's Discussion and Analysis  
Years Ended December 31, 2017 and 2016**

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- Because Pierce Transit relies heavily on sales tax to fund local service, local and national economic conditions are a significant influence on Pierce Transit's operating revenues. Retail sales in Pierce County are predicted to grow about 4.3% in 2018. Reflecting the growth in the local economy as well as the growth in Pierce Transit's taxing district, Pierce Transit's 2018 Budget includes an increase of 6% over actual 2017 sales tax revenues.
- The continued economic recovery has been spurred by the growth in trade and service industries. The Puget Sound region as a whole has added jobs at a higher rate than the nation over the last several years. Positive projections in the housing and construction industries should also help spur growth in the local economy.
- New presidential policies and federal government legislation lend uncertainty to the economic climate. For example, trade restrictions may harm the Washington economy (which is heavily trade-dependent), while other policies and legislation, such as infrastructure investment may help the state and local economies.
- Pierce County's unemployment rate averaged 6% in 2017, down from 6.3% in 2016. Unemployment is expected to remain steady at 2017 levels in 2018.
- Given these factors, Pierce County's economy is expected to grow modestly in 2018.

**Long Term Financial Outlook**

- Pierce Transit recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, Pierce Transit has reserve policies to insulate it from short term revenue downturns and unanticipated expenditures. The operating reserve policy sets minimum operating reserves equal to two months' operating expenses. This amounts to nearly \$24 million in 2018, plus an additional \$18 million in capital reserves.
- Increases in revenues allow Pierce Transit to maintain the increased 2017 budgeted service hours at 500,310, while adding over \$15 million to capital projects for needed investments in infrastructure to continue the capital restoration program started after the recession. The service hour restoration and increased levels of capital spending are sustainable over the Six-Year Financial Plan.

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# More to Smile About!



FINANCIAL  
STATEMENTS

*Route 500 serves customers between downtown Tacoma and the Federal Way Transit Center, utilizing a major hub: the Tacoma Dome Station. Major improvements were made, with buses arriving more often and running later in the evenings beginning in March 2017. From then through February 2018, this route has provided an impressive total of 390,300 rides.*



**Pierce Transit  
Financial Statements  
Years Ended December 31, 2017 and 2016**

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**Comparative Statement of Net Position**

December 31, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 7,816,219	\$ 6,014,871
Investments	112,518,304	111,206,023
Accounts Receivable	212,581	248,765
Interest Receivable	82,243	23,207
Sales Tax Receivable	14,795,611	13,977,712
Due From Other Governments	11,448,335	22,179,752
Prepaid Expenses	288,214	245,460
Inventories	3,504,847	3,338,287
<b>TOTAL CURRENT ASSETS</b>	<u>150,666,354</u>	<u>157,234,077</u>
<b>NON-CURRENT ASSETS</b>		
Capital Assets Non-Depreciable		
Land	14,845,295	14,845,295
Work in Progress	10,991,758	12,275,750
Total Non-Depreciable Capital Assets	<u>25,837,053</u>	<u>27,121,045</u>
Capital Assets Depreciable		
Structures & Improvements	78,710,280	78,710,280
Site Improvements	45,100,543	45,100,543
Machinery & Equipment	168,248,005	157,547,940
Less: Accumulated Depreciation	<u>(219,392,082)</u>	<u>(204,683,644)</u>
Total Capital Assets Depreciable, Net of Depreciation	<u>72,666,746</u>	<u>76,675,119</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>98,503,799</u>	<u>103,796,164</u>
<b>TOTAL ASSETS</b>	<u>249,170,153</u>	<u>261,030,241</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to Pension	<u>7,360,239</u>	<u>10,274,959</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>7,360,239</u>	<u>10,274,959</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 256,530,392</u>	<u>\$ 271,305,200</u>
<b>CURRENT LIABILITIES</b>		
Checks Payable	\$ 433,261	\$ 566,448
Accounts Payable	4,012,223	3,199,299
Unearned Revenue	409,584	285,724
Wages and Benefits Payable	4,144,707	3,112,791
Employee Leave Payable	5,221,945	5,023,628
Due to Other Governments	4,986,433	7,880,635
Provision for Uninsured Claims	1,811,875	1,086,972
<b>TOTAL CURRENT LIABILITIES</b>	<u>21,020,028</u>	<u>21,155,497</u>
<b>NON CURRENT LIABILITIES</b>		
Compensated Absences	1,797,581	1,929,344
Net Pension Liability	44,929,021	56,608,680
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>46,726,602</u>	<u>58,538,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pension	<u>7,345,339</u>	<u>1,190,037</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>7,345,339</u>	<u>1,190,037</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	98,503,799	103,796,164
Unrestricted Net Position, Restated	<u>82,934,624</u>	<u>86,625,478</u>
<b>TOTAL NET POSITION</b>	<u>\$ 181,438,423</u>	<u>\$ 190,421,642</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 256,530,392</u>	<u>\$ 271,305,200</u>

See accompanying notes to the financial statements.

Pierce Transit

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

Years ended December 31, 2017 and 2016

<b>OPERATING REVENUE</b>	<b>2017</b>	<b>2016</b>
Passenger Fares	\$ 12,137,563	\$ 11,912,836
Advertising	528,090	669,885
Regional Transit Service	42,357,818	40,421,292
<b>TOTAL OPERATING REVENUE</b>	<u>55,023,471</u>	<u>53,004,013</u>
<b>OPERATING EXPENSES</b>		
Operations	77,968,018	76,697,537
Maintenance	24,938,382	22,220,634
Non-Vehicle Maintenance	7,027,236	7,365,708
General & Administration	24,925,733	21,661,908
Depreciation & Amortization	18,692,559	17,289,674
<b>TOTAL OPERATING EXPENSES</b>	<u>153,551,928</u>	<u>145,235,461</u>
<b>OPERATING REVENUE (LOSS)</b>	<u>(98,528,457)</u>	<u>(92,231,448)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Operating Subsidies:		
Sales Tax	81,799,746	76,947,406
Operational Grants	3,960,468	12,675,536
Other:		
Expense of Items Previously Capitalized	(84,873)	(365,535)
Interest Revenue	977,716	650,061
Grant Exchange Funds	(396,312)	(1,889,408)
Miscellaneous Non-Operating Revenue	2,106,020	2,136,898
Gain (Loss) on Disposal of Assets	129,173	904,555
<b>NET NON-OPERATING REVENUE</b>	<u>88,491,938</u>	<u>91,059,513</u>
<b>NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	(10,036,519)	(1,171,935)
Capital Contributions	1,053,300	728,571
<b>CHANGE IN NET POSITION</b>	<u>(8,983,219)</u>	<u>(443,364)</u>
<b>NET POSITION-BEGINNING</b>	<u>190,421,642</u>	<u>190,865,006</u>
<b>NET POSITION-ENDING</b>	<u>\$ 181,438,423</u>	<u>\$ 190,421,642</u>

See accompanying notes to financial statements

**Comparative Statement of Cash Flows**

Years ended December 31, 2017 and 2016

**INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:****CASH FLOWS FROM OPERATING ACTIVITIES:**

	2017	2016
Cash Received From Customers	\$ 62,927,660	\$ 54,153,234
Cash Payments to Suppliers for Goods & Services	(41,028,951)	(37,719,173)
Cash Payments to Employees for Services	(91,610,355)	(89,021,698)
Miscellaneous Non-Operating Income	2,106,020	2,136,898
<b>Net Cash Used By Operating Activities</b>	<u>(67,605,626)</u>	<u>(70,450,739)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Sales Tax Received	80,981,847	75,792,436
Operating Grants Received	1,154,380	1,549,684
Grant Exchange Funds	(396,312)	(1,889,408)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>81,739,915</u>	<u>75,452,712</u>

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

Acquisition and Construction of Capital Assets	(13,311,963)	(12,690,295)
Capital Grants and Contributions	1,053,300	728,571
Proceeds From Sale of Equipment	129,173	904,555
<b>Net Cash Used By Capital and Related Financing Activity</b>	<u>(12,129,490)</u>	<u>(11,057,169)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Investment Securities	(134,141,629)	(119,004,040)
Proceeds from Maturities of Investment Securities	132,829,348	127,481,600
Interest on Investments	1,108,830	624,673
<b>Net Cash Used By Investing Activities</b>	<u>(203,451)</u>	<u>9,102,233</u>

Net Increase (Decrease) in Cash and Cash Equivalents

1,801,368

3,047,037

Cash and Cash Equivalents at Beginning of Year

6,014,871

2,967,834

**Cash and Cash Equivalents at End of Year****\$ 7,816,239****\$ 6,014,871**

See accompanying notes to the financial statements.

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

Operating Loss	\$ (98,528,457)	\$ (92,231,448)
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**ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation and Amortization	18,692,559	17,289,674
Miscellaneous Non-Operating Income	2,106,020	2,136,898

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

(Increase) Decrease in Receivables	36,184	(68,864)
(Increase) Decrease in Inventories	(166,560)	(509,688)
(Increase) Decrease in Prepaid Expenses	(37,756)	28,688
(Increase) Decrease in Due from Other Governments	13,545,545	(1,576,471)
Increase (Decrease) in Checks Payable	(60,159)	(73,386)
Increase (Decrease) in Accounts Payable	440,884	774,271
Increase (Decrease) in Unearned Revenue	123,860	(22,378)
Increase (Decrease) in Wages and Benefits Payable	1,333,471	(7,991,670)
Increase (Decrease) in Due to Other Governments	(5,801,400)	2,816,934
Increase (Decrease) in Provision for Uninsured Claims	725,083	(97,894)
Net Pension Liability - Related Deferred Inflows and Outflows	(14,900)	9,074,595
<b>TOTAL ADJUSTMENTS</b>	<u>30,922,831</u>	<u>21,780,709</u>
<b>Net Cash Used By Operating Activities</b>	<u>\$ (67,605,626)</u>	<u>\$ (70,450,739)</u>

See accompanying notes to the financial statements.

Change in fair value for investments was a decrease of \$190,150

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

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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.

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

Pierce Transit is governed by an appointed Board of Commissioners whose members are elected by the jurisdictions they represent, is legally separate from other entities, and is fiscally independent of other state and local government entities. The criteria, set forth in the Government Accounting Standards Board (GASB) Statement 14, indicate that Pierce Transit is a primary government for reporting purposes and that there are no additional entities or funds for which the Agency has reporting responsibilities. The ten-member Board consists of two members of the Tacoma City Council and two members of Pierce County government. The cities of Lakewood, Puyallup, and University Place each have one commissioner. The cities of Edgewood, Fife and Milton have one Commissioner, elected amongst the three cities. The remaining towns and cities have one Commissioner, elected amongst the six cities. A non-voting union representative is appointed by Amalgamated Transit Union Local 758.

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

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

**New Pronouncements and Restatement of 2015 Net Position** - In 2015, Pierce Transit adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*. GASB 68 requires entities providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

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

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

In 2017, Pierce Transit implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes general principles for measuring fair value, which primarily applies to state and local governments.

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

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

**Investments** – Beginning in 2017, Investments other than the Local Government Investment Pool are carried at Fair Value in accordance with GASB No. 72. Prior to 2017, investments were carried at cost which approximated fair value.

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

**Capital Assets** - Property, plant, and equipment are stated at acquisition value as of the date contributed. Replacements that improve or extend property life are capitalized. Intangible assets are capitalized in accordance with GASB Statement 51. Any donated capital assets and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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.

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

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

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

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

**Unearned Revenue** - Revenues are recorded when earned. December 31, 2017 and 2016 unearned revenue was \$409,584 and \$285,724 respectively, and is made up of prepaid fare revenue.

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

## **2. BUDGET AND SPENDING CONTROLS**

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

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

Capital expenses and grant reimbursements are budgeted on a project basis. Projects are budgeted in their entirety when approved, regardless of anticipated expenditure dates. Each year thereafter, 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.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2017 and 2016, is as follows:

**SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2017**

	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Passenger Fares	\$ 13,687,329	\$ 12,137,563	\$ (1,549,766)
Advertising	800,000	528,090	(271,910)
Regional Transit Service	42,212,197	42,357,818	145,621
Interest Revenue	538,100	977,716	439,616
Sales Tax	81,217,200	81,799,746	582,546
Operating Grants	7,907,314	3,960,468	(3,946,846)
Capital Contributions	8,048,208	1,053,300	(6,994,908)
Miscellaneous Revenues	2,337,459	2,106,020	(231,439)
Gain (Loss) on Disposal of Assets	-	129,173	129,173
<b>TOTAL*</b>	<b>\$ 156,747,807</b>	<b>\$ 145,049,894</b>	<b>\$ (11,697,913)</b>

**SCHEDULE OF EXPENSES BUDGETED VERSUS ACTUAL**  
**Year Ended December 31, 2017**

	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Personnel	\$ 102,988,244	\$ 92,928,926	\$ 10,059,318
Fuel and Lubricants	6,801,591	5,341,710	1,459,881
Supplies and Materials	10,342,362	10,536,061	(193,699)
Contracts and Services	30,526,135	26,052,672	4,473,463
Depreciation and Amortization	-	18,692,559	(18,692,559)
Expense of Items Previously Capitalized	-	84,873	(84,873)
Capital Acquisitions	65,299,888	13,656,384	51,643,504
Grant Exchange Funds	780,258	396,312	383,946
<b>TOTAL*</b>	<b>\$ 216,738,478</b>	<b>\$ 167,689,497</b>	<b>\$ 49,048,981</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, 2017 and 2016**

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

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

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

	AMENDED BUDGET	ACTUAL	VARIANCE
Personnel	\$ 91,823,601	\$ 90,104,623	\$ 1,718,978
Fuel and Lubricants	6,746,593	4,721,708	2,024,885
Supplies and Materials	6,431,668	7,846,725	(1,415,057)
Contracts and Services	29,952,290	25,272,731	4,679,559
Depreciation and Amortization	-	17,289,674	(17,289,674)
Expense of Items Previously Capitalized	-	365,535	(365,535)
Capital Acquisitions	29,318,329	14,404,102	14,914,227
Grant Exchange Funds	780,258	1,889,408	(1,109,150)
<b>TOTAL*</b>	<b>\$ 165,052,739</b>	<b>\$ 161,894,506</b>	<b>\$ 3,158,233</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, 2017 and 2016**

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>2017</u>	<u>2016</u>
Passenger Fares	\$ 12,137,563	\$ 11,912,836
Advertising	528,090	669,885
Regional Transit Service	42,357,818	40,421,292
Interest Revenue	977,716	650,061
Misc. Non-Operating Revenue	2,106,020	2,136,898
Operating Subsidies	85,760,214	89,622,942
Gain (Loss) on Disposal of Assets	129,173	904,555
<b>TOTAL</b>	<u>\$ 143,996,594</u>	<u>\$ 146,318,469</u>

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

Capital Contributions	1,053,300	728,571
<b>TOTAL</b>	<u>1,053,300</u>	<u>728,571</u>
<b>GRAND TOTAL</b>	<u>\$ 145,049,894</u>	<u>\$ 147,047,040</u>

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

	<u>2017</u>	<u>2016</u>
Operations	\$ 77,968,018	\$ 76,697,537
Maintenance	24,938,382	22,220,634
Non-Vehicle Maintenance	7,027,236	7,365,708
General & Administration	24,925,733	21,661,908
Depreciation and Amortization	18,692,559	17,289,674
Expense of Items Previously Capitalized	84,873	365,535
Grant Exchange Funds	396,312	1,889,408
<b>TOTAL</b>	<u>\$ 154,033,113</u>	<u>\$ 147,490,404</u>

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

Capital Acquisitions	13,656,384	14,404,102
<b>GRAND TOTAL</b>	<u>\$ 167,689,497</u>	<u>\$ 161,894,506</u>

**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, 2017 total \$22,308,888 compared to \$9,513,062 on December 31, 2016. The majority of the encumbrances for 2017 result from capital projects in progress including support vehicle, bus expansion, radio equipment, maintenance and repair of facilities and technology improvements. Encumbrances are not shown on the financial statements.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**3. CHANGES IN CAPITAL ASSETS**

The Summary of Changes in Capital Assets for the years ended December 31, 2017 and 2016, respectively, follows:

**Summary of Changes in Capital Assets**  
**Year Ended December 31, 2017**

Description	Balance January 1, 2017	Additions	Retirements	Adjustments	Balance December 31, 2017
<b>Capital assets not being depreciated:</b>					
Land	\$ 14,845,295	\$ -	\$ -	\$ -	\$ 14,845,295
Work in Progress	12,275,749	13,656,384	-	(14,940,376)	10,991,757
Total capital assets not being depreciated	<u>27,121,044</u>	<u>13,656,384</u>	<u>-</u>	<u>(14,940,376)</u>	<u>25,837,052</u>
<b>Depreciable capital assets:</b>					
Structures	78,710,280	-	-	-	78,710,280
Site Improvements	45,100,543	-	-	-	45,100,543
Machinery & Equipment	157,547,941	-	(4,154,922)	14,854,987	168,248,005
Total depreciable capital assets at cost	<u>281,358,764</u>	<u>-</u>	<u>(4,154,922)</u>	<u>14,854,987</u>	<u>292,058,828</u>
<b>Total Capital Assets (gross)</b>	<u>308,479,808</u>	<u>13,656,384</u>	<u>(4,154,922)</u>	<u>(85,389)</u>	<u>317,895,880</u>
<b>Less accumulated depreciation for:</b>					
Structures	(63,494,920)	(3,041,524)	-	-	(66,536,444)
Site Improvements	(41,216,135)	(510,438)	-	-	(41,726,573)
Machinery & Equipment	(99,972,588)	(15,311,399)	4,154,922	-	(111,129,065)
Total accumulated depreciation	<u>(204,683,643)</u>	<u>(18,863,361)</u>	<u>4,154,922</u>	<u>-</u>	<u>(219,392,082)</u>
<b>Total Capital Assets (net)</b>	<u>\$103,796,164</u>	<u>\$ (5,206,978)</u>	<u>\$ -</u>	<u>\$ (85,389)</u>	<u>\$ 98,503,798</u>

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

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

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

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

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

Work in progress as of December 31, 2017 and December 31, 2016 consisted of the following projects:

	<b>2017</b>	<b>2016</b>
Buildings & Site Improvements	\$ 5,532,468	\$ 3,321,020
Technology Projects	1,389,193	2,973,848
Equipment & Vehicles	4,070,097	5,980,882
<b>Total Work in Progress</b>	<u>\$ 10,991,758</u>	<u>\$ 12,275,750</u>

Many projects were in process at the end of 2017. Commitments on capital projects as of December 31, 2017 totaled \$17,790,605 and are itemized as follows: buildings and site improvements \$825,061, vehicles and equipment \$14,796,051, and technology projects \$2,369,493. Projects underway as of December 31, 2016 included base facility improvements, various technology upgrades or replacements, radio communication equipment, and bus expansion.

#### **4. COMPENSATED ABSENCES**

Employees accrue vacation based on tenure at annual rates ranging from 12 to 31 days per year. Employees are not allowed to accumulate more than 2 years of vacation leave accrual at any point in time. Total vacation accruals are listed as follows:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Vacation-Current	\$ 3,221,896	\$ 3,130,136
Vacation-Non-Current	357,989	347,793
<b>Total Vacation Leave Liability</b>	<u>\$ 3,579,885</u>	<u>\$ 3,477,929</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, 2017 and 2016 were \$7,186,948 and \$7,154,722 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><b>2017</b></u>	<u><b>2016</b></u>
Current Liability based on usage or terminations	\$ 2,000,048	\$ 1,893,491
Non-current Liability based on expected future payoffs	1,439,593	1,581,552
<b>Total Sick Leave Liability</b>	<u>\$ 3,439,641</u>	<u>\$ 3,475,043</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 leaves payable follows:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Balance beginning of year	\$ 5,023,628	\$ 4,557,192
Employee leave earned	4,967,408	4,664,659
Employee leave paid	(4,769,091)	(4,198,223)
<b>Current Employee Leave Payable</b>	<u>\$ 5,221,945</u>	<u>\$ 5,023,628</u>

**Pierce Transit**  
**Notes to Financial Statements**  
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	<u>2017</u>	<u>2016</u>
Balance beginning of year	\$ 1,929,344	\$ 1,862,751
Employee leave earned	1,509,930	1,678,937
Employee leave paid	<u>(1,641,693)</u>	<u>(1,612,344)</u>
<b>Compensated Absences</b>	<u>\$ 1,797,581</u>	<u>\$ 1,929,344</u>

## 5. CASH AND INVESTMENTS

As of December 31, 2017, and December 31, 2016, Pierce Transit had the following cash, cash equivalents, and investments:

	<u>2017</u>	<u>2016</u>
Demand Deposits	\$ 7,816,219	\$ 6,014,871
Cash Equivalents	-	-
Local Government Investment Pool	87,188,025	90,109,905
U.S. Federal Agency Obligations (at cost)		21,096,117
U.S. Federal Agency Obligations (Level 2)	<u>25,330,279</u>	-
<b>Total Cash, Equivalents, and Investments</b>	<u>\$ 120,334,523</u>	<u>\$ 117,220,893</u>

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

**Local Government Investment Pool**- The LGIP is an investment trust fund of the State of Washington operated by the Office of the State Treasurer. The State Finance Committee provides statutory administrative oversight.

Eligible investments are limited only to those investments authorized by state law. The pool is subject to an annual audit by the Washington State Auditor's Office. The LGIP is an unrated, 2-a-7 like pool, as defined by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Pools. Accordingly, participant balance in the LGIP are not subject to interest risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB Statement No. 40, Deposit and Investment Risk Disclosure-an amendment of GASB Statement 3, the balances are not subject to custodial risk. The credit risk of the LGIP is limited. Investments are limited by policy to obligations of the U.S. Government or its agencies, bankers' acceptances, commercial paper, certificates of deposit, obligations of the state of Washington, and repurchase agreements which must be rated AAA and be at least 102 percent of the value of the agreement. Investments or deposits held by the LGIP are all classified as category 1 risk-level investments. They are either insured or held by third-party custody provider in the LGIP's name.

**Investments** – Pierce Transit measures and reports investments at fair value using the valuation input hierarch established by generally accepted accounting principles as follows:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Quoted market prices for similar assets or other observable inputs
- Level 3: Unobservable inputs for an asset

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

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As of December 31, 2017, Pierce Transit held \$25,330,279 in U.S. Federal agency bonds that were valued by a pricing service that uses a matrix pricing model (Level 2 inputs). The investment practices of Pierce Transit are governed by an investment policy adopted by the Board of Commissioners. The policy addresses interest rate risk, credit risk, and concentration of credit risk. Allowable investments are limited as follows:

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

During 2017 and 2016, Pierce Transit's portfolio complied with the investment policies discussed above. Beginning in 2017, investments other than the LGIP, which are amortized, are stated at fair value in accordance with GASB No. 72. In 2016, investments other than the LGIP were recorded at cost. Changes in fair value are included as a change in revenue in the financial statements. No investment losses occurred during 2017 or 2016.

**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 short and long-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, 2017 and 2016 was 54 days and 56 days, respectively.

**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, 2017, nineteen percent of Pierce Transit's investments are in one of the following U.S. Federal Agency bonds. 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.

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

- No more than 50% of the Agency's total portfolio may be purchased from a single financial institution except for 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.

**6. RECEIVABLES**

Amounts due to Pierce Transit for years ended December 31, 2017 and 2016 (net of uncollectible) are detailed as follows:

<b>Total Other Receivables:</b>	<u>2017</u>	<u>2016</u>
Accounts Receivable	\$ 212,581	\$ 248,765
Interest Receivable	82,243	23,207
Sales Tax Receivable	14,795,611	13,977,712
Total Other Receivables	<u>\$ 15,090,435</u>	<u>\$ 14,249,684</u>
<b>Due from Other Governments:</b>		
Federal Operating Assistance	-	10,101,023
Other Operating Partnerships	2,806,088	1,024,829
Fuel Tax Refund & CNG Credit	915,442	247,643
Regional Transit Service Revenues	7,681,846	10,769,338
Capital Grants	44,959	36,919
Total Due from Other Governments	<u>11,448,335</u>	<u>22,179,752</u>
<b>Total Receivables</b>	<u><u>\$ 26,538,770</u></u>	<u><u>\$ 36,429,436</u></u>

**7. NET POSITION**

Pierce Transit's Board of Commissioners has established reserve policies for Pierce Transit's capital and insurance programs. The net position amount designated for insurance is set at a level to adequately protect the Agency from self-insurance risks. The amount designated will be maintained in an amount sufficient to fund the capital requirements identified in the Six-Year Plan plus an amount equal to three prior years of local depreciation, excluding buildings and structures. Funds designated for capital are intended to fund currently approved capital projects and to replace capital equipment and facilities as they wear out. The Board of Commissioners as a part of the budget process reviews the level of the self-insurance and capital designations annually.

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

	<u>2017</u>	<u>2016</u>
Operating	\$ 18,842,637	\$ 50,185,484
Self-Insurance	2,559,855	1,704,031
Capital Replacement/Expansion	<u>61,532,132</u>	<u>34,735,963</u>
Total Unrestricted Net Position	82,934,624	86,625,478
Net invested in Capital Assets	<u>98,503,799</u>	<u>103,796,164</u>
<b>Total Net Position</b>	<u><u>\$ 181,438,423</u></u>	<u><u>\$ 190,421,642</u></u>

**Pierce Transit**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

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**8. PENSION BENEFITS**

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017 and 2016:

<b>Aggregate Pension Amounts – All Plans</b>	<b>2017</b>	<b>2016</b>
Net Pension liabilities	\$44,929,021	\$ 56,608,680
Pension assets	\$ -	\$ -
Deferred outflows of resources	\$ 7,360,239	\$ 10,274,959
Deferred inflows of resources	\$ 7,345,339	\$ 1,190,037
Pension expense/expenditures	\$ 4,935,757	\$ 6,457,433

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The Tacoma Employees' Retirement System (TERS), a pension trust fund of the City of Tacoma, Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes

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financial statements and required supplementary information. The TERS CAFR may be obtained by writing to:

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

Or the TERS CAFR may be downloaded at [www.cityoftacoma.org/retirement](http://www.cityoftacoma.org/retirement).

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

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

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 and 2016 were as follows:

<b>PERS Plan 1 Contribution Rate</b>	<b>Employer Rate</b>	<b>Employee Rate</b>
July – December 2017	12.70%	6.00%
January - June 2017	11.18%	6.00%
January – December 2016	11.18%	6.00%

Pierce Transit’s actual contributions to the plan were \$3,095,083 for the year ended December 31, 2017. In 2016, contributions were \$2,819,885 for Plan 1.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at

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least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 and 2016 were as follows:

PERS Plan 2/3 Contribution Rates	Employer Plan 2/3	Employee Plan 2
July – December 2017	12.70%	7.38%
January – June 2017	11.18%	6.12%
January – December 2016	11.18%	6.12%
Employee PERS Plan 3	-	Varies

Pierce Transit's actual contributions to the plan were \$4,233,914 for the year ended December 31, 2017 and \$3,601,200 for 2016.

**Actuarial Assumptions** - The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

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Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

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

**Long-Term Expected Rate of Return** - The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Estimated Rates of Return by Asset Class** - Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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2017 and 2016 Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%

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

	1% Discount (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2017 PERS 1	\$ 28,282,458	\$ 23,216,765	\$ 18,828,790
2017 PERS 2/3	\$ 57,756,522	\$ 21,438,113	\$ (8,319,435)
2016 PERS 1	\$ 31,262,209	\$ 25,924,392	\$ 21,330,871
2016 PERS 2/3	\$ 56,115,271	\$ 30,477,887	\$ (15,865,500)

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

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

The TERS member contribution rate is established the Tacoma City Council. The TERS required contribution rates (expressed as a percentage of covered payroll) for 2017 and 2016 were as follows:

TERS Contribution Rate	Employer	Employee
2017 and 2016	10.8%	9.2%

Pierce Transit's actual contributions to the plan were \$73,472 for the year ended December 31, 2017 and \$69,704 for year ended December 31, 2016.

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Actuarial Assumptions - The total pension liability (TPL) for each of the TERS plan was determined using the most recent actuarial valuation completed in 2017 with a valuation date of January 1, 2017. The actuarial assumptions used in the valuation were based on the results of the Milliman, Inc. Financial Reporting Valuation.

Additional assumptions for subsequent events and law changes are current as of the January 1, 2017 actuarial valuation report. The TPL measurement date and the valuation date are the same.

- Inflation: 2.75% total economic inflation.
- Salary increases: 2.125% salary increases, including inflation.
- Investment rate of return: 7.0%.

Mortality rates were based on the RP-2014 Mortality for Healthy and Disabled Annuitants Table, generational improvements per projection per Scale AA, published by the Society of Actuaries. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate - The discount rate used to measure the total pension liability for the TRS plan was 7.00 percent. To determine that rate, an asset sufficiency test included an assumed 7.00 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent was used to determine the total liability.

Long-Term Expected Rate of Return - The long-term expected rate of return on the TERS pension plan investments of 7.0 percent was determined using a building-block-method. The Tacoma Employees Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. The long-term expected rate of return of 7.0 percent approximately equals the median of the simulated investment returns over a 30-year time horizon.

**Estimated Rates of Return by Asset Class** - Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the table below. The inflation component used to create the table is 2.75 percent and represents most recent long-term estimate of broad economic inflation.

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2017 and 2016 Asset Class	Target Allocation	2017 Long-Term Expected Real Rate of Return Arithmetic	2016 Long-Term Expected Real Rate of Return Arithmetic
Global Equity	41.5%	5.50%	6.02%
Investment Grade Fixed Income	15.0%	1.63%	2.03%
Private Equity	10.0%	9.04%	9.02%
High Yield Bonds	9.0%	5.00%	4.49%
US Inflation-Indexed Bonds	5.0%	1.21%	1.41%
Emerging Market Debt	5.0%	3.74%	5.05%
Master Limited Partnerships	4.0%	4.12%	4.46%
Private Real Estate	2.5%	3.56%	3.72%
Public Real Estate	2.0%	5.80%	6.38%
Timber	2.0%	3.79%	3.84%
Infrastructure	2.0%	5.03%	5.88%
Agriculture	2.0%	4.33%	4.38%

Sensitivity of NPL - The table below presents Pierce Transit's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate.

TERS	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2017	\$861,472	\$ 274,143	\$ (215,787)
2016	\$ 640,088	\$ 206,402	\$ (158,810)

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

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - Pierce Transit's reported total pension liability is \$44,929,019 for 2017 and \$56,608,680 for 2016. It represents its proportionate share of the net pension liabilities as follows:

Plan	2017 Liability (or Asset)	2016 Liability (or Asset)
PERS 1*	\$ 23,216,765	\$ 25,924,391
PERS 2/3*	21,438,113	30,477,887
TERS **	274,143	206,402
<b>TOTAL</b>	<b>\$ 44,929,021</b>	<b>\$ 56,608,680</b>

\*As of June 30

\*\*As of December 31

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/16	Change in Proportion
PERS 1	.489281%	.482721%	.003344%
PERS 2/3	.617009%	.605330%	.001168%

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

	Proportionate Share 12/31/17	Proportionate Share 12/31/16	Change in Proportion
TERS	.27297%	.22088%	.052090%

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

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Plan Pension Expense	2017	2016
PERS 1	\$ 1,665,460	\$ 1,577,275
PERS 2/3	3,128,425	4,550,182
TERS	141,872	329,976
<b>TOTAL ALL PLANS</b>	<b>\$ 4,935,757</b>	<b>\$ 6,457,433</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources** – On December 31, 2017, Pierce Transit's reported deferred outflows of resources and deferred inflows of resources related to pensions for 2017 is from the following sources:

2017 PERS 1	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(866,385)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,603,276	-
<b>Total PERS 1</b>	<b>\$ 1,603,276</b>	<b>\$ (866,385)</b>

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<b>2017 PERS 2/3</b>	<b>2017 Deferred Outflows of Resources</b>	<b>2017 Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,172,186	\$ (705,062)
Net difference between projected and actual investment earnings on pension plan investments	-	(5,714,885)
Changes of assumptions	227,713	-
Changes in proportion and differences between contributions and proportionate share of contributions	811,857	-
Contributions subsequent to the measurement date	2,320,529	-
<b>Total PERS 2/3</b>	<b>\$ 5,532,285</b>	<b>\$ (6,419,948)</b>

<b>2017 TERS</b>	<b>2017 Deferred Outflows of Resources</b>	<b>2017 Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (59,006)
Net difference between projected and actual investment earnings on pension plan investments	124,755	-
Changes of assumptions	17,575	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,874	-
Contributions subsequent to the measurement date	73,473	-
<b>Total TERS</b>	<b>\$ 224,677</b>	<b>\$ (59,006)</b>
<b>TOTAL ALL PLANS</b>	<b>\$ 7,360,239</b>	<b>\$ 7,345,339</b>

As of December 31, 2016, Pierce Transit's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

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

Deferred outflows of resources related to pensions resulting from Pierce Transit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2017:	PERS 1
2018	\$(585,620)
2019	184,890
2020	(42,930)
2021	(422,724)
2022	N/A
Thereafter	

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

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Year ended December 31, 2017:	PERS 2/3
2018	\$ (1,949,019)
2019	\$ 794,024
2020	\$ (424,045)
2021	\$ (2,230,312)
2022	\$ 261,374
Thereafter	\$ 399,787,

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

Year ended December 31, 2017:	TERS
2017	\$ 50,979
2018	50,979
2019	58,325
2020	(402)
2021	5,790
Thereafter	-

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

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

**Deferred Compensation Plan** - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are offered and administered through Empower Retirement Company and ICMA Retirement Corporation. Pierce Transit contributes from 1% to 6% of the annual salary of all participating employees. In 2017, Pierce Transit contributed \$2,182,105 and employees contributed \$3,475,936. Pierce Transit and its employees contributed \$2,083,544 and \$3,217,594 respectively to this plan in 2016. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Beginning in fiscal year 1998, existing assets in the plan are held in a qualified custodial account. The custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of Pierce Transit and are not subject to claims of the Agency's creditors. Therefore, deferred compensation funds are not shown on the balance sheet.

## 9. COMMITMENTS

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

**Regional Fare Collection System (ORCA)** - Seven regional transit agencies participate in a regional smart card fare payment system. Participating agencies include Pierce Transit, King County Metro, Sound Transit, Everett Transit, Washington State Ferries, Kitsap Transit and Community 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

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Card for All (ORCA) and simplifies and establishes a common, non-cash fare system throughout the region. The original agreement, signed in April 2003, established the respective roles and responsibilities of the Agencies in the development and operating phases of the ORCA system. The system was phased in beginning in April 2009 and an amended agreement establishing the design, implementation, operation and maintenance of the ORCA was signed. This amended agreement further defines and establishes a framework for the operating phase of the system. The participating agencies have committed to utilizing the system for a minimum of 10 years and funding proportionate shares of regionally shared costs.

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

Pierce Transit's financial statements reflect its portion of ORCA fare revenues and expenses. ORCA fare revenue as of December 31, 2017 was \$4,317,139 with operating expenses of \$351,924. In 2016, ORCA revenue totaled \$4,446,061 and operating expense were \$285,351. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2017, and 2016 reported within Pierce Transit's financial statements, amounted to \$343,678 and \$334,517 respectively. Other than the funds held by the fiscal agent Pierce Transit has no equity interest. The ORCA financial statements are audited by KPMG LLP, Suite 2900, 1918 8<sup>th</sup> Ave, Seattle, WA.

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

## **10. INSURANCE**

Pierce Transit became a full member of the Washington State Transit Insurance Pool (WSTIP) as of January 1, 2010 which provides first-dollar coverage for auto/general up to \$20 million per occurrence. As a member of the Pool, the Agency is able to take advantage of collective retentions, competitive re-insurance rates and an exchange of best practices that help to reduce liability exposure. In addition to auto/general liability, WSTIP policies include property coverage of up to \$1 billion (\$25,000 deductible) per occurrence, crime coverage of up to \$1 million (\$10,000 deductible) per loss, cyber-liability coverage up to \$25 million, and public officials' liability coverage of up to \$25 million (\$5,000 deductible) per occurrence. Pierce Transit continues to insure pollution/underground storage tank liability through an independent broker, with coverage up to \$1 million (\$10,000 deductible) per occurrence. Pierce Transit had no settlements exceeding insurance coverage in 2017 or 2016.

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

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On December 31, 2017, the self-insurance assets totaled \$4,451,894 of which a liability of \$1,811,875 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, 2016, Pierce Transit's self-insurance assets totaled \$2,928,332 of which a liability of \$1,086,972 was recorded as a provision for liability claims. These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants. Claim settlements in the past three years have not exceeded insurance coverage.

A reconciliation of claims liabilities follows:

	<u>2017</u>	<u>2016</u>
Balance beginning of year	\$ 1,086,972	\$ 1,184,866
Provision for incurred claims	3,611,850	2,243,571
Payments made for claims	(2,886,947)	(2,341,465)
Claims liabilities year ended	<u>\$ 1,811,875</u>	<u>\$ 1,086,972</u>

## **11. RESERVE POLICIES**

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

- **Operating Reserve:** Pierce Transit will maintain the Operating Reserve at a minimum of two months of Agency operating expenditures. The Operating Reserve will be maintained at a level to provide sufficient working capital, to provide an adequate cash balance to finance cash flow requirements, and to offset unanticipated downturns in revenues and to provide funds for emergency expenditure requirements.
- **Insurance Reserve:** The Insurance Reserve will be set at a level to adequately protect the Agency from self-insurance risks.
- **Capital Reserve:** The capital reserve will be maintained at no less than 50% of the previous three years average annual asset depreciation at any time in the Six-Year Financial Plan. At the end of the Six-Year Plan Financial Plan, the capital reserve shall be at least 100% of the previous three years annual average asset depreciation. This reserve has been set at this level to enable Pierce Transit to respond to urgent unanticipated capital expenditure requirements as well as to protect Pierce Transit from the uncertainty of Federal and State grant funding.
- Pierce Transit complied with its reserve policies during 2016 and 2017.

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# More to *Smile About!*



REQUIRED  
SUPPLEMENTAL  
INFORMATION

*Along the bustling corridor of Pacific Avenue at South 19th Street, fourteen routes serve the University of Washington Tacoma campus. From this location, students, faculty and other bus riders boarded Pierce Transit buses 5,400 times a month, from July 2016 – July 2017.*



**Schedule of Employer Contributions**

**PERS 1**

**As of December 31**

**Last 10 Fiscal Years\***

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily or contractually required contributions PERS 1	\$ 3,095,083	\$ 2,775,078	\$ 2,407,649
<b>Total PERS 1</b>	<b>\$ 3,095,083</b>	<b>\$ 2,775,078</b>	<b>\$ 2,407,649</b>
Contributions in relation to the statutorily or contractually required contributions	\$ 3,095,083	\$ 2,775,078	\$ 2,407,649
Contribution Deficiency (excess)	\$ -	\$ -	\$ -
Covered employer payroll	\$ 62,554,076	\$ 59,829,190	\$ 52,159,102
Contribution as a percentage of covered employee payroll	4.9%	4.6%	4.6%

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

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

**Schedule of Employer Contributions**  
**PERS 2/3**  
**as of December 31**  
**Last 10 Fiscal Years\***

	2017	2016	2015
Statutorily or contractual required contributions	\$ 4,233,914	\$ 3,542,370	\$ 3,025,923
Contributions in relation to the statutorily or contractual required contributions	\$ 4,233,914	\$ 3,542,370	\$ 3,025,923
Contribution Deficiency (excess)	\$ -	\$ -	\$ -
Covered employer payroll	\$ 62,059,236	\$ 59,266,643	\$ 51,566,025
Contribution as a percentage of covered employee payroll	6.8%	6.0%	5.9%

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

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily or contractually required contributions	\$ 73,472	\$ 69,704	\$ 54,225
Contributions in relation to the statutorily or contractually required contributions	\$ 73,472	\$ 69,704	\$ 54,225
Contribution Deficiency (excess)	\$ -	\$ -	\$ -
Covered employer payroll	\$ 680,300	\$ 645,406	\$ 502,081
Contribution as a percentage of covered employee payroll	10.8%	10.8%	10.8%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer proportion of net pension liability (asset)	0.449281%	0.482721%	0.479064%
Employer proportion share of net pension liability	\$ 23,216,765	\$ 25,924,391	\$ 25,059,502
Employer covered employee payroll	\$ 60,959,719	\$ 57,083,737	\$ 52,159,102
Employer proportionate share of the net pension liability as a percentage of covered employee payroll	<u>38.09%</u>	<u>45.41%</u>	<u>48.04%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.24%</u>	<u>57.03%</u>	<u>59.10%</u>

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer proportion of net pension liability (asset)	0.617009%	0.605330%	0.630019%
Employer proportion share of net pension liability	\$ 21,438,113	\$ 30,477,887	\$ 21,546,213
Employer covered employee payroll	\$ 60,435,521	\$ 56,544,917	\$ 51,566,025
Employer proportionate share of the net pension liability as a percentage of covered employee payroll	35.47%	53.90%	40.79%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	85.82%	89.20%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer proportion of net pension liability (asset)	0.272970%	0.220880%	-0.001525%
Employer proportion share of net pension liability	\$ 274,143	\$ 206,402	\$ (21,186)
Employer covered employee payroll	\$ 680,300	\$ 645,406	\$ 502,081
Employer proportionate share of the net pension liability as a percentage of covered employee payroll	40.30%	31.98%	-4.22%
Plan fiduciary net position as a percentage of the total pension liability	93.91%	93.94%	100.71%

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

# More to *Smile* About!



**Route 402** connects South Hill, Puyallup, and Edgewood to the Federal Way Transit Center, an important commercial activity center and regional transportation gateway. Since mid-day frequency improved to 30 minutes on weekdays, ridership increased close to 20% on this popular route. It travels mainly via the busy Meridian corridor.



**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

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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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Revenue Capacity: Schedules contain information to assist the reader assess Pierce Transit’s revenue sources.

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Debt Capacity: Schedules help the reader assess Pierce Transit’s ability to issue debt.

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

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Financial Trends  
Net Assets by Component  
2008 - 2017**

	Invested in		Total
	Capital Assets	Unrestricted	
2008	\$128,772,977	\$113,886,963	\$242,659,940
2009	\$126,721,089	\$107,286,883	\$234,007,973
2010	\$127,352,648	\$102,221,188	\$229,573,836
2011	\$120,444,631	\$ 98,748,344	\$219,192,975
2012	\$113,079,561	\$106,645,685	\$219,725,246
2013	\$108,630,726	\$118,769,536	\$227,400,262
2014	\$108,863,153	\$127,191,451	\$236,054,604
2015	\$110,277,027	\$ 80,587,979	\$190,865,006
2016	\$103,796,164	\$ 86,625,478	\$190,421,642
2017	\$ 98,503,799	\$82,934,624	\$181,438,423

**Financial Trends  
Expense Comparisons by Type  
2008 – 2017**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Personnel	\$77,278,554	\$79,346,300	\$82,910,872	\$82,413,780	\$76,615,405	\$74,160,441	\$79,508,733	\$81,104,494	\$90,104,950	\$92,928,926
Fuel & Lubricants	7,123,019	5,718,378	7,409,316	10,620,144	8,698,804	7,409,160	7,529,537	5,518,422	4,721,708	5,341,710
Supplies & Materials	5,921,096	5,246,793	5,534,848	6,200,926	5,683,897	5,011,098	5,706,244	6,658,429	7,846,725	10,536,061
Contracts & Services	18,258,165	18,273,761	22,341,235	22,749,993	20,721,754	20,533,637	22,116,142	21,837,695	25,272,731	26,052,672
Depreciation & Amortization	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193	16,292,407	17,289,674	18,692,559
Capital Acquisition	23,593,957	13,182,990	13,841,193	8,850,528	6,540,446	10,954,738	16,267,985	17,767,302	14,404,102	13,656,384
Loss Disposal of Assets	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	415,000	1,335,000	-	-	-	-	-	-	-	-
Interest	77,616	45,252	-	-	-	-	-	-	-	-
Expense										
Previously Capitalized										
Items	234,942	2,460,260	381,012	909,998	126,620	224,061	20,380	9,995	365,535	84,873
Grant										
Exchange Funds	860,301	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408	396,312
<b>Total</b>	<b>\$147,880,050</b>	<b>\$140,566,409</b>	<b>\$146,360,722</b>	<b>\$147,046,227</b>	<b>\$132,702,823</b>	<b>\$133,921,921</b>	<b>\$146,971,768</b>	<b>\$149,708,917</b>	<b>\$161,894,506</b>	<b>\$167,689,497</b>

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Financial Trends  
Changes in Net Position  
2008 – 2017**

<b>Operating Revenue</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Passenger Fares	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836	\$12,137,563
Advertising	968,104	905,896	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885	528,090
Regional Transit Service	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906	36,207,706	40,421,292	42,357,818
Total Operating Revenue	32,293,853	35,670,160	39,753,579	44,499,060	43,858,454	46,650,262	49,186,181	49,618,720	53,004,013	55,023,471
<b>Non-Operating Revenue</b>										
Sales Tax	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814	72,076,026	76,947,406	81,799,746
Operating Grants	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323	8,659,858	12,675,536	3,960,468
Investment Revenue	3,220,825	1,014,361	346,746	100,949	198,874	151,610	115,634	190,114	650,061	977,716
Miscellaneous Revenue	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,482	3,317,254	1,330,092	2,136,898	2,106,020
Gain(Loss)on Disposal of Assets	122,190	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555	129,173
Total Non-Operating Revenue	85,405,970	78,908,979	79,189,348	79,976,826	80,319,830	78,136,757	82,389,771	82,535,073	93,314,456	88,973,123
<b>Total Revenue</b>	117,699,823	114,579,139	118,942,927	124,475,886	124,178,284	124,787,019	131,575,952	132,153,792	146,318,469	143,996,594
<b>Operating Expense</b>										
Fixed Route	86,654,338	86,680,889	96,282,650	98,836,124	90,192,642	86,365,065	92,989,803	93,589,034	105,737,573	111,514,727
Demand Response	17,637,236	17,806,552	17,597,639	18,513,933	17,229,379	16,609,716	17,555,294	17,347,709	17,872,486	18,744,963
Vanpool	4,289,260	4,097,791	4,315,982	4,634,786	4,297,219	4,139,555	4,315,559	4,182,296	4,335,728	4,599,679
Depreciation & Amortization	14,117,400	14,005,135	12,828,624	14,524,411	13,431,897	14,746,142	14,683,193	16,292,407	17,289,674	18,692,559
Total Operating Expense	122,698,234	122,590,367	131,024,895	136,509,254	125,151,137	121,860,478	129,543,849	131,411,446	145,235,461	153,551,928
<b>Non-Operating Expense</b>										
Expense of Capital Items	234,942	2,460,260	381,012	909,998	126,620	224,061	20,380	9,995	365,535	84,873
Interest Expense	77,616	45,252	-	-	-	-	-	-	-	-
Grant Exchange Funds	860,301	952,540	1,113,622	1,106,447	884,000	882,644	1,139,554	520,173	1,889,408	396,312
Total Non-Operating Expense	1,172,859	3,458,052	1,496,634	2,016,445	1,010,620	1,106,705	1,159,934	530,168	2,254,943	481,185
<b>Total Expense</b>	123,871,093	126,048,419	132,519,529	138,525,699	126,162,377	122,967,183	130,703,783	131,941,614	147,490,404	154,033,113
Net Expense	(6,171,270)	(11,469,280)	(13,576,602)	(14,049,813)	(1,984,093)	1,819,836	872,169	212,178	(1,171,935)	(10,036,519)
Capital Grants	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173	2,397,798	728,571	1,053,300
<b>Change in Net Position</b>	<b>\$2,564,925</b>	<b>\$(8,651,967)</b>	<b>\$(4,434,137)</b>	<b>\$(10,380,861)</b>	<b>\$(532,272)</b>	<b>7,675,015</b>	<b>\$ 8,654,342</b>	<b>\$ 2,609,976</b>	<b>\$ (443,364)</b>	<b>\$ (8,983,219)</b>

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Revenue Capacity  
Revenue and Subsidies Comparisons  
2008 – 2017**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Passenger Fares</b>	\$13,882,370	\$15,460,517	\$14,504,805	\$13,502,385	\$12,219,240	\$12,266,180	\$12,212,748	\$12,628,413	\$11,912,836	\$12,137,563
<b>Regional Transit Fares</b>	17,443,379	19,303,747	24,128,368	30,257,858	30,980,869	33,431,542	36,262,906	36,207,706	40,421,292	42,357,818
<b>Advertising</b>	968,104	905,896	1,120,406	738,817	658,345	952,540	710,527	782,601	669,885	528,090
<b>Interest</b>								190,114	650,061	977,716
<b>Income</b>	3,220,825	1,014,361	346,746	99,912	198,874	151,610	115,634			
<b>Sales Tax</b>	71,752,351	63,335,030	65,338,852	64,512,697	65,190,106	63,407,486	66,612,814	72,076,026	76,947,406	81,799,746
<b>Operating Subsidies</b>	9,505,308	13,318,595	9,925,000	9,982,473	10,180,153	10,491,482	10,929,323	8,659,858	12,675,536	3,960,468
<b>Capital Grants</b>	8,736,195	2,817,313	9,142,465	3,668,952	2,516,365	5,855,179	7,782,173	2,397,798	728,571	1,053,300
<b>Gain on Disposal of Assets</b>	122,190	91,084	368,928	99,912	(183,396)	(10,303)	1,414,746	278,983	904,555	129,173
<b>Miscellaneous</b>	805,296	1,149,909	3,209,822	5,280,795	4,934,093	4,096,480	3,317,254	1,330,092	2,136,898	2,106,020
<b>Total</b>	<u>\$126,436,018</u>	<u>\$117,396,452</u>	<u>\$128,085,392</u>	<u>\$128,144,838</u>	<u>\$126,694,649</u>	<u>\$130,642,196</u>	<u>\$139,358,125</u>	<u>\$134,551,591</u>	<u>\$147,047,040</u>	<u>\$145,097894</u>

**Revenue Capacity  
Fixed Route Farebox Recovery  
2008 – 2017**

<b>Year</b>	<b>Farebox Recovery</b>
2008	16%
2009	19%
2010	17%
2011	15%
2012	16%
2013	18%
2014	17%
2015	17%
2016	13%
2017	13%

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Revenue Capacity  
Fare History  
2008 - 2017**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Cash Fares</b>										
Adult	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$2.00
Senior/Disabled/Youth	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.75
<b>Passes</b>										
Adult Pass	54.00	63.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Senior/Disabled Pass	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	45.00	63.00
Adult All Day Pass	-	-	-	-	-	-	-	5.00	5.00	5.00
Senior/Disabled Day Pass	-	-	-	-	-	-	-	2.50	2.50	2.50
Youth All Day Pass	-	-	-	-	-	-	-	2.50	2.50	2.50
Transfers	Free	Free	Free	Free	Free	Free	Eliminated	Eliminated	Eliminated	Eliminated

**Revenue Capacity  
2008 & 2017 Taxable Sales Comparisons  
Pierce County**

	2008		2017	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 5,551,483,215	\$ 34,012,086	\$ 7,883,432,422	\$ 40,863,842
Services	1,911,216,091	11,709,383	2,791,070,819	14,467,540
Contracting	2,277,182,178	13,951,535	2,709,107,203	14,042,681
Manufacturing	261,918,098	1,604,685	243,268,253	1,260,983
Transportation/Utilities	47,752,895	292,566	78,104,234	404,854
Wholesaling	747,715,637	4,581,004	837,860,335	4,343,056
Finance/Insurance/Real Estate	911,309,345	5,583,288	1,229,947,290	6,375,443
Other Business	2,905,842	17,804	7,976,561	41,347
<b>TOTAL</b>	<b>\$ 11,711,483,301</b>	<b>\$ 71,752,351</b>	<b>\$ 15,780,767,117</b>	<b>\$81,799,746</b>

Source: WA ST Department of Revenue Quarterly Business Review

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

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**Debt Capacity  
Legal Debt Margin  
2017**

	<b>Non-voted</b>	<b>Maximum Debt Capacity*</b>
Assessed Valuation	\$47,849,779,391	\$47,546,461,847
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 179,436,673	\$ 594,330,773
Less: Outstanding Debt	-	-
Debt Margin	\$ 179,436,673	\$ 594,330,773

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

**Debt Capacity  
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita  
2008 – 2017**

		Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
December 31	Population				
2008	749,350	50,503,813	1,335,000	.01	1.78
2009	813,600	48,742,260	3,910,000	.02	6.07
2010	795,225	45,155,305			
2011	802,150	41,959,937	-	-	-
2012	808,200	33,245,935	-	-	-
2013	814,500	34,481,782	-	-	-
2014	821,300	36,980,312	-	-	-
2015	830,120	39,008,715	-	-	-
2016	861,310	42,832,915	-	-	-
2017	876,764	47,849,779	-	-	-

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Debt Capacity  
Computation of Direct and Overlapping Debt  
2017**

	- Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	215,186,000	30.54%	65,717,804
Pierce County	124,025,000	42.27%	52,425,367
			\$118,143,171
PTBA Population			555,578
Direct Debt as a % of Personal Income Direct and Overlapping Debt per Capita			.0000%
			\$ -

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

**Demographic and Economic Information  
Pierce County Demographic and Economic Information  
2008 – 2017**

Fiscal Year Dec 31	Pierce County Population	Median Household Income (1)	Personal Income (2) (In Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2008	805,400	57,674	31,046,350	39,444	141,246	5.7
2009	813,600	56,555	32,332,969	40,839	141,182	9.7
2010	795,225	55,531	31,625,073	39,761	138,687	10.2
2011	802,150	56,114	33,117,849	40,992	132,480	9.8
2012	808,200	57,162	35,232,946	43,407	134,616	8.9
2013	814,500	57,840	36,054,002	43,982	127,766	8.1
2014	821,300	59,998	36,282,818	43,613	129,803	7.3
2015	830,120	59,953	37,957,559	45,044	128,800	6.8
2016	861,310	61,042	40,228,355	46,706	134,810	6.3
2017	876,764	65,246	N/A	N/A	134,816	5.4

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, 2017 and 2016**

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**Principal Employers  
Comparisons of Employees and Percent to Total Employment  
2008 and 2017**

**Top Ten Employers for 2017**

<b>Employer</b>	<b>Employees</b>	<b>Percent of Total County Employment</b>	<b>Type</b>
Joint Lewis McChord	60,100	6.9%	Military
MultiCare Health	7,439	0.9%	Health Care
Washington State	6,838	0.7%	Government
Franciscan Health	6,528	0.7%	Health Care
Tacoma Public Schools	3,541	0.4%	Education
Pierce County Government	3,058	0.3%	Government
Bethel School District	2,465	0.3%	Education
City of Tacoma	2,251	0.3%	Government
State Farm Insurance	2,124	0.2%	Insurance
Emerald Queen Casino	2,082	0.2%	Entertainment
<b>Total</b>	<b>96,426</b>	<b>10.9%</b>	
<b>2017 Pierce County Population</b>	<b>876,764</b>		

**Top Ten Employers for 2008**

<b>Employer</b>	<b>Employees</b>	<b>Percent of Total County Employment</b>	<b>Type</b>
Federal Government	59,332	7.4%	Military
Local Government	34,206	4.3%	Government
MultiCare Health	5,832	0.7%	Health Care
Franciscan Health	4,041	0.6%	Health Care
Fred Meyer	2,383	0.3%	Retail
Wal-Mart	1,990	0.3%	Retail
Emerald Queen	1,915	0.2%	Entertainment
Boeing	1,760	0.2%	Business
Safeway	1,635	0.2%	Food
Frank Russell	1,144	0.1%	Business
<b>Total</b>	<b>110,456</b>	<b>14.3%</b>	
<b>2008 Pierce County Population</b>	<b>805,400</b>		

Sources: Bureau of Labor Statistics  
Pierce County CAFR

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

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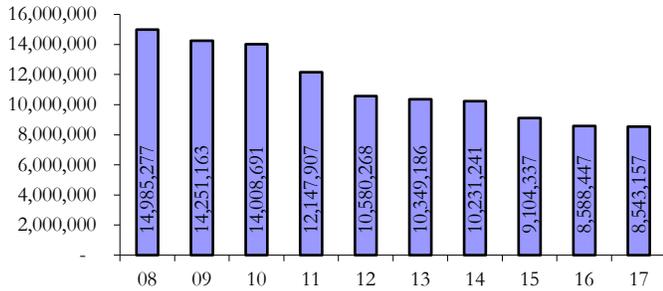
**Operating Information  
Pierce Transit Employee by Function  
2008 – 2017**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Operations	708	674	674	598	575	572	601	631	659	692
Maintenance	162	163	161	144	132	127	136	142	149	155
Administration	168	145	144	139	109	94	99	97	110	113
	<u>1,038</u>	<u>982</u>	<u>979</u>	<u>881</u>	<u>816</u>	<u>802</u>	<u>836</u>	<u>870</u>	<u>918</u>	<u>960</u>

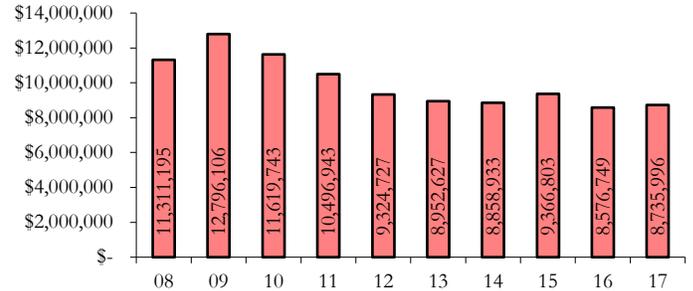
**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Operating Information  
Fixed Route Statistics  
2008 – 2017**

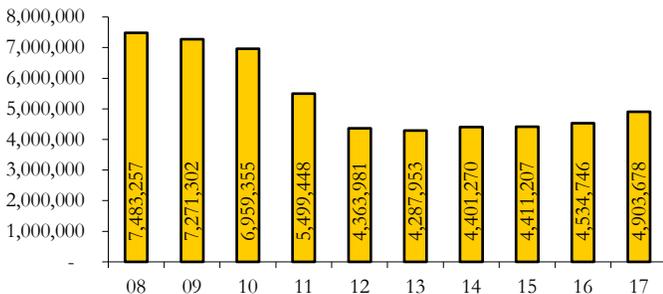
**Annual Boardings**



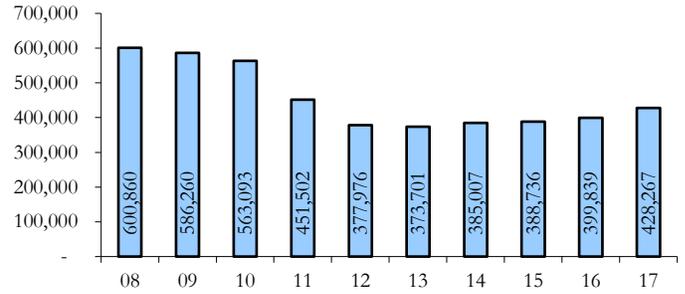
**Annual Passenger Fare Revenues**



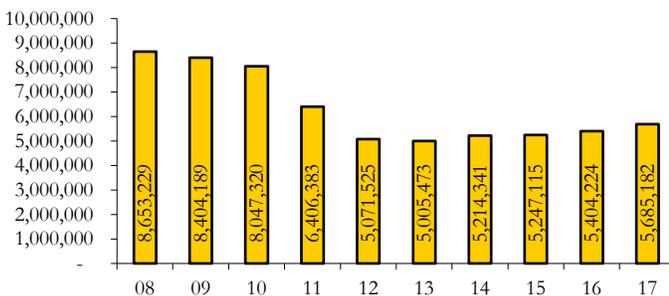
**Actual Revenue Miles**



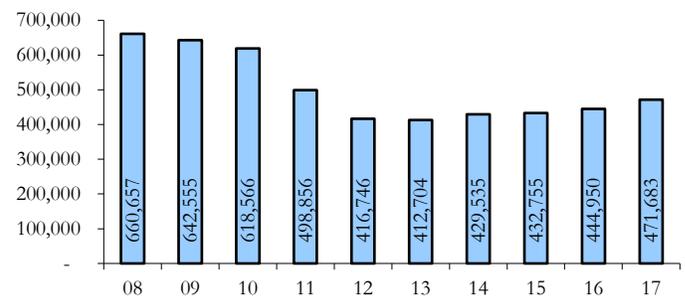
**Actual Revenue Hours**



**Service Miles**



**Service Hours**



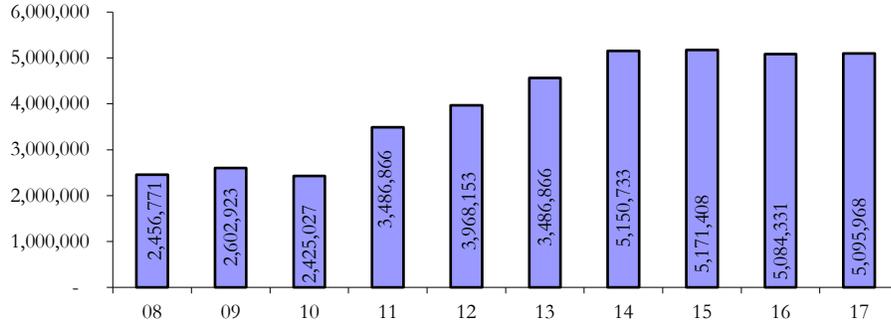
Source: National Transit Database (NTD)

Pierce Transit  
 Statistical Section  
 Year ended December 31, 2017 and 2016

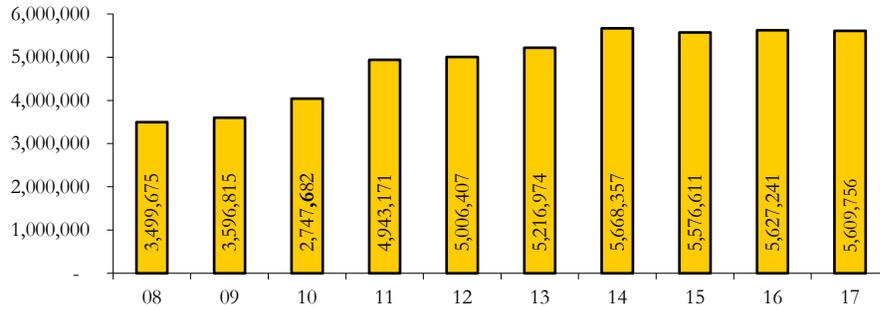
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**Operating Information**  
**Sound Transit**  
**Fixed Route Statistics**  
 2008 – 2017

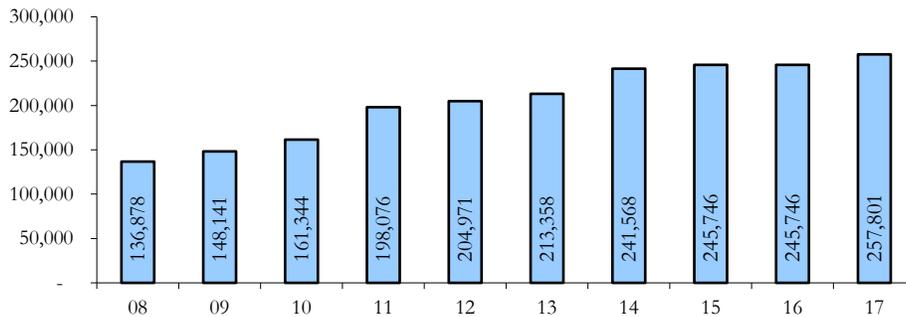
**Annual Boardings**



**Revenue Miles**



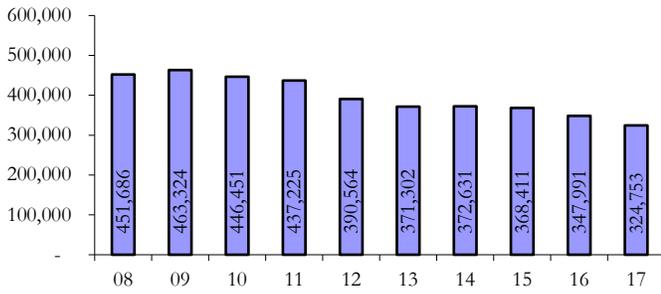
**Revenue Hours**



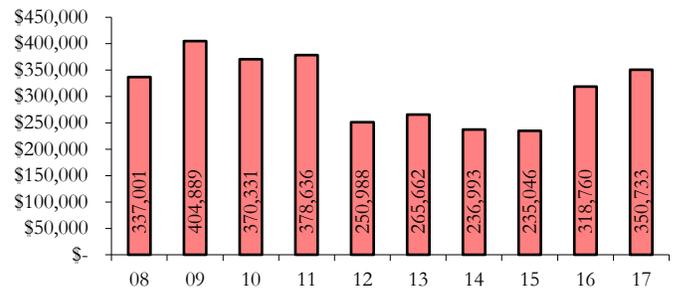
**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Operating Information  
Specialized Transportation (SHUTTLE)  
2008 – 2017**

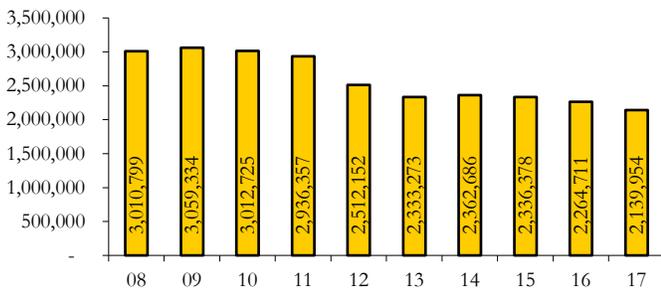
**Annual Boardings**



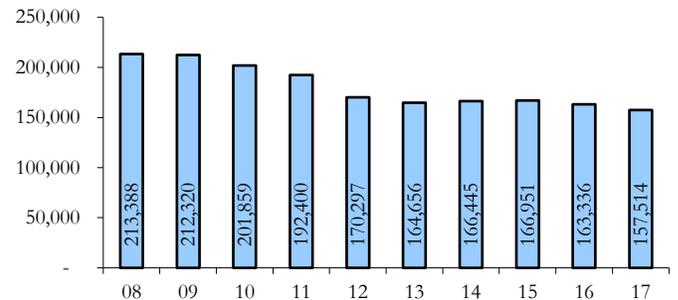
**Annual Passenger Fare Revenues**



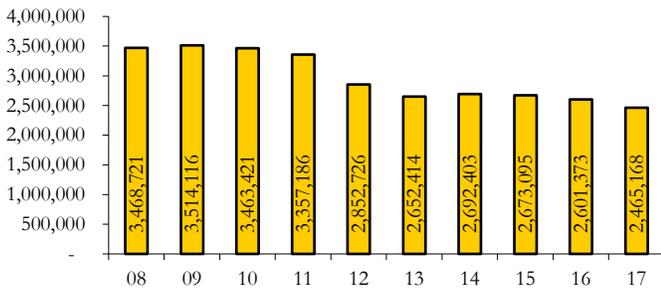
**Actual Revenue Miles**



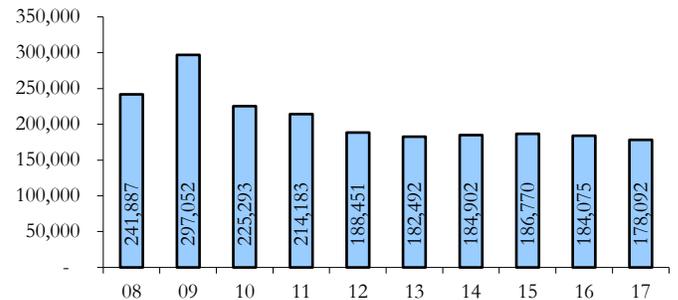
**Actual Revenue Hours**



**Service Miles**



**Service Hours**

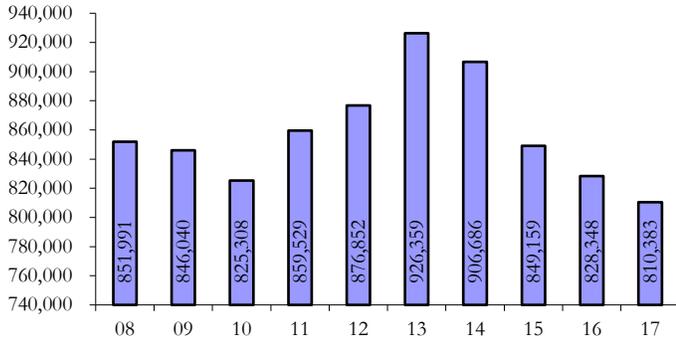


Directly operated and purchased transportation services.

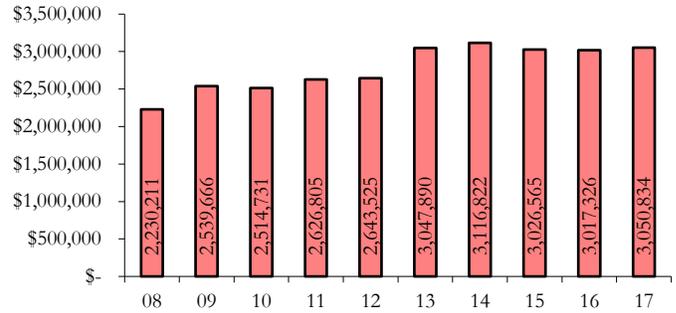
Pierce Transit  
 Statistical Section  
 Year ended December 31, 2017 and 2016

Operating Information  
 Vanpool Statistics  
 2008 – 2017

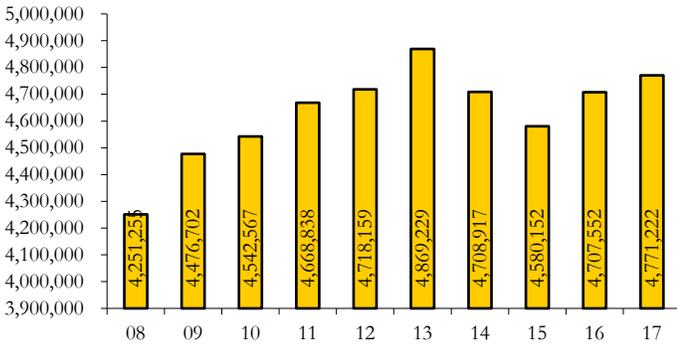
**Annual Boardings**



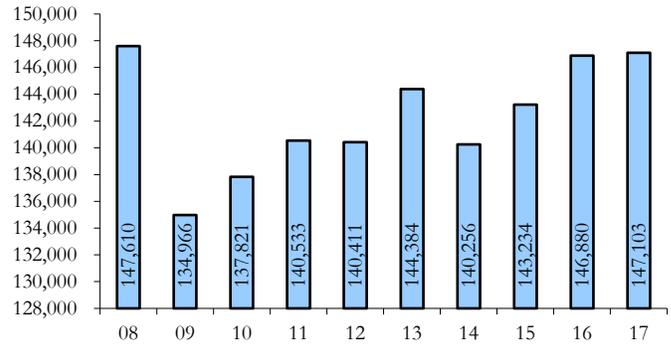
**Annual Passenger Fare Revenues**



**Revenue/Service Miles**



**Revenue /Service Hours**



**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Operating Information  
Key Performance Measures  
2008 – 2017**

<b>FIXED ROUTE:</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Annual Boardings	14,985,277	14,251,163	14,008,691	12,147,907	10,580,268	10,349,186	10,231,241	9,104,337	8,588,447	8,543,157
Cost per Service Hour	\$ 104.96	\$ 105.80	\$ 114.02	\$ 134.82	\$ 136.99	\$ 119.13	\$ 124.71	\$ 130.55	\$ 143.34	\$ 144.54
Farebox Recovery	16%	19%	17%	16%	16%	18%	17%	17%	13%	13%
Passengers per Service Hour	22.7	22.2	22.6	24.4	25.4	25.1	23.8	21	19.3	18.1
Cost per Passenger	\$ 4.63	\$ 4.77	\$ 5.03	\$ 5.54	\$ 5.40	\$ 4.75	\$ 5.24	\$ 6.21	\$ 7.43	\$ 7.98
<b>SHUTTLE:</b>										
Annual Boardings	451,686	463,324	446,451	437,225	390,564	371,302	372,631	368,411	347,991	324,753
Cost per Service Hour	\$ 72.92	\$ 71.18	\$ 78.11	\$ 86.44	\$ 91.43	\$ 91.02	\$ 94.94	\$ 92.88	\$ 98.07	\$ 105.25
Farebox Recovery	2%	2%	2%	2%	2%	2%	1%	1%	2%	2%
Passengers per Service Hour	1.9	1.9	2	2	2.1	2	2	2	1.9	1.8
Cost per Passenger	\$ 39.05	\$ 38.43	\$ 39.42	\$ 42.34	\$ 44.11	\$ 44.73	\$ 47.11	\$ 47.09	\$ 51.88	\$ 57.72
<b>VANPOOL:</b>										
Annual Boardings	851,991	846,040	825,308	859,529	876,852	926,359	906,686	849,159	828,348	810,383
Cost per Service Hour	\$ 29.06	\$ 30.36	\$ 31.32	\$ 32.98	\$ 30.60	\$ 28.67	\$ 30.77	\$ 29.20	\$ 29.66	\$ 31.27
Farebox Recovery	52%	57%	58%	63%	62%	74%	72%	72%	69%	66%
Passengers per Service Hour	5.8	6.3	6	6.1	6.2	6.4	6.5	5.9	5.6	5.5
Cost per Passenger	\$ 5.03	\$ 4.84	\$ 5.23	\$ 5.39	\$ 4.90	\$ 4.47	\$ 4.76	\$ 4.93	\$ 5.26	\$ 31.27

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  
2008 – 2017**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Pierce Transit Buses	218	189	182	182	173	177	175	176	195	200
SHUTTLE Vans	145	157	171	167	100	100	97	97	97	100
Vanpool Vans	328	328	326	326	347	371	381	405	439	456
	691	674	679	675	620	648	653	678	731	756

**Pierce Transit  
Statistical Section  
Year ended December 31, 2017 and 2016**

**Grant Information  
Capital Grant History  
2008 - 2017**

<b>FTA</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Section 3	\$ -	\$ -	\$ -	\$ -	\$ 27,944	\$ 62,692	1,183,372	\$ 329,438	\$ 823	\$ -
Section 4	-	-	-	-	20,808	3,339,533	1,460,896	535,952	246,507	47,016
Section 9	3,172,893	1,474,753	6,741,534	1,886,861	1,931,405	915,379	4,461,195	579,872	392,673	679,887
Other	148,056	96,502	82,380	383,078	17,256	1,394,913	-	-	88,568	326,397
<b>WA STATE</b>										
Misc. Grants	223,262	-	478,620	1,125,916	473,901	142,662	676,710	952,536	-	-
<b>LOCAL</b>										
Partnerships	5,191,984	1,246,058	1,839,931	(26,903)	45,050	-	-	-	-	-
<b>Totals</b>	<b>\$8,736,195</b>	<b>\$2,817,313</b>	<b>\$9,142,465</b>	<b>\$3,368,952</b>	<b>\$2,516,364</b>	<b>\$5,855,179</b>	<b>\$7,782,173</b>	<b>\$ 2,397,798</b>	<b>\$728,571</b>	<b>\$1,053,300</b>

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**Vision** Your preferred transportation choice for today and tomorrow.

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



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