

Pierce Transit

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2009
Pierce County, Washington



Pierce Transit

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Pierce County, Washington

Lynne M. Griffith
Chief Executive Officer

Prepared by
The Finance, Audit & Administration Department

Wayne Fanshier
Vice President, Finance, Audit & Administration

Kathy Sullivant
Director of Finance

Liz Passmore
Finance Manager



This year's Report emphasizes our special affinity for young people.
Youth is transit's future, and it is certain that transit's importance will continue to grow.



**Pierce Transit
Comprehensive Annual Financial Report
Year Ended December 31, 2009**

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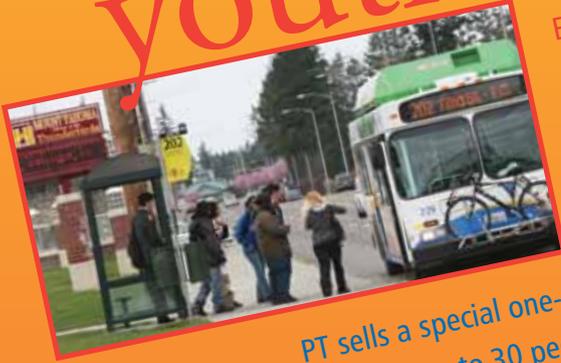
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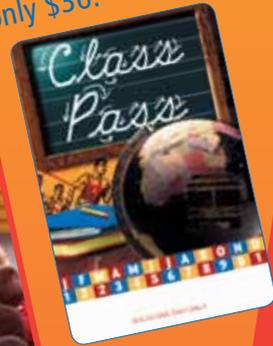
PT likes kids!
 Every day, 1,000's of kids travel on Pierce Transit.
 We make the trip safe, easy, and affordable.

youth fares



Every month, anyone 6-18 can buy a monthly youth pass for \$27, a savings of \$36 from our adult pass. Buses come within a block or two of dozens of schools.

PT sells a special one-day round trip Class Pass good for up to 30 people of any age for only \$36.



Class Pass

CoolCard. HotPrice.

The Summer Youth Pass is the new ORCA Card: It's one cool card with one hot price! You'll get three months of bus rides for \$36.

It's easy by mail. Download an order form at orcard.com. Check "Pierce Transit Summer Youth Pass \$36." If this is your first ORCA card, also check "Youth ORCA Card" - you'll be charged \$5, but the card can be revalued when summer's over and used throughout the year. Mail your completed form and payment, with proof of age - we'll return it with your order.

Cheaper still. Buy it at one of our three Bus Shops. Bring proof of age and we'll throw in the ORCA card for FREE. A \$5 value. Go to piercetransit.org for Bus Shop locations.

The youth ORCA card is for those 18 and under. Details at 253.581.8000 or piercetransit.org



SYP

Summer Youth Pass lets anyone 6-18 ride June, July and August for just \$36.





June 25, 2010

Board of Commissioners
Pierce County Public Transportation
Benefit Area Corporation

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

Pierce Transit's Comprehensive Annual Financial Report for the year ending December 31, 2009 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, Pierce Transit's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of Pierce Transit. All disclosures necessary to enable the reader to gain the maximum understanding of Pierce Transit's business have been included.

The Washington State Auditor's Office has issued an unqualified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

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

II. PROFILE OF THE AGENCY

The Pierce County Public Transportation Benefit Area Corporation, AKA "Pierce Transit," was formed in 1979 when voters passed a 0.3 % sales tax to fund public transportation. By authorizing this taxing authority, a municipal corporation (Pierce Transit), was formed under Chapter 36.57A of the revised Code of Washington. In February 2002, Pierce County voters approved a ballot measure increasing local sales tax support from 0.3% to 0.6%. Sales tax collections based on the new tax rate began in July 2002. This additional sales tax revenue was used to restore service cut as a result of the loss of motor vehicle excise tax (MVET) revenues.

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

Pierce Transit's services are provided over a 414 square mile radius to an estimated population of 754,655. Pierce Transit's service area includes the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Pacific, Puyallup, Ruston, Steilacoom, Sumner, Tacoma, and University Place along with extensive unincorporated areas of Pierce County. A Board of Commissioners governs the Agency. The Board is comprised of three members of the Tacoma City Council, two members of the Pierce County Council, the Pierce County Executive or their delegate, a member of the City of Lakewood council, one member selected by the City Councils of the cities of Puyallup and University Place, and an elected official chosen by the remaining small cities and towns. Appointments are based on three-year terms.

The Chief Executive Officer (CEO) is responsible for implementation of the policies authorized by the Board of Commissioners. In order to provide overall management for the Agency, five departments have been established, Executive, Transportation Services, Human Resources & Technology, Finance, Audit and Administration, and Transit Development.

Pierce Transit is a nationally recognized leader in the transportation industry and is committed to results. Emphasizing innovation, good stewardship of public dollars, and a desire to move the organization from "Good to Great", Pierce Transit will provide....

- Effective and innovative services that respond to change and growth,
- A safe and attractive system that draws riders,
- Services that benefit the community and are embraced by our citizens,
- A system that is efficient, fiscally responsible, and uses resources effectively,
- A work environment that develops its employees and rewards innovation and high performance,
- A continued commitment to green technologies and strategies that respond to climate change, and
- A business approach that uses technology and best practices ensuring continual progress in moving its performance from "Good to Great".

Pierce Transit provides fixed route, demand response, vanpool, rideshare, Bus PLUS, and inter-county express service to Seattle and Olympia. In addition, rideshare matching services and commute trip reduction assistance is provided to local and regional employers.

Pierce Transit's fixed route bus service is provided along more than 51 routes throughout Pierce County, including local fixed route, Bus PLUS, contracted service and express service. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Tacoma to Seattle has been funded by Sound Transit, and operated by Pierce Transit. Pierce Transit operates 11 routes for Sound Transit service. In 2009, all local and express fixed route services combined (including Sound Transit services) carried 16.9 million passengers.

Specialized transportation services, known as SHUTTLE, provide transportation to individuals in the community, who, due to a disability, are unable to use fixed route bus services. SHUTTLE is provided directly by Pierce Transit employees and through contracts with local transportation providers. In 2009, total ridership was 463,324.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to 328 vans with 3,163 daily weekday riders. With 846,040 passenger boarding's the

vanpool program accounted for 5.4% of the Agency's total ridership in 2009 (excluding Sound Transit ridership).

More people than ever look to Pierce Transit as an integral community partner. This year more than 121,954 rides were provided in support of special events including the Puyallup Fair, Sound to Narrows Run, Mariners baseball games, Seahawk football games, and the 4th of July celebration.

Major Initiatives

- A project to replace Pierce Transit's mobile communication system is currently underway and is scheduled for completion in 2010. The current radio system has exceeded its useful life and does not provide adequate radio coverage. This project will implement a mobile communication system that will enable reliable voice and data communication to all vehicles. In addition to replacing the current radio system, the system will be upgraded to include computer aided dispatch, mobile data, automatic vehicle location, automated passenger counters and other Intelligent Transportation System (ITS) capabilities. These new radio technologies will provide the opportunity to dramatically improve system safety and productivity. The cost of the project is currently estimated at approximately \$37.7 million.
- The PT Tomorrow project was launched to design a financially sustainable transit system that the public values and uses. Redesigning the Pierce Transit system is an opportunity for us to reevaluate the 30-year old route structure and incorporate innovative and more effective service delivery methods into the Pierce Transit system. The new design is a strategic investment that we anticipate will deliver innovative and more effective service for the Pierce County community. Active community involvement in the design of the new system critical to its success.

The core objective behind the PT Tomorrow outreach effort is to inform, ask, and listen. The Public Involvement team is educating our employees, riders, and the general public about today's challenges and tomorrow's opportunities. We are asking our community to envision the Pierce Transit of the future. The ideas we gather through this process will influence the technical work of the redesign of our public transportation network.

- Pierce Transit continues to work with six other Central Puget Sound transit agencies to develop a regional fare collection (ORCA) system. The ORCA system will replace the current Puget Pass regional fare program. Smart cards will enable transit agencies to offer new transit fare options, reduce fare media confusion, and improve interagency fare revenue reconciliation. Implementation of the system began in the second quarter of 2009. Full implementation is expected in 2010. The cost of the project is currently estimated at approximately \$4.7 million and is 94% grant funded.
- American Recovery and Reinvestment Act (ARRA) funds in the amount of \$11.3 million were obligated to Pierce Transit in 2009. Funds for bus procurement (\$5.4 million), preventive maintenance (\$4.4 million) and a compressed natural gas compressor (\$1.5 million) were included in the package. The \$5.4 million for buses is expected to fund nine buses that feature a diesel hybrid electric propulsion system and will diversify Pierce Transit's 100% compressed natural gas (CNG) fleet. The preventive maintenance funds were received in 2009. The compressor will replace an aging CNG compressor and is expected to be received in 2010.

- A phased project to enhance physical security at facilities is underway. This included closed circuit television (CCTV). A network of cameras is being installed at various passenger facilities to improve security. The total project budget is \$1.3 million and is partially funded by Homeland Security.

III. ECONOMIC CONDITION AND OUTLOOK

Local economic conditions play a major part in the generation of sales tax revenue which is Pierce Transit's primary operating revenue source. Pierce Transit's sales tax rate of 0.6% is anticipated to generate nearly \$62 million in sales tax revenue in 2010. Sales tax is the most important component of Pierce Transit's operating revenues, and is expected to contribute 55% of total operating revenues in 2010 (70% excluding Sound Transit regional transit service revenue).

In creating the long-term financial plan and preparing the annual budget, local conditions and issues are closely examined. Pierce Transit's heavy reliance on sales tax makes it particularly sensitive to economic downturns. The global economic conditions over the last two years have required the Agency to take specific actions to ensure the Agency's fiscal integrity and continued provision of high quality service to our community. Pierce Transit has experienced a significant decline in sales tax collections, the Agency's primary funding source, since December 2007.

The economic recovery is likely to be slow but the effects of the recession will continue to be felt in 2010 and beyond. A cautious consumer, a larger government, a new regulatory environment and a new credit world will contribute to a changed environment. As the Pierce County recovery takes hold, total personal income will slowly begin increasing in 2010. Pierce Transit is projecting its sales tax revenue to be flat over 2009 levels.

Economic conditions will be closely monitored and the Agency will continue to take steps to reduce expenditures and delay capital projects while preserving transit service to the community. No service increases are planned for in the 2010 – 2015 Six Year Financial Plan. The Plan is sustainable at the 2010 budgeted service levels through 2012. Beyond that time, new funding will be necessary to continue Pierce Transit's current operating commitments and avoid service reductions.

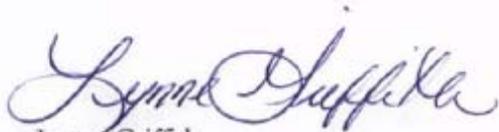
Looking forward, we have three objectives: maintain service at the highest possible level, improve the efficiency and effectiveness of the service, and continue to plan for the future. Pierce Transit is designing a financially sustainable system the community will value and use. These objectives are part of the Pierce Transit (PT) Tomorrow project developed by our Board of Commissioners in 2008 and will assist the Agency in meeting our mission of connecting communities with safe, reliable, customer-friendly transit options.

IV. AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pierce Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2008. This was the twenty-third year that Pierce Transit has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



Lynne Griffith
Chief Executive Officer



Wayne Fanshier
Vice President, Finance and Administration

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, 2008

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

Principal Officials

Organizational Chart

Lynne Griffith
Chief Executive Officer

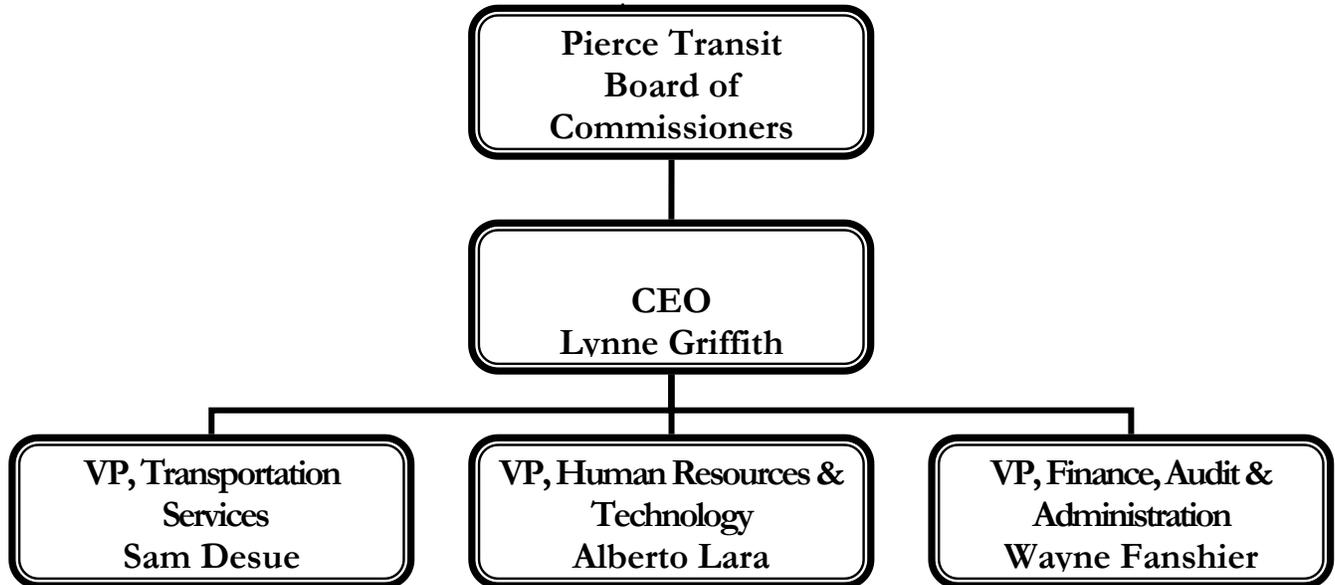
Sam Desue
Vice President, Transportation Services

Treva Percival, CMC
Assistant to the CEO/Clerk of the Board

Alberto Lara
Vice President, Human Resources &
Technology

Tom Wolfendale
General Counsel

Wayne Fanshier, CPA
Vice President, Finance, Audit &
Administration



PIERCE TRANSIT

Principal Officials

Board Of Commissioners

Mike Lonergan

Chairman of the Board
Tacoma Councilmember
Term Expires 5/11

Terry Lee

Vice Chairman of the Board
Pierce County Councilmember
Term Expires 5/10

Tim Farrell

Pierce County Councilmember
Term Expires 5/12

Bill Baarsma

Mayor of Tacoma
Term Expires 5/10

Don Malloy

Puyallup/University
Place Councilmember
Term Expires 5/12

Dave Enslow

Small Cities/Towns Councilmember
Term Expires 5/10

Rick Talbert

Tacoma Councilmember
Term Expires 12/09

Claudia Thomas

Lakewood Councilmember
Term Expires 5/11

Pat McCarthy

Pierce County Executive
Term Expires 5/11

PIERCE TRANSIT



the Hunt

Honor, glory, and prizes for winning teams created some serious competition at Pacific Lutheran University recently. Over 200 representatives of student government, staff, and faculty divided into groups and went on a community-wide, all-day scavenger hunt riding Pierce Transit buses. Designed in cooperation with Pierce Transit Community Relations, the activity demonstrates how students can use public transportation to get to many popular locations in Pierce County and beyond.

Public transportation is an integral component of PLU's comprehensive environmental sustainability program. Pierce Transit also partnered with the Student Activities Department to distribute USA-made organic cotton tote bags to 1,000 new students. The bags display the "Pierce Transit the Way to Go Green!" logo on one side, and the PLU logo on the other. Each contained a route and schedule book and two free bus tickets, providing an introduction to Pierce Transit's great services.





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 24, 2010

Board of Commissioners
Pierce Transit
Tacoma, Washington

We have audited the accompanying basic financial statements of Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Transit, Pierce County, Washington, as of December 31, 2009 and 2008, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 24, 2010, on our consideration of the Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the Transit's Single Audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Transit. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

PHOTO Courtesy of Tacoma Public Schools



Engineering Ink

Engineering Ink is a team of five Mason Middle School students. As part of their entry in the F.I.R.S.T. Lego League "Smart Move" competition, the team identified and proposed a solution to a transportation problem in their community. **Problem:** no after-school bus service. **Solution:** Work with Pierce Transit's Webmaster, Chuck Mathias, to link the Agency's and Tacoma Public School's websites. **Result:** Students throughout Tacoma can easily link to the routes serving their specific schools. And Engineering Ink won the 2nd Place Tournament Champion Award—in a field of 210 other teams!

Way to Go Engineering Ink!



Kids click the "Busload of Kids" icon on their school's home page to plan their trip!



Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the years ended December 31, 2009 and 2008. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

Financial Highlights

- Net income for 2009, before contributions, was \$(11.5) million, compared to \$(6.2) million for 2008 and \$8.1 million in 2007. The 2009 decrease in net income was the result of a 10.4 percent loss in revenues. Capital contributions of \$2.8 million and a \$(11.5) million net loss accounted for the approximately \$8.7 million decrease in net assets in 2009. The net loss indicates that reserves are being used to fund current operations and a deterioration of Pierce Transit's financial position.
- Pierce Transit's assets exceeded its liabilities at December 31, 2009 by \$234 million (net assets) compared to \$242.7 million in 2008 and \$240.1 million in 2007. Investments in capital assets decreased by \$3.4 million, \$9.3 million and \$4.1 million in 2009, 2008 and 2007 respectively. Unrestricted net assets decreased by \$6.6 million in 2009 and decreased by \$7.1 million in 2008 compared to an increase of 11.6 in 2007. These reserves will be used to fund operating and capital commitments over the next six years. The Six-Year Financial Plan is sustainable at the 2010 Budget level through 2011. Beyond that time, new funding will be necessary to continue Pierce Transit's current operating commitments.
- No additional debt was issued during the last three years.

Overview of the Financial Statements

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

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

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

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008

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

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

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

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided with the financial statements. The Notes to the Financial Statements can be found on page 26 to 44 of this report.

Financial Statement Analysis

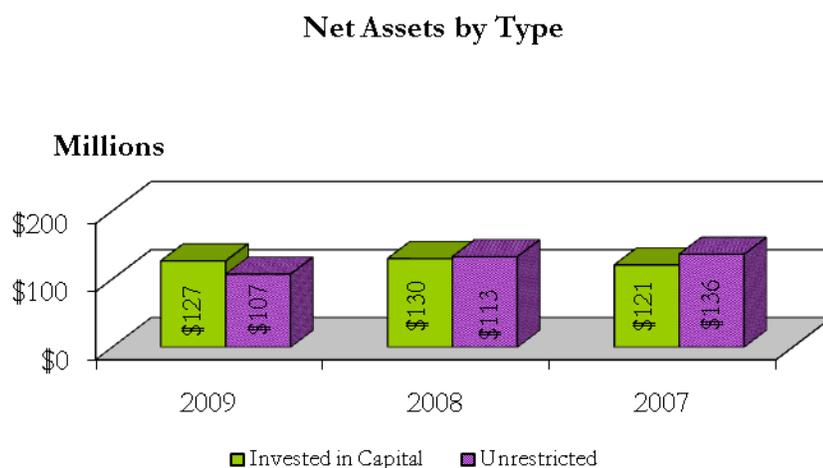
As noted earlier, net assets may serve as a useful indication of the Agency's financial position. Total net assets exceed liabilities by \$234 million, \$242.7 million and \$240.1 million in 2009, 2008 and 2007 respectively.

Summary Statement for Net Assets
For the years ending December 31, 2009, 2008 and 2007

	2009	2008	2007
Assets:			
Current Assets	\$ 94,234,770	\$ 91,302,943	\$ 80,271,449
Other Non-Current Assets	31,146,750	41,598,738	56,156,298
Capital Assets (net)	126,721,089	130,107,977	120,825,987
Total Assets	\$ 252,102,609	\$ 263,009,658	\$ 257,253,734
Liabilities:			
Current Liabilities	\$ 13,036,293	\$ 14,008,290	\$ 11,602,677
Other Non-Current Liabilities	5,058,343	6,341,428	5,556,042
Total Liabilities	18,094,636	20,349,718	17,158,719
Net Assets:			
Invested in Capital Assets, net of related debt	126,721,090	128,772,977	119,075,987
Net Assets	107,286,883	113,886,963	121,019,028
Total Net Assets	234,007,973	242,659,940	240,095,015
Total Liabilities and Net Assets	\$ 252,102,609	\$ 263,009,658	\$ 257,253,734

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

A large majority of Pierce Transit's 2009 capital assets (\$126.7 million) reflect its investment in capital assets (e.g. revenue vehicles, passenger facilities, and shop equipment). The Agency uses these capital assets to provide transportation to the community. These are committed assets and this portion of the net asset balance is not available for future spending. A portion (\$27.9 million) of the remaining net asset balance of \$107.3 million has been restricted or designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs) or by bond covenants. The remainder of \$79.4 million is available to support future obligations for transportation operations.



**Comparative Statement of Revenues, Expenses and Changes in Net Assets
For the years ended December 31, 2009, 2008 & 2007**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues	\$ 35,670,160	\$ 32,293,853	\$ 30,083,334
Operating Expenses	(108,585,232)	(108,580,834)	(95,459,298)
Depreciation	(14,005,135)	(14,117,400)	(15,745,786)
Operating Loss	<u>(86,920,207)</u>	<u>(90,404,381)</u>	<u>(81,121,750)</u>
Operating Subsidies	76,653,625	81,257,659	84,075,867
Non-Operating Revenues	2,255,354	4,148,311	7,100,600
Non-Operating Expenses	<u>(3,458,052)</u>	<u>(1,172,859)</u>	<u>(1,985,607)</u>
Net Non-Operating Income	<u>75,450,927</u>	<u>84,233,111</u>	<u>89,190,860</u>
Net Income (Loss) Before Contributions	(11,469,280)	(6,171,270)	8,069,110
Capital Grants	<u>2,817,313</u>	<u>8,736,195</u>	<u>8,098,374</u>
Change in Net Assets	<u><u>\$ (8,651,967)</u></u>	<u><u>\$ 2,564,925</u></u>	<u><u>\$ 16,167,484</u></u>

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008

A description of operating & non-operating revenues follows:

Operating Revenues	2009	2008	2007
Passenger Fares	\$ 15,460,517	\$ 13,882,370	\$ 12,372,165
Advertising	905,896	968,104	816,563
Regional Transit Service	19,303,747	17,443,379	16,894,606
Total Operating Revenues	<u>35,670,160</u>	<u>32,293,853</u>	<u>30,083,334</u>
Non-Operating Revenues			
Operating Subsidies:			
Sales Tax	63,335,030	71,752,351	77,156,577
Operating Grants	13,318,595	9,505,308	6,919,290
Other Non-Operating Revenues:			
Investment Income	1,014,361	3,220,825	5,590,687
Miscellaneous Income	1,240,993	927,486	1,509,913
Total Non-Operating Revenues	<u>78,908,979</u>	<u>85,405,970</u>	<u>91,176,467</u>
Total Revenues	<u>\$ 114,579,139</u>	<u>\$ 117,699,823</u>	<u>\$ 121,259,801</u>

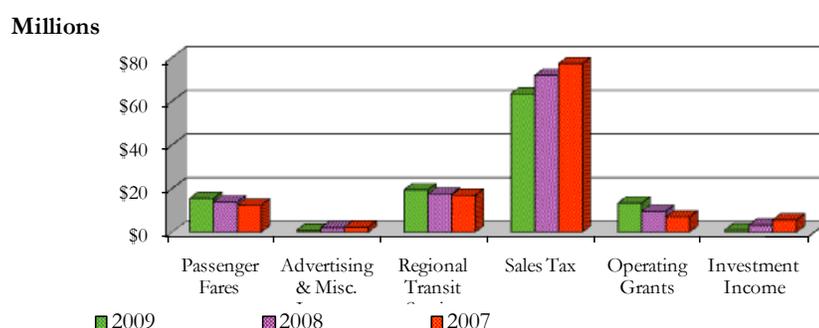
Revenue highlights for 2009 include:

- 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. Fare revenues increased in 2009 by \$1.6 million to \$15.4 million due to a fare increase in January 2009. Fare revenues in 2008 and 2007 were \$13.9 million and \$12.4 million respectively. Fare revenues increased in 2008 over 2007 levels because of an increase in ridership of 1.8 million.
- Advertising revenues were \$.9 million in 2009, \$1 million in 2008 and \$.8 million in 2007. These fluctuations were due to the timing of contractual guarantees.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit has been established for the operation of this service. The agreement is for a period of five years. The current operating agreement ends on December 31, 2009. Revenues generated from this regional transit service were \$19.3 million in 2009, an increase of 10.6% over 2008. Regional transit service revenues were \$17.4 million and \$16.9 million in 2008 and 2007 respectively. These increases were a result of a change in the number of service hours as well as the rate Pierce Transit charges for providing this service.
- Sales tax, accounting for 55% of Pierce Transit's total revenue (excluding capital), decreased by \$8.4 million, a decrease of 11.7% over 2008. Sales tax revenues in 2009 have been continually decreasing with sales tax revenues of \$63.3 million in 2009, as compared to \$71.8 million in 2008 and \$77.2 million in 2007. The decrease is a result of increased unemployment and a recessionary economy.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2009 totaled \$13.3 million compared to \$9.5 million in 2008 and \$6.9 million in 2007. The changes in grant revenues are because operating grant contracts are awarded on an annual basis and vary from year to year.
- Investment income decreased nearly 68.6% from 2008 earnings. 2009 investment earnings were \$1 million compared to \$3.2 million in 2008 and \$5.6 million in 2007. The decrease is primarily due to a shrinking investment portfolio and lower interest rates.

Operating Revenue by Source



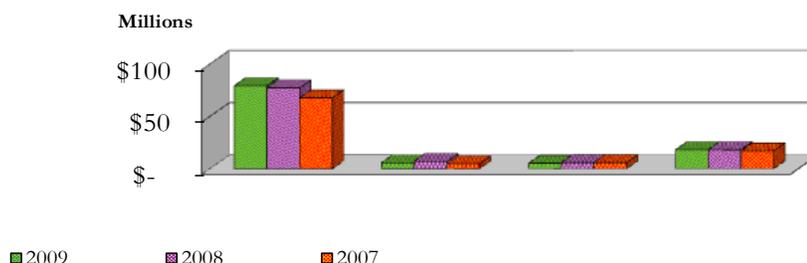
Operating Expenses

Total 2009 operating expenses, excluding depreciation and capital, totaled \$108.6 million with no increase over 2008 levels. Operating expenses for 2008 and 2007 were \$108.6 million and \$95.4 million. Several factors, including contractual wage and benefit increases as well as service levels contributed to the rise in operating expenses between 2007 and 2008. Budget reductions and cost cutting measures resulted in no increase in operating expenses in 2009.

Operating Expenses:	2009	2008	2007
Wages & Benefits	\$ 79,346,300	\$ 77,278,554	\$ 67,667,670
Fuel & Lubricants	5,718,378	7,123,019	4,763,794
Supplies & Materials	5,246,793	5,921,096	5,962,609
Contracts & Services	18,273,761	18,258,165	17,065,225
Depreciation & Amortization	14,005,135	14,117,400	15,745,786
Total Operating Expenses	122,590,367	122,698,234	111,205,084
Non Operating Expenses:			
Items Previously Deferred	2,460,260	234,942	132,357
Grant Exchange Funds	952,540	860,301	1,758,451
Interest Expense	45,252	77,616	94,799
Total Non-Operating Expenses	3,458,052	1,172,859	1,985,607
Total Expenses	\$ 126,048,419	\$ 123,871,093	\$ 113,190,691

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

Operating Expenditures by Type



Wages and benefits for 2009 of \$79.3 million make up 73% of operating expenses and increased by 2.6% over 2008 levels. Contractual wage increases of 3.8% on July 1, 2009 accounted for the change in 2009 operating costs. Wages and benefits for 2008 and 2007 were \$77.3 million and \$67.7 million respectively and increased by 14.2% between 2007 and 2008. The increase between 2008 and 2007 was driven by a 3.5% wage increase, a 2.3% increase in the PERS retirement rate and an increase in service hours operated.

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 2009, 2008 and 2007:

Service Hours:	<u>2009</u>	<u>2008</u>	<u>2007</u>
Fixed Route Pierce Transit	642,555	660,657	629,591
Fixed Route Sound Transit	195,708	170,446	161,334
Specialized Transportation	250,178	241,887	283,392
Vanpool	134,966	147,610	143,932
Total	<u>1,223,407</u>	<u>1,220,600</u>	<u>1,174,639</u>

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, 2009 totaled \$126.7 million, net of accumulated depreciation. This compares to a 2008 net investment in capital assets of \$130.1 million and a 2007 net investment in capital assets of \$120.8 million. Net 2009 capital assets decreased by 2.6%, or \$3.4 million during the year. This is the net result of the decline of \$9.6 million in assets and \$13 million in depreciation for 2009. Net 2008 capital assets increased by 7.7%, or \$9.3 million and by 3.6%, or \$4.1 million in 2007. The change in the rate of increase in net capital assets was largely driven by the acquisition of a radio system in 2007 and 2008.

Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008

Capital contributions in 2009 totaled \$2.8 million. Capital grants funded 21% of Pierce Transit's capital acquisitions in 2009. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1I.

Capital acquisitions during 2009 totaled \$13.2 million and included the following major capital assets:

- \$1.6 million for vehicles including Vanpool Vans
- \$.4 million for property improvements and building improvements
- \$10.5 million for the continuation of work on a major radio system replacement and a regional fare collection system (ORCA)
- \$.7 million for technology projects and administrative equipment.

Debt Administration

Pierce Transit has adopted a debt policy which governs debt issuance, the use of debt, types of debt and debt limitations. Pierce Transit is in compliance with this debt policy.

It consists of limited sales tax general obligation bonds issued in 1999 with varying interest rates between 3.0% to 4.3% and maturities ranging from November 1, 1999 through November 1, 2011. This debt has been rated Aa3 by Moody's Investors Service and is insured by Financial Guaranty Insurance Company (FGIC). A more detailed description of Pierce Transit's debt activity is found in footnotes 4 and 9 of the financial section of this report.

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 \$182,783,476. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25% of assessed valuation, or \$605,873,816. This estimate is based on the assessed value of the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Pacific, Puyallup, Ruston, Steilacoom, Sumner, Tacoma, and University Place, which are served by Pierce Transit. This estimate does not include any of the assessed valuation from the unincorporated areas of Pierce County within Pierce Transit's jurisdiction. As of December 31, 2009, Pierce Transit had no outstanding debt.

Reserve Policies

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

- Operating Reserve: Pierce Transit will maintain the Operating Reserve at a minimum of two months of Agency operating expenditures. The Operating Reserve will be maintained at a level to provide sufficient working capital, to provide an adequate cash balance to finance cash flow requirements, to offset unanticipated downturns in revenues and to provide funds for emergency expenditure requirements.

**Pierce Transit
Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

- Insurance Reserve: The Insurance Reserve will be set at a level to adequately protect the Agency from self-insurance risks.
- Capital Reserve: The minimum amount of the Capital Reserve will be set at a level equal to ten percent of the six-year average annual capital expenditures and fifty percent of the average annual grant funding programmed in the Six-Year Financial Plan. The capital reserve has been set at a level to enable the Agency to respond to urgent unanticipated capital expenditure requirements as well as to protect Pierce Transit from the uncertainty of Federal and State grant funding.
- Pierce Transit complied with its reserve policies during 2009.

Factors Affecting Financial Condition

Local Economy

- Sales tax revenue is projected to be 55% of Pierce Transit's operating revenues in 2010. Local economic conditions play a major role in sales tax generation for Pierce Transit. The national recession is being felt locally. The most severe economic recession since the 1920's has increased unemployment and reduced consumer spending. This translates into reduced tax revenues available for transit operations. Unemployment in Washington State in early 2010 was 9.3%, up three-and-one-half points from the 2008 annual rate. Job losses contribute to the increase in unemployment but equally important is the increase in the local labor supply as the number of workers increase.
- Pierce Transit projects flat sales tax revenues in 2010. Actual collections for 2009 were \$8.4 million, or -12%, below 2008 collections. This is far less than the 6.8% average increase in sales tax revenue over the six year period of 2002 through 2007, when the recession began. Sales tax revenues are dependent on retail spending. The three most important drivers of retail spending are income, confidence, and credit. All of these have deteriorated during the current recession. Retail market conditions eroded, home equity borrowing came to a halt, households lost homes to foreclosure, new home sales declined, and increased mortgage payments drained income from retail activity. All this added to people losing jobs and income. At the same time higher gasoline prices redirected consumer spending to the gas pump and away from retail spending. It's no surprise, then, that 2009 retail spending growth in Pierce County turned negative, spending fell and sales tax revenues plummeted.

Long Term Financial Outlook

- Pierce Transit recognizes that its heavy reliance on sales tax revenues makes it more susceptible to economic fluctuations than most government agencies. In response, Pierce Transit has in place reserve policies to insulate it from short term revenue downturns and unanticipated expenditures. The operating reserve policy sets operating reserves to be equal to two months' operating expenses. This amounts to approximately \$19.8 million in 2010.
- Pierce Transit's Six-Year Financial Plan does not include service increases. A system redesign study is currently underway and while changes in service and/or service delivery methods may change, no increase in the total number of service hours are planned.

**Pierce Transit
Management's Discussion and Analysis
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- Throughout the next six years, capital spending will be limited and will focus on vehicle replacement in order to ensure continuity of service. Expansion of facilities is not included in the Six-Year Financial Plan.
- The Six-Year Financial Plan is sustainable at the 2010 Budget level through 2011. Beyond that time, new funding will be necessary to continue Pierce Transit's current operating commitments. Recognizing that economic conditions dramatically affect sales tax collections, this financial plan will require careful review during the coming year.

End of Management's Discussion and Analysis

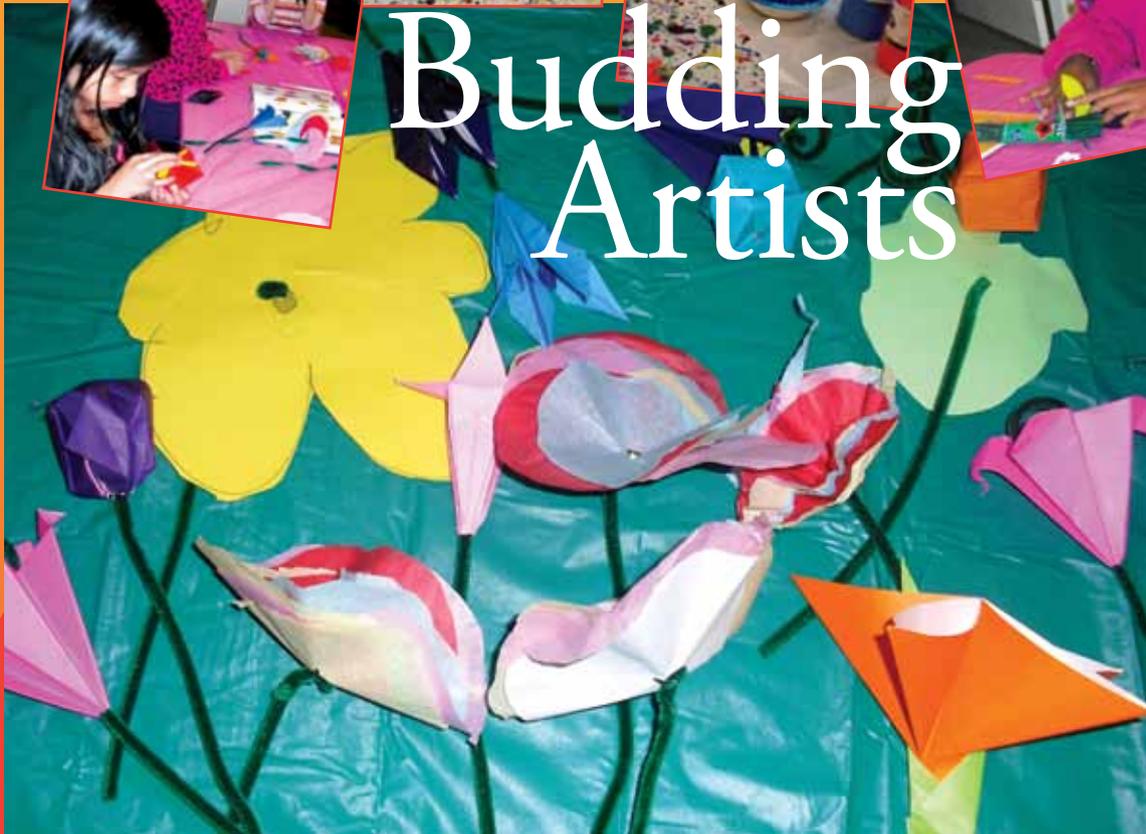
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PHOTOS Courtesy of Girl Scouts of Western Washington



Budding Artists



Girl Scouts in Pierce and Thurston Counties have teamed up with Pierce Transit to display their original works of art. Young artists are busy creating sculptures, murals, mosaics—even collages made from trash found at school—to portray a variety of themes. Through art, these creative kids are communicating positive messages, such as the importance of cleaning up our communities, protecting our natural resources, being kind to animals, and accepting people from all cultures. The Girl Scouts' finished artwork will be displayed in parks, at their elementary and middle schools, and in public spaces. Pierce Transit will help by displaying some of the projects in its bus shelters. Through this partnership, PT will share the Girl Scouts' colorful art and inspiration with Pierce Transit riders all over town.

Year Ended December 31, 2009 Pierce County, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Pierce Transit

FINANCIAL STATEMENTS



**Pierce Transit
Financial Statements
Years Ended December 31, 2009 and 2008**

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Pierce Transit

Comparative Statement of Net Assets

December 31, 2009 and 2008

CURRENT ASSETS	2009	2008
Cash & Cash Equivalents	\$ 3,982,180	\$ 12,001,145
Investments	64,409,675	57,961,068
Accounts Receivable	114,844	55,938
Interest Receivable	591	51,524
Sales Tax Receivable	11,256,829	11,730,713
Due From Other Governments	11,802,149	6,746,300
Prepaid Expenses	82,114	222,296
Inventories	2,586,388	2,533,959
TOTAL CURRENT ASSETS	94,234,770	91,302,943
CURRENT RESTRICTED ASSETS		
Cash & Cash Equivalents	215,596	7,648
Investments	30,079,667	38,645,133
Accounts Receivable	259,517	259,717
Interest Receivable	23,130	156,147
Due From Other Governments	568,840	2,530,093
TOTAL CURRENT RESTRICTED ASSETS	31,146,750	41,598,738
TOTAL CURRENT ASSETS	125,381,520	132,901,681
CAPITAL ASSETS		
Land	19,066,078	17,339,804
Work in Progress	38,739,686	31,287,174
Structures & Improvements	68,983,826	69,081,623
Site Improvements	47,053,251	47,053,251
Machinery & Equipment	104,014,623	103,542,341
Less: Accumulated Depreciation	(151,136,375)	(138,196,216)
TOTAL CAPITAL ASSETS	126,721,089	130,107,977
TOTAL ASSETS	\$ 252,102,609	\$ 263,009,658

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Net Assets

December 31, 2009 and 2008

CURRENT LIABILITIES	2009	2008
Checks Payable	\$ 668,840	\$ 1,756,296
Accounts Payable	2,553,791	2,457,614
Unearned Revenue	196,480	71,489
Wages and Benefits Payable	1,069,546	4,214,785
Employee Leave Payable	4,886,675	4,720,474
Due to Other Governments	3,653,211	779,938
Retainage Payable	7,750	7,694
TOTAL CURRENT LIABILITIES	13,036,293	14,008,290
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Checks Payable	28,782	73,989
Accounts Payable	401,911	461,312
Interest Payable	0	223,150
Retainage Payable	819	73,096
Provision for Uninsured Claims	2,787,907	2,527,499
Bonds Payable-Current Portion	0	430,000
TOTAL RESTRICTED LIABILITIES	3,219,419	3,789,046
TOTAL CURRENT LIABILITIES	16,255,712	17,797,336
LONG-TERM LIABILITIES		
Employee Leave Payable	1,838,924	1,768,507
Bonds Payable-Non-Current Portion	0	905,000
Unamortized Bond Refunding Gain	0	(121,125)
TOTAL LONG-TERM LIABILITIES	1,838,924	2,552,382
TOTAL LIABILITIES	18,094,636	20,349,718
NET ASSETS		
Invested in Capital Assets, net of related debt	126,721,090	128,772,977
Unrestricted Net Assets	107,286,883	113,886,963
TOTAL NET ASSETS	234,007,973	242,659,940
TOTAL LIABILITIES AND NET ASSETS	\$ 252,102,609	\$ 263,009,658

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009	2008
OPERATING INCOME		
Passenger Fares	\$ 15,460,517	\$ 13,882,370
Advertising	905,896	968,104
Regional Transit Service	19,303,747	17,443,379
TOTAL OPERATING REVENUE	<u>35,670,160</u>	<u>32,293,853</u>
OPERATING EXPENSES		
Operations	64,856,874	62,044,510
Maintenance	19,152,993	19,960,305
Non-Vehicle Maintenance	4,486,786	5,005,186
General & Administration	20,088,579	21,570,833
Depreciation & Amortization	14,005,135	14,117,400
TOTAL OPERATING EXPENSES	<u>122,590,367</u>	<u>122,698,234</u>
OPERATING INCOME (LOSS)	<u>(86,920,207)</u>	<u>(90,404,381)</u>
NON-OPERATING INCOME (EXPENSE)		
Operating Subsidies:		
Sales Tax	63,335,030	71,752,351
Operating Grants	13,318,595	9,505,308
Other:		
Expense of Items Previously Deferred	(2,460,260)	(234,942)
Investment Income	1,014,361	3,220,825
Grant Exchange Funds	(952,540)	(860,301)
Miscellaneous Non-Operating Income	1,149,909	805,296
Gain (Loss) on Disposal of Assets	91,084	122,190
Interest Expense	(45,252)	(77,616)
NET NON-OPERATING INCOME	<u>75,450,927</u>	<u>84,233,111</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(11,469,280)	(6,171,270)
Capital Contributions	2,817,313	8,736,195
NET INCOME (LOSS) AFTER CONTRIBUTIONS	<u>(8,651,967)</u>	<u>2,564,925</u>
NET ASSETS-BEGINNING	<u>242,659,940</u>	<u>240,095,015</u>
NET ASSETS-ENDING	<u>\$ 234,007,973</u>	<u>\$ 242,659,940</u>

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Cash Flows

Years ended December 31, 2009 and 2008

INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:

CASH FLOWS FROM OPERATING ACTIVITIES:

	2009	2008
Cash Received From Customers	\$ 40,599,108	\$ 29,774,680
Cash Payments to Suppliers for Goods & Services	(29,974,707)	(29,485,030)
Cash Payments to Employees for Services	(82,254,921)	(75,699,608)
Net Cash Used By Operating Activities	(71,630,520)	(75,409,958)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Sales Tax Received	63,808,914	73,558,555
Operating Grants Received	7,455,801	9,559,012
Miscellaneous Non-Operating Income	1,149,909	805,296
Grant Exchange Funds	(952,540)	(860,301)
Net Cash Provided By Noncapital Financing Activities	71,462,084	83,062,562

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(13,592,075)	(23,842,346)
Capital Grants and Contributions	3,921,034	7,734,921
Principal Paid on Debt	(1,335,000)	(415,000)
Interest Paid on Debt	(45,252)	(72,923)
Proceeds From Sale of Equipment	93,541	122,190
Net Cash Used By Capital and Related Financing Activity	(10,957,752)	(16,473,158)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investment Securities	(85,247,834)	(153,475,568)
Proceeds from Maturities of Investment Securities	87,364,693	166,112,614
Interest on Investments	1,198,312	3,356,014
Net Cash Used By Investing Activities	3,315,171	15,993,060

Net Increase (Decrease) in Cash and Cash Equivalents	(7,811,017)	7,172,506
Cash and Cash Equivalents at Beginning of Year	12,008,793	4,836,287
Cash and Cash Equivalents at End of Year	\$ 4,197,776	\$ 12,008,793

See accompanying notes to the financial statements.

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

Operating Loss	\$ (86,920,207)	\$ (90,404,381)
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ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation and Amortization	14,005,135	14,117,400
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CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:

(Increase) Decrease in Receivables	(58,906)	119,606
(Increase) Decrease in Inventories	(52,429)	153,631
(Increase) Decrease in Prepaid Expenses	140,182	67,805
(Increase) Decrease in Due from Other Governments	1,664,477	(3,292,250)
Increase (Decrease) in Warrants Payable	(1,110,798)	1,614,400
Increase (Decrease) in Accounts Payable	99,083	(1,347,950)
Increase (Decrease) in Unearned Revenue	124,991	(45,537)
Increase (Decrease) in Wages and Benefits Payable	(2,908,621)	1,978,192
Increase (Decrease) in Due to Other Governments	3,198,386	699,008
Increase (Decrease) in Retainage Payable	(72,221)	59,681
Increase (Decrease) in Provision for Uninsured Claims	260,408	870,437
TOTAL ADJUSTMENTS	15,289,687	14,994,423
Net Cash Used By Operating Activities	\$ (71,630,520)	\$ (75,409,958)

See accompanying notes to the financial statements.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

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

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

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

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

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

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

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

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

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

A schedule of budgeted versus actual revenues and expenses for the periods ended December 31, 2009 and 2008, is as follows:

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2009

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 15,865,500	\$ 15,460,517	\$ (404,983)
Advertising	962,500	905,896	(56,604)
Regional Transit Service	19,965,400	19,303,747	(661,653)
Interest Income	2,145,722	1,014,361	(1,131,361)
Sales Tax	72,565,800	63,335,030	(9,230,770)
Operating Grants	9,637,040	13,318,595	3,681,595
Capital Grants	27,530,203	2,817,313	(24,712,890)
Bonds	14,000,000	-	(14,000,000)
Miscellaneous Revenues	1,832,600	1,149,909	(682,691)
Gain on Disposal of Assets	-	91,084	91,084
TOTAL*	\$ 164,504,725	\$ 117,396,452	\$ (47,108,273)

SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2009

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 86,631,572	\$ 79,346,300	\$ 7,285,272
Fuel and Lubricants	6,574,500	5,718,378	856,122
Supplies and Materials	5,987,900	5,246,793	741,107
Contracts and Services	20,942,300	18,273,761	2,668,539
Depreciation and Amortization	-	14,005,135	(14,005,135)
Expense of Items Previously Deferred	-	2,460,260	(2,460,260)
Capital Acquisitions	75,491,925	13,182,990	62,308,935
Interest Expense	90,060	45,252	44,808
Grant Exchange Funds	860,300	952,540	(92,240)
Bond Principal	1,309,940	1,335,000	(25,060)
TOTAL*	\$ 197,888,497	\$ 140,566,409	\$ 57,322,088

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2008

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 12,322,200	\$ 13,882,370	\$ 1,560,170
Advertising	931,000	968,104	37,104
Regional Transit Service	17,776,700	17,443,379	(333,321)
Interest Income	6,108,860	3,220,825	(2,888,035)
Sales Tax	82,113,900	71,752,351	(10,361,549)
Operating Grants	9,395,040	9,505,308	110,268
Capital Grants	23,230,340	8,736,195	(14,494,145)
Bonds	14,000,000	-	(14,000,000)
Miscellaneous Revenues	1,247,510	805,296	(442,214)
Gain on Disposal of Assets	-	122,190	122,190
TOTAL*	\$ 167,125,550	\$ 126,436,018	\$ (40,689,532)

SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2008

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 81,463,744	\$ 77,278,554	\$ 4,185,190
Fuel and Lubricants	5,676,017	7,123,019	(1,447,002)
Supplies and Materials	6,093,523	5,921,096	172,427
Contracts and Services	18,770,915	18,258,165	512,750
Depreciation and Amortization	-	14,117,400	(14,117,400)
Expense of Items Previously Deferred	-	234,942	(234,942)
Capital Acquisitions	83,174,006	23,593,957	59,580,049
Interest Expense	97,789	77,616	20,173
Grant Exchange Funds	826,700	860,301	(33,601)
Bond Principal	1,019,616	415,000	604,616
TOTAL*	\$ 197,122,310	\$ 147,880,050	\$ 49,242,260

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

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

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

	<u>2009</u>	<u>2008</u>
Passenger Fares	\$ 15,460,517	\$ 13,882,370
Advertising	905,896	968,104
Regional Transit Service	19,303,747	17,443,379
Investment Income	1,014,361	3,220,825
Misc. Non-Operating Revenue	1,149,909	805,296
Operating Subsidies	76,653,625	81,257,659
Gain on Disposal of Assets	91,084	122,190
TOTAL	<u>114,579,139</u>	<u>117,699,823</u>

Revenues From the Budget vs. Actual Schedule:

Capital Grants	2,817,313	8,736,195
TOTAL	<u>117,396,452</u>	<u>126,436,018</u>
GRAND TOTAL	<u>\$ 117,396,452</u>	<u>\$ 126,436,018</u>

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

	<u>2009</u>	<u>2008</u>
Operations	\$ 64,856,874	\$ 62,044,510
Maintenance	19,152,993	19,960,305
Non-Vehicle Maintenance	4,486,786	5,005,186
General & Administration	20,088,579	21,570,833
Depreciation and Amortization	14,005,135	14,117,400
Expense of Items Previously Deferred	2,460,260	234,942
Interest Expense	45,252	77,616
Grant Exchange Funds	952,540	860,301
TOTAL	<u>126,048,419</u>	<u>123,871,093</u>

Expenses From the Budget vs. Actual Schedule

Capital Acquisitions	13,182,990	23,593,957
Bond Principal Payment	1,335,000	415,000
TOTAL	<u>14,517,990</u>	<u>24,008,957</u>
GRAND TOTAL	<u>\$ 140,566,409</u>	<u>\$ 147,880,050</u>

D. ENCUMBRANCES - Pierce Transit encumbers all expenses for management information. Encumbrances do not, however, constitute a legal reduction of appropriations. Accounts

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

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, 2009 total \$14,860,881 compared to \$16,273,999 on December 31, 2008. The majority of the encumbrances for 2009 result from large capital projects in progress including base facility expansion, a mobile communications project, and passenger facilities improvements. Encumbrances are not shown on the financial statements.

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

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

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

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

I. CAPITAL ASSETS - Property, plant, and equipment are stated as historical cost or at fair market value as of the date contributed. Replacements that improve or extend property life are capitalized.

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 expended as incurred.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

The Summary of Changes in Capital Assets for the years ended December 31, 2009 and 2008, respectively, follows:

Summary of Changes in Capital Assets
Year Ended December 31, 2009

Description	Balance January 1, 2009	Additions	Retirements	Adjustment	Balance December 31, 2009
Capital assets not being depreciated:					
Land	\$ 17,339,804	\$ -	\$ -	\$ 1,726,274	\$ 19,066,078
Work in Progress	31,287,174	13,182,990	-	(5,730,478)	38,739,686
Total capital assets not being depreciated	<u>48,626,978</u>	<u>13,182,990</u>	<u>-</u>	<u>(4,004,204)</u>	<u>57,805,764</u>
Depreciable capital assets:					
Structures	69,081,623	-	-	(97,797)	69,983,826
Site Improvements	47,053,251	-	-	-	47,053,251
Machinery & Equipment	103,542,341	-	(1,169,459)	1,641,741	104,014,623
Total depreciable capital assets at cost	<u>219,677,215</u>	<u>-</u>	<u>(1,169,459)</u>	<u>1,543,944</u>	<u>220,051,700</u>
Total Capital Assets (gross)	<u>268,304,193</u>	<u>13,182,990</u>	<u>(1,169,459)</u>	<u>(2,460,260)</u>	<u>277,857,464</u>
Less accumulated depreciation for:					
Structures	(39,349,344)	(2,724,393)	30	-	(42,073,707)
Site Improvements	(39,919,454)	(1,097,798)	(32)	-	(41,017,284)
Machinery & Equipment	(58,927,418)	(10,284,969)	1,167,004	-	(68,045,383)
Total accumulated depreciation	<u>(138,196,216)</u>	<u>(14,107,160)</u>	<u>1,167,004</u>	<u>-</u>	<u>(151,136,374)</u>
Total Capital Assets (net)	<u>\$130,107,977</u>	<u>\$ (924,170)</u>	<u>\$ (2,457)</u>	<u>\$ (2,460,260)</u>	<u>\$126,721,090</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

Summary of Changes in Capital Assets
Year Ended December 31, 2008

Description	Balance January 1, 2008	Additions	Retirements	Adjustment	Balance December 31, 2008
Capital assets not being depreciated:					
Land	\$ 17,339,804	\$ -	\$ -	\$ -	\$ 17,339,804
Work in Progress	17,214,808	23,593,957	-	(9,521,591)	31,287,174
Total capital assets not being depreciated	<u>34,554,612</u>	<u>23,593,957</u>	<u>-</u>	<u>(9,521,591)</u>	<u>48,626,978</u>
Depreciable capital assets:					
Structures	68,568,084	-	(1,351,483)	1,865,022	69,081,623
Site Improvements	47,030,011	-	-	23,240	47,053,251
Machinery & Equipment	97,626,335	-	(1,482,381)	7,398,387	103,542,341
Total depreciable capital assets at cost	<u>213,224,430</u>	<u>-</u>	<u>(2,833,864)</u>	<u>9,286,649</u>	<u>219,677,215</u>
Total Capital Assets (gross)	<u>247,779,042</u>	<u>23,593,957</u>	<u>(2,833,864)</u>	<u>(234,942)</u>	<u>268,304,193</u>
Less accumulated depreciation for:					
Structures	(38,309,717)	(2,391,111)	1,351,484	-	(39,349,344)
Site Improvements	(38,607,862)	(1,311,592)	-	-	(39,919,454)
Machinery & Equipment	(50,035,476)	(10,374,323)	1,482,381	-	(58,927,418)
Total accumulated depreciation	<u>(126,953,055)</u>	<u>(14,077,026)</u>	<u>2,833,865</u>	<u>-</u>	<u>(138,196,216)</u>
Total Capital Assets (net)	<u>\$120,825,987</u>	<u>\$ 9,516,932</u>	<u>\$ -</u>	<u>\$ (234,942)</u>	<u>\$130,107,977</u>

Work in progress as of 12/31/09 consists of the following projects:

Buildings & Site Improvements	\$ 1,110,504
Equipment	36,517,608
Park and Ride Lots/Transit Centers	1,111,574
Total Work in Progress	<u>\$ 38,739,686</u>

A number of projects were in process at the end of 2009. Commitments on capital projects as of 12/31/09 totaled \$1,775,600 and are itemized as follows: buildings and site improvements \$137,589 and equipment \$1,638,011. Projects underway on 12/31/09 included base facility expansion, a signal priority project, a mobile communications project, and a regional fare coordination project (ORCA).

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

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

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

Costs incurred in planning and designs of projects are deferred until programs are approved or abandoned. At that time, the related costs are transferred to the asset accounts or charged to expense as appropriate. Items of 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.

Costs of bond and note issues are capitalized and amortized over the life of the issue. Organization costs are amortized over 5 years. Amortization of bond, note, and organization costs is recorded as a reduction to the respective asset account rather than accumulated amortization.

K. UNEARNED REVENUE - Revenues are recorded when earned. Unearned revenue as of December 31, 2009 and 2008 was \$196,480 and \$71,489, respectively.

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

Sales Tax - In February 2002, Pierce County voters approved a ballot measure increasing the local sales tax support from .3% to .6%. The sales tax increase went into effect July 1, 2002. The sales tax increase replaces funding that was lost when the Motor Vehicle Excise Tax (MVET) was eliminated in 2000. The sales tax collected in 2009 totaled \$63,335,030 resulting in a twelve percent decrease over 2008 sales tax revenue of \$71,752,351.

Motor Vehicle Excise Tax (MVET) - A tax of .7824% of the fair market value of motor vehicles registered in Pierce County. In November 1999, the passage of Initiative 695 (I-695) and subsequent legislative action eliminated this tax. Therefore, no MVET was collected after 2000.

Federal Operating Assistance - Federal operating grants.

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

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

Pierce Transit
Notes to Financial Statements
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M. VACATION AND SICK LEAVE - Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 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:

	2009	2008
Vacation-Current	\$ 3,001,908	\$ 2,855,914
Vacation-Non-Current	333,545	317,324
Total Vacation Leave Liability	\$ 3,335,453	\$ 3,173,237

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, 2009 and 2008 were \$7,805,320 and \$7,395,782 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:

	2009	2008
Current Liability based on usage or terminations	\$ 1,884,747	\$ 1,864,561
Non-current Liability based on expected future payoffs	1,505,379	1,451,183
Total Sick Leave Liability	\$ 3,390,126	\$ 3,315,744

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

	2009	2008
Balance beginning of year	\$ 4,720,474	\$ 4,486,771
Employee leave earned	3,831,363	3,903,313
Employee leave paid	(3,665,162)	(3,669,610)
Current Employee Leave Payable	\$ 4,886,675	\$ 4,720,474
	2009	2008
Balance beginning of year	\$ 1,768,507	\$ 1,602,964
Employee leave earned	1,667,989	1,540,347
Employee leave paid	(1,597,572)	(1,374,804)
Long-term Employee Leave Payable	\$ 1,838,924	\$ 1,768,507

2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2009 and 2008, respectively as follows:

Composition of Cash and Cash Equivalents:

	2009	2008
Demand Deposits	\$ 4,197,776	\$ 1,273,775
Investments having original maturities of less than 3 months	-	10,735,018
Total Cash and Cash Equivalents	\$ 4,197,776	\$ 12,008,793

Pierce Transit
Notes to Financial Statements
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All bank deposits are entirely insured by the Federal Deposit Insurance Corporation and by the Washington Public Deposit Protection Commission..

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

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

During 2009 and 2008, Pierce Transit's portfolio complied with the investment policies discussed above. Management intends to hold time deposits and securities until maturity. Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities is based on quoted market prices. The fair value of the position in the Washington Local Government Investment Pool is the same as the value of the pool shares. No investment losses occurred during 2009 or 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity of its fair value to changes in market interest rates. Pierce Transit's investment policy is designed to manage the exposure to interest rate risk through diversification and by purchasing a combination of shorter and longer term investments that mature evenly over time. Pierce Transit's policy does not allow any investments over two years in maturity. Pierce Transit's weighted average maturity for December 31, 2009 and 2008 was 8 days and 69 days, respectively.

Information of the sensitivity of fair values of investments to interest rate fluctuations is provided by the following table showing maturities of all investments held by Pierce Transit as of December 31, 2009 and 2008.

Pierce Transit
Notes to Financial Statements
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Investment Type	Fair Value	2009 Investment Maturities (in months)				Total
		0-3	4-6	6-12	12-24	
Local Government						
Investment Pool	\$ 90,901,452	\$ 90,901,452	\$ -	\$ -	\$ -	\$ 90,901,452
Bankers Acceptances	-	-	-	-	-	-
U. S. Agencies	3,587,890	-	2,036,740	1,551,150	-	3,587,890
	<u>\$94,489,342</u>	<u>\$ 90,901,452</u>	<u>\$ 2,036,740</u>	<u>\$ 1,551,150</u>	<u>\$ -</u>	<u>\$ 94,489,342</u>

Investment Type	Fair Value	2008 Investment Maturities (in months)				Total
		0-3	4-6	6-12	12-24	
Local Government						
Investment Pool	\$ 83,469,255	\$ 83,469,255	\$ -	\$ -	\$ -	\$ 83,469,255
Repurchase Agreement	8,727,458	8,727,458	-	-	-	8,727,458
Bankers Acceptances	-	-	-	-	-	-
U. S. Agencies	15,144,506	2,007,560	3,074,046	6,026,160	4,036,740	15,144,506
	<u>\$107,341,218</u>	<u>\$ 94,204,272</u>	<u>\$ 3,074,046</u>	<u>\$ 6,026,160</u>	<u>\$ 4,036,740</u>	<u>\$107,341,218</u>

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignments 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, 2009, four percent of Pierce Transit's investments are in the following U.S. Agencies: Federal Home Loan Banks (FHLB) and Federal National Mortgage Association (FNMA). All the U.S. Agencies held by Pierce Transit have an AAA rating from Standard & Poor's and Aaa from Moody's.

Concentration of Credit Risk

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

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

Custodial Credit Risk

Custodial credit risk for investments generally applies to direct investments in marketable securities. With the exception of the Washington State Local Government Investment Pool, Pierce Transit's

Pierce Transit
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marketable securities are insured, registered, or held by Pierce Transit or its agent in Pierce Transit's name. Pierce Transit's overnight repurchase agreements are collateralized by liquid, marketable securities having a market value of at least 102% of the repurchase price. Custodial credit risk does not apply to Pierce Transit's indirect investment in securities through the use of the local government investment pool.

3. RECEIVABLES

Amounts due to Pierce Transit for year ended December 31, 2009 and 2008 (net of uncollectible) are detailed as follows:

UNRESTRICTED RECEIVABLES

	<u>2009</u>	<u>2008</u>
Accounts Receivable	\$ 114,844	\$ 55,938
Interest Receivable	591	51,524
Sales Tax Receivable	<u>11,256,829</u>	<u>11,730,713</u>
Total Receivables	<u>11,372,264</u>	<u>11,838,175</u>
Due from Other Governments:		
Other Operating Partnerships	5,884,887	22,093
Fuel Tax Refund	398,633	954,565
Regional Transit Service Revenues	<u>5,518,629</u>	<u>5,769,642</u>
Total Due from Other Governments	<u>11,802,149</u>	<u>6,746,300</u>
Total Unrestricted Receivables	<u>23,174,413</u>	<u>18,584,475</u>

RESTRICTED RECEIVABLES

Accounts Receivable	259,517	259,717
Interest Receivable	<u>23,130</u>	<u>156,147</u>
Total Receivables	<u>282,647</u>	<u>415,864</u>
Due from Other Governments:		
Capital Grants	24,496	821,026
Other Capital Partnerships	181,307	488,498
Regional Transit Service Revenues	<u>363,037</u>	<u>1,220,569</u>
Total Restricted Due from Other Governments	<u>568,840</u>	<u>2,530,093</u>
Total Restricted Receivables	<u>851,487</u>	<u>2,945,957</u>
Total Receivables	<u>\$24,025,900</u>	<u>\$21,530,432</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

4. BONDS PAYABLE

In 1999, Pierce Transit issued \$3,795,000 of limited sales tax general obligation bonds. This debt has been rated Aa3 by Moody's Investors Service and is insured by Financial Guaranty Insurance Company (FGIC). These bonds were issued to advance refund bonds issued in 1992 for construction of capital facilities with maturity dates between 2003 and 2011 (see Note 9). Bond payments are made from sales tax revenues. On August 18, 2009 an irrevocable call of the 1999 bonds maturing on or after December 1, 2010 was exercised. The remaining serial maturity was redeemed on December 1, 2009. Pierce Transit has no debt as of December 31, 2009.

5. RESERVED AND DESIGNATED NET ASSETS

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

A. DESIGNATED FOR CAPITAL - Net assets designated for capital were \$25,366,574 for 2009 and \$35,314,759 for 2008.

B. DESIGNATED FOR INSURANCE - Pierce Transit's Board of Commissioners established a self-insurance fund in 1982 (See Note 8). Net assets designated for unemployment, liability self-insurance, and workers compensation for the periods ended December 31, 2009 and 2008 were \$2,441,344 and \$3,007,462, respectively.

C. RESTRICTED FOR DEBT SERVICE - Cash, investments, and receivables restricted for debt service total \$119,412 for 2009 and \$136,267 for 2008. Current liabilities payable from these assets as of December 31, 2009 and 2008, were \$0 and \$653,150, respectively, leaving \$0 and (\$516,883) current net assets restricted for debt service. The net asset balance in 2008 is negative because bond covenants provide that debt service may be funded monthly such that total funds available equal the debt service payment on the due date; however, the current portion of the debt service payment was recorded in one lump sum. Pierce Transit has no debt as of December 31, 2009.

6. EMPLOYEE BENEFITS

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

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

Information regarding the Public Employees Retirement System (PERS) is presented in the State Department of Retirement Systems Annual Financial Report. A copy of the report may be obtained by contacting the Department of Retirement Systems, 6825 Capital Boulevard, P.O. Box 48380, Olympia, WA 98504-8389. Information regarding the Tacoma Employees' Retirement System can be found in its annual report and may be obtained by writing to the Tacoma Employees' Retirement System, 747 Market Street, and Room 1544, Tacoma, WA 98402. Ten year historical trend information showing the retirement systems' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS and TERS Comprehensive Annual Financial Report of June 30, 2008 and December 31, 2007 respectively.

The payroll for Pierce Transit employees covered by these retirement systems was \$58,499,975 for the year ended December 31, 2009; Pierce Transit's total payroll for 2009, was \$61,173,889. Payroll for Pierce Transit employees covered by retirement systems as of December 31, 2008 was \$53,667,771, with a total payroll of \$55,981,973. Employees covered by the Tacoma Employees Retirement Systems (TERS) are required by State statute and City ordinance to contribute 7.36% of gross wages to the plan; employees covered by the Public Employees Retirement System (PERS) are required by State statute to contribute 6% of gross wages for Plan 1 participants. Pierce Transit is required by the same authority to contribute the remaining amounts necessary to pay benefits when due. The employer's contribution for PERS employees was 8.31% through June 30, 2009, decreasing to 5.29% through December 31, 2009. PERS Plan 3 employees can contribute 5% to 15% of their gross wages. Pierce Transit does not provide any post employment benefits for early retirement, post-retirement, or either voluntary or involuntary terminations.

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

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

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

During 2007, 2008, and 2009, Pierce Transit and its employees made the required contributions. Contribution amounts and rates expressed as a percentage of the covered payroll for the three years ended December 31 are as follows:

	PERS Plan 1		PERS Plan 2		PERS Plan 3		TERS	
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
Employee	6.00%	\$ 111,777	4.15%	\$ 1,692,319	5-15%	\$ 163,769	6.44%	\$ 45,275
Employer	6.12%	106,101	6.12%	2,535,978	6.12%	157,198	7.56%	53,403
Total 2007		\$ 217,878		\$ 4,228,297		\$ 320,967		\$ 98,678
Employee	6.00%	\$ 86,653	5.45%	\$ 2,289,703	5-15%	\$ 200,415	6.44%	\$ 51,127
Employer	8.31%	102,034	8.31%	3,441,860	8.31%	246,835	7.56%	60,108
Total 2008		\$ 188,687		\$ 5,731,563		\$ 447,250		\$ 111,235
Employee	6.00%	\$ 83,154	3.89%	\$ 2,499,675	5-15%	\$ 246,786	7.36%	\$ 49,026
Employer	5.29%	95,076	5.29%	3,642,216	5.29%	281,912	8.64%	57,552
Total 2009		\$ 178,230		\$ 6,141,891		\$ 528,698		\$ 106,578

B. DEFERRED COMPENSATION PLAN - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are offered and administered through Great West Life & Annuity Insurance Company and ICMA Retirement Corporation. Pierce Transit contributes from 1% to 5.5% of the annual salary of all participating employees. In 2009, Pierce Transit contributed \$1,757,734. Pierce Transit contributed \$1,492,259 to this plan in 2008. The plan is available to all employees on a voluntary basis and permits them to

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

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.

7. COMMITMENTS AND CONTINGENCIES

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

Smart Card (ORCA)-Since 1996, seven regional transit agencies have been developing a regional smart card fare payment system. Participating agencies include Pierce Transit, King County Metro, Sound Transit, Everett Transit, Washington State Ferries, Kitsap Transit and Community Transit. A smart card is an intelligent fare card that stores information including fare type and stored value in either cash or transit passes. The smart card system has been named One Regional Card for All (ORCA) and simplifies and establishes a common, non-cash fare system through 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 launched 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. For 2009, ORCA fare revenues amounted to \$264,689 and operating expenses totaled \$127,358. Pierce Transit's share of funds held by the fiscal agent as of December 31, 2009, reported within Pierce Transit's financial statements, amounted to \$239,252. Pierce Transit has no other equity interest.

8. INSURANCE

On July 1, 2001, Pierce Transit became an associate member of the Washington State Transit Insurance Pool (WSTIP) that includes 25 other State Transit Agencies and the Ohio State Transit Insurance Pool. By becoming a member of WSTIP, the Agency is able to take advantage of WSTIP's competitive insurance rates for excess general liability. In addition, WSTIP membership includes access to a comprehensive claims database and other risk management services. As of

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

January 1, 2009, Pierce Transit's self-insurance retention was \$1,000,000 with an excess insurance policy of \$16,000,000.

Property and fire risk exposures are covered by commercial insurance policies. Settled claims have not exceeded coverage in any of the last three years. Pierce Transit is entirely self-insured for unemployment compensation claims and errors and omissions exposures and vanpool auto/liability. A listing of Pierce Transit's commercial insurance policies follows:

RISK	COVERAGE
General Liability	\$16,000,000 excess of \$1,000,000 retention.
Workers Compensation	\$25,000,000 excess of \$1,100,000 retention.
Vanpool Auto/Liability	\$60,000 uninsured motorists for bodily injury only.
Fleet and Fire	Actual cost value, \$10,000 deductible.
Building Fire/Office	Property damage: replacement cost coverage with a policy limit of
Contents/Earthquake/Flood	\$100,000,000; \$10,000 deductible; \$100,000 minimum deductible for earthquake with \$30,000,000 limit; \$100,000 deduction for flood with \$45,000,000 limit; \$2,000,000 for data processing.
Fidelity Bonds	Public employees blanket bond in the amount of \$1,000,000 with \$100,000 deductible.
Money & Securities	\$1,000,000 for wrongful abstractions by employees of money & securities; \$30,000 limit for abstractions of money & securities by third parties.
Pollution Liability	\$1,000,000 subject to \$10,000 deductible for headquarters underground tanks only.

On December 31, 2009, the self-insurance assets totaled \$5,347,207, of which a liability of \$2,787,907 is recorded as liability for all accident and workers compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2008 Pierce Transit's self-insurance assets totaled \$5,673,106 of which a liability of \$2,527,499 was recorded as a provision for liability claims. These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants.

A reconciliation of claims liabilities follows:

	<u>2009</u>	<u>2008</u>
Balance beginning of year	\$ 2,527,499	\$ 1,657,062
Provision for incurred claims	4,377,909	4,036,026
Payments made for claims	(4,117,501)	(3,165,589)
Claims liabilities year ended	<u>\$ 2,787,907</u>	<u>\$ 2,527,499</u>

9. DEBT

In 1999, Pierce Transit issued \$3,795,000 of limited sales tax general obligation bonds dated February 1, 1999. These bonds carry interest rates between 3.0% and 4.3% and were used to advance refund \$3,415,000 of Pierce Transit's limited sales tax general obligation bonds maturing on December 1 in years 2003 through 2011. The 1992 bonds were issued to fund construction of

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

capital facilities. The net proceeds of \$4,763,430 were deposited in an irrevocable trust with an escrow agent to be held to their call date of December 1, 2002, at which time they were called at par.

On July 13, 2009 the Board of Commissioners approved an irrevocable call of 1999 bonds maturing on and after December 1, 2010. On August 18, 2009 the bonds were redeemed at a price of par plus accrued interest. On December 1, 2009 the remaining serial maturity was redeemed. The following summarizes the maturity of the 1999 bonds in 2009:

<u>Maturity/Call Date</u>	<u>Principal</u>
August 18, 2009	\$905,000
December 1, 2009	\$430,000

The exercised call provisions resulted in a net present value savings of approximately \$50,000. Pierce Transit did not have any debt as of December 31, 2009.

End of Notes to the Financial Statements



U-PASS



A six-foot tall Husky dressed in a baseball uniform escorted by a young woman in a University of Washington jersey...not a common sight on a Pierce Transit bus. Using his U-PASS, "Hendrix" enjoyed a quick trip around town with local Husky grad Shannon Simonsen. Pierce Transit was helping UW promote transit ridership through a campaign that will feature vehicles from each Puget Sound transit agency. The U-PASS gives faculty, staff and students access to a complete package of low-cost transportation options—buses, commuter trains and light rail, vanpooling and carpooling. Commute options reduce drive-alone trips to campuses throughout our region.



**Pierce Transit
Statistical Section
Year ended December 31, 2009**

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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to assess how Pierce Transit’s financial performance and well-being have changed over time.	46-47
Revenue Capacity These schedules contain information on Pierce Transit’s revenue sources and their fluctuations over time.	48-49
Debt Capacity These schedules present information to assist the reader in assessing the affordability of Pierce Transit’s current level of outstanding debt and the ability to issue additional debt in the future.	50-51
Demographic and Economic Information These schedules offer demographic and economic indicators regarding the environment within which Pierce Transit’s financial activities take place.	51-52
Operating Information These schedules contain information about services Pierce Transit provides and the activities it performs.	53-57
Grant Information This schedule provides a summary of capital grant activity for Federal, State and Local sources.	58

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, 2009**

**Financial Trends
Net Assets by Component
2000 - 2009**

	Invested in		
	Capital Assets	Unrestricted	Total
2000	113,698,531	64,880,857	178,579,388
2001	106,704,681	45,275,117	151,979,798
2002 *	105,264,761	45,517,812	150,782,573
2003	97,750,689	63,775,883	161,526,572
2004	106,752,212	75,701,262	182,453,474
2005	115,927,548	89,543,932	205,471,480
2006	116,669,627	107,790,306	224,459,933
2007	120,825,987	119,269,028	240,095,015
2008	128,772,977	113,886,963	242,659,940
2009	126,721,089	107,286,883	234,007,973

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

**Financial Trends
Expense Comparisons by Type
2000 – 2009**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Personnel	\$37,874,327	\$41,180,072	\$44,656,262	\$49,732,380	\$53,276,898	\$57,785,602	\$60,736,927	\$67,667,670	\$77,278,554	\$79,346,300
Fuel & Lubricants	2,409,896	2,132,899	2,243,299	3,166,655	3,731,581	5,386,453	5,917,776	4,763,794	7,123,019	5,718,378
Supplies & Materials	2,663,933	3,572,809	3,625,479	4,050,431	4,944,439	4,851,849	4,636,806	5,962,609	5,921,096	5,246,793
Contracts & Services	9,775,987	9,859,752	12,326,267	11,606,002	13,770,279	13,925,196	15,974,894	17,065,225	18,258,165	18,273,761
Depreciation & Amortization	9,050,003	12,474,363	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135
Capital Acquisition	30,026,065	5,480,620	12,351,346	5,897,918	21,187,250	21,717,527	14,426,046	20,005,358	23,593,957	13,182,990
Losses on Disposal of Assets	-	425	-	-	-	-	-	-	-	-
Debt Service										
Principal	305,000	305,000	325,000	340,000	355,000	365,000	380,000	395,000	415,000	1,335,000
Lease Principal	-	-	-	-	-	-	-	-	-	-
Interest Expense	286,939	269,729	251,279	142,788	130,548	117,413	103,543	94,799	77,616	45,252
Previously Deferred Items	-	16,174	464,330	15,209	1,277	61,865	50,590	132,357	234,942	2,460,260
Grant Exchange Funds						1,714,333	711,191	1,758,451	860,301	952,540
Total	\$92,392,150	\$75,291,842	\$89,591,000	\$88,437,217	\$109,672,134	\$118,492,362	\$116,618,920	\$133,591,049	\$147,880,050	\$140,566,409

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Financial Trends
Changes in Net Assets
2000 - 2009**

Operating Revenue	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Passenger Fares	\$6,960,413	\$7,837,840	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370	\$15,460,517
Advertising	990,828	838,843	466,549	673,295	442,378	851,602	1,094,081	816,563	968,104	905,896
Regional Transit Service	8,458,643	10,475,947	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747
Total Operating Revenue	16,409,884	19,152,630	20,217,644	22,589,069	23,351,312	24,787,446	27,700,692	30,083,334	32,293,853	35,670,160
Non-Operating Revenue										
Sales Tax	25,788,866	26,677,899	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030
MVET	296,941	-	-	-	-	-	-	-	-	-
Operating Grants	16,833,392	9,190,891	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595
Investment Income	2,498,545	1,754,036	760,368	685,934	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361
Miscellaneous Income Gain(Loss)on Disposal of Assets	52,412	711,483	704,771	779,793	947,521	1,005,346	969,860	1,401,198	805,296	1,149,909
	366,356	(425)	65,597	89,504	91,584	350,686	284,261	108,715	122,190	91,084
Total Non-Operating Revenue	45,836,512	38,333,884	48,209,144	67,768,808	68,735,159	80,331,996	87,038,110	91,176,467	85,405,970	78,908,979
Total Revenue	62,246,396	57,486,514	68,426,788	90,357,877	92,086,471	105,119,442	114,738,802	121,259,801	117,699,823	114,579,139
Operating Expense										
Fixed Route	39,845,967	44,305,283	49,498,514	54,828,986	60,018,905	66,764,882	70,476,920	76,043,175	86,654,338	86,680,889
Demand Response	11,078,774	10,646,108	11,184,461	11,164,370	12,772,330	12,359,269	13,856,252	15,807,504	17,637,236	17,806,552
Vanpool	1,799,402	1,794,139	2,168,332	2,562,112	2,931,961	2,824,949	2,933,231	3,608,619	4,289,260	4,097,791
Depreciation & Amortization	9,050,003	12,474,363	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147	15,745,786	14,117,400	14,005,135
Total Operating Expense	61,774,146	69,219,893	76,199,045	82,041,302	87,998,058	94,516,224	100,947,550	111,205,084	122,698,234	122,590,367
Non-Operating Expense										
Expense of Deferred Items	-	16,174	464,330	15,209	1,277	61,865	50,590	132,357	234,942	2,460,260
Interest Expense	286,939	269,729	251,279	142,788	130,548	117,413	103,543	94,799	77,616	45,252
Grant Exchange Funds	-	-	-	-	-	1,714,333	711,191	1,758,451	860,301	952,540
Total Non-Operating Expense	286,939	285,903	715,609	157,997	131,825	1,893,611	865,324	1,985,607	1,172,859	3,458,052
Total Expense	62,061,085	69,505,796	76,914,654	82,199,299	88,129,883	96,409,835	101,812,874	113,190,691	123,871,093	126,048,419
Net Expense	185,311	(12,019,282)	(8,487,866)	8,158,578	3,956,588	8,709,607	12,925,928	8,069,110	(6,171,270)	(11,469,280)
Capital Grants	24,357,497	4,711,290	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313
Change in Net Assets	\$24,542,808	\$(7,307,992)	\$(1,197,225)	\$10,743,999	\$20,926,902	\$23,018,006	\$18,456,051	\$16,167,484	\$2,564,925	\$(8,651,967)

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Revenue Capacity
Revenue and Subsidies Comparisons
2000 - 2009**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Passenger Fares	\$6,960,413	\$7,837,840	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007	\$12,372,165	\$13,882,370	\$15,460,517
School Service	-	-	-	-	-	-	-	-	-	-
Regional										
Transit Fares	8,458,643	10,475,947	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604	16,894,606	17,443,379	19,303,747
Advertising	990,828	838,843	466,549	673,295	442,379	851,602	1,094,081	816,563	968,104	905,896
Interest Income	2,498,545	1,754,036	760,368	685,934	1,218,453	2,393,870	4,161,786	5,590,687	3,220,825	1,014,361
Sales Tax	25,788,866	26,677,899	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386	77,156,577	71,752,351	63,335,030
MVET	296,941	-	-	-	-	-	-	-	-	-
Operating										
Subsidies	16,833,392	9,190,891	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817	6,919,290	9,505,308	13,318,595
Capital Grants	24,357,497	4,711,290	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123	8,098,374	8,736,195	2,817,313
Gain on										
Disposal of										
Assets	366,356	-	65,597	89,504	91,584	350,686	816,663	108,715	122,190	91,084
Miscellaneous	52,412	711,483	704,771	779,793	947,521	1,005,345	969,860	1,401,198	805,296	1,149,909
Total	\$86,603,893	\$62,198,229	\$75,717,429	\$92,943,298	\$109,056,786	\$119,427,840	\$120,801,327	\$129,358,175	\$126,436,018	\$117,396,452

**Revenue Capacity
Fixed Route Farebox Recovery
2000 - 2009**

Year	Farebox Recovery
2000	0.18
2001	0.18
2002	0.19
2003	0.18
2004	0.16
2005	0.14
2006	0.17
2007	0.16
2008	0.16
2009	0.19

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Revenue Capacity
Fare History
2000 - 2009**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cash Fares										
Adult	\$ 1.00	\$ 1.00	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.75
Student/Seniors	1.00	1.00	1.25	1.25	1.25	1.25	1.50	1.50	1.50	1.50
SHUTTLE	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75
Seattle Express	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.00
Olympia Express	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50
Passes										
Adult Pass	36.00	36.00	36.00	45.00	45.00	45.00	45.00	54.00	54.00	63.00
Senior/Disabled Pass	18.00	18.00	18.00	18.00	18.00	18.00	18.00	27.00	27.00	27.00
Olympia Express	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Seattle Express	90.00	90.00	90.00	90.00	90.00	90.00	90.00	108.00	108.00	108.00
Transfers	Free									

**Revenue Capacity
2000 & 2009 Taxable Sales Comparisons
Pierce County**

	2000		2009	
	Taxable Sales	Sales Tax	Taxable Sales	Sales Tax
Retail Trade	\$ 4,805,762,468	\$ 14,417,287	\$ 5,142,566,163	\$ 30,695,570
Services	911,490,111	2,734,470	1,857,815,720	11,089,155
Contracting	1,312,404,987	3,937,215	1,847,044,246	11,024,861
Manufacturing	192,851,847	578,556	202,097,174	1,206,302
Transportation/Utilities	388,260,590	1,164,782	44,275,356	264,276
Wholesaling	771,825,042	2,315,475	661,896,890	3,950,810
Finance/Insurance/Real Estate	127,532,623	382,598	852,441,906	5,088,158
Other Business	86,160,997	258,483	2,663,363	15,897
TOTAL	\$ 8,596,288,665	\$ 25,788,866	\$ 10,610,800,818	\$63,335,030

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Debt Capacity
Legal Debt Margin
2009**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$48,742,260,284	\$48,469,905,288
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 182,783,476	\$ 605,873,816
Less: Outstanding Debt	-	-
Debt Margin	\$ 182,783,476	\$ 605,873,816

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

**Debt Capacity
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
2000 – 2009**

	December 31	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
	2000	643,290	23,550,341	4,215,000	.02	6.55
	2001	658,475	25,533,759	3,910,000	.02	6.07
	2002	670,820	26,350,592	3,585,000	.02	5.35
	2003	679,815	27,778,725	3,245,000	.02	4.78
	2004	702,060	29,619,949	2,890,000	.01	4.11
	2005	705,018	32,815,525	2,525,000	.01	3.58
	2006	721,445	35,336,989	2,145,000	.01	2.97
	2007	732,435	42,915,280	1,750,000	.01	2.38
	2008	749,350	50,503,813	1,335,000	.01	1.78
	2009	813,600	48,742,260	-	-	-

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Debt Capacity
Computation of Direct and Overlapping Debt
2009**

	Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ -	100.00%	\$ -
City of Tacoma	191,702,000	30.54%	58,545,790
Pierce County	141,471,648	42.27%	59,800,066
			\$118,345,856
 PTBA Population			 813,600
 Direct Debt as a % of Personal Income			 .0000%
 Direct and Overlapping Debt per Capita			 \$ -

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

**Demographic and Economic Information
Pierce Transit Employee by Function
2000 - 2009**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operations	508	534	608	605	589	701	746	747	708	674
Maintenance	124	127	136	156	149	157	154	169	162	163
Administration	98	103	125	128	127	145	153	174	168	145

*Contracted Employees not included in totals prior to 2005

**Demographic and Economic Information
Pierce County Demographic and Economic Information
1999 - 2008**

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)
2000	701,000	47,549	19,241,674	27,699	135,476	5.0
2001	713,400	49,348	20,702,070	29,019	137,334	6.5
2002	725,000	50,127	21,502,845	29,659	139,759	8.1
2003	733,700	51,662	21,131,368	28,801	142,050	8.2
2004	744,000	54,132	23,273,083	31,281	140,626	7.1
2005	755,900	55,785	24,440,169	32,448	139,032	5.9
2006	773,500	57,905	26,769,608	35,054	139,434	5.1
2007	790,500	55,531	28,949,941	37,446	139,945	4.7
2008	805,400	52,957**	N/A*	N/A*	141,246	5.7
2009	813,600	51,479**	N/A*	N/A*	141,182	9.3

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

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

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

Demographic and Economic Information

**Principal Employers
Comparisons of Employees and Percent of Total Employment
2009 and 2000**

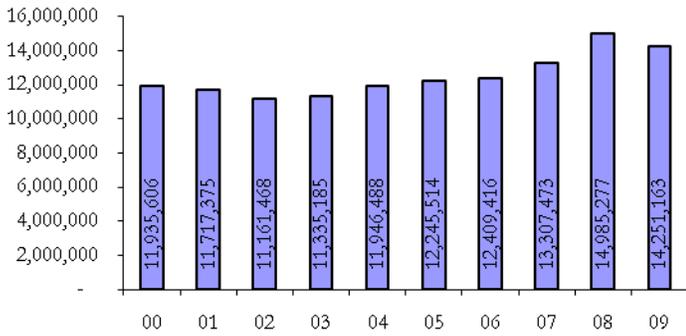
Employer	2009			2000		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
Federal Government	58,737	1	16.13%	51,616	1	16.13%
Local Government	35,397	2	9.72	31,104	2	8.05
MultiCare Health System	6,204	3	1.70	5,000	3	1.44
Franciscan Health Systems	4,406	4	1.21	2,553	4	1.05
Fred Meyer Stores	2,321	5	0.64	1,919	8	0.69
Emerald Queen Casino	1,915	6	0.53	1,000	9	0.31
Wal-Mart	1,820	7	0.50	-	-	-
Boeing Company	1,537	8	0.42	1,450	7	0.45
Safeway Stores	1,261	9	0.35	-	-	-
Costco	1,134	10	0.31	-	-	-
Intel Corporation	-	-	-	1,600	6	0.50
State Farm Insurance	-	-	-	1,021	8	0.32
Russell Investments	-	-	-	922	10	0.29
Total Taxpayer Employment	112,433		31.51%	92,891		30.68%
Total Employment Pierce County	346,080			320,100		

Data prepared by Tacoma-Pierce County Economic Development Board

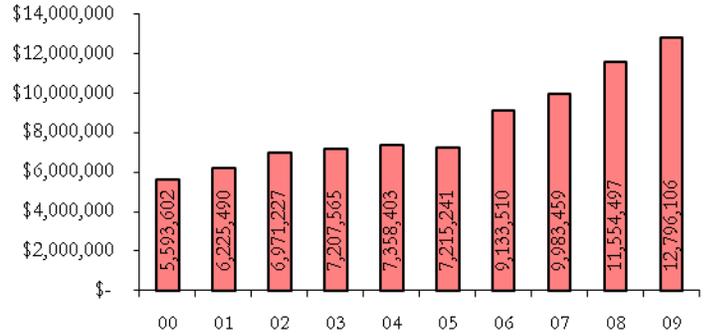
Pierce Transit
Statistical Section
Year ended December 31, 2009

**Operating Information
Fixed Route Statistics
2000 - 2009**

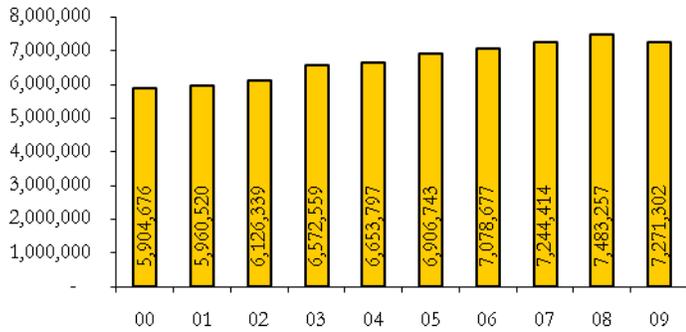
Annual Boardings



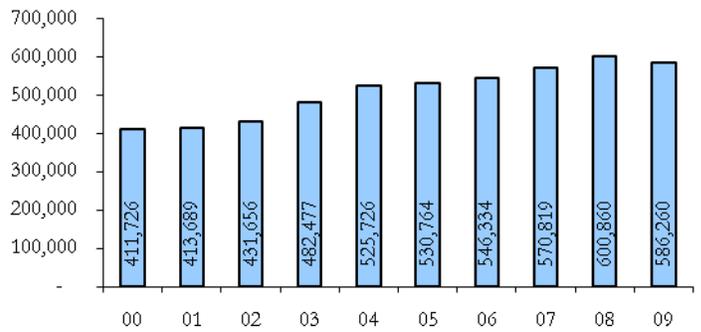
Annual Passenger Fare Revenues



Revenue Miles



Actual Revenue Hours

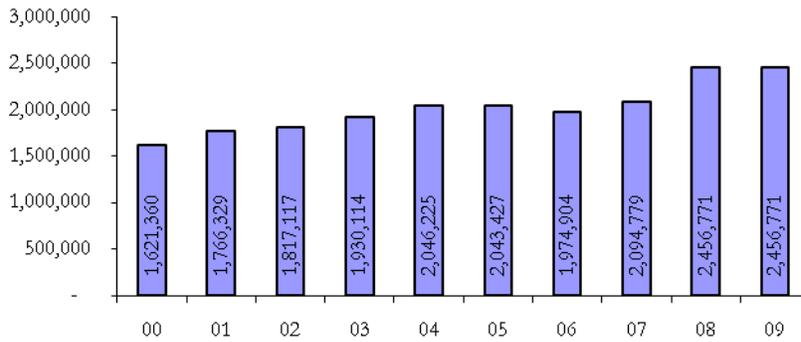


Source: National Transit Database (NTD)

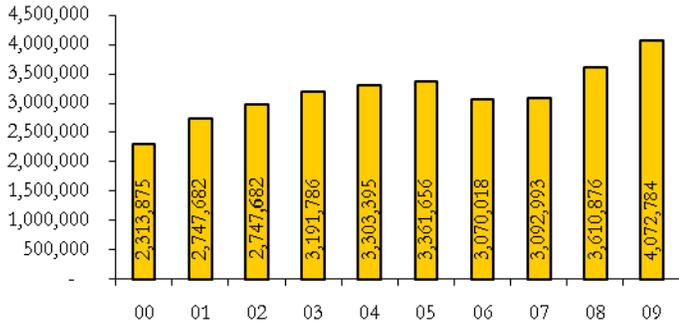
Pierce Transit
 Statistical Section
 Year ended December 31, 2009

Operating Information
 Sound Transit
 Fixed Route Statistics
 2000 – 2009

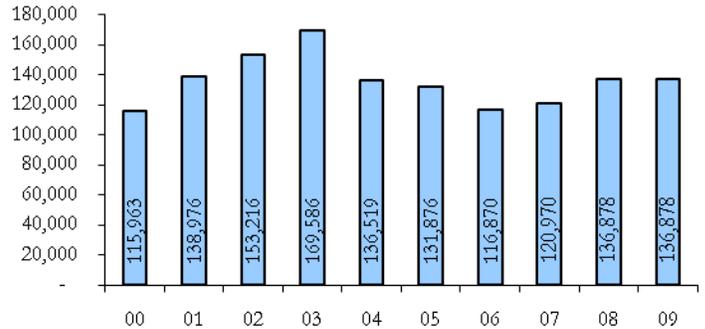
Annual Boardings



Revenue Miles



Actual Revenue Hours

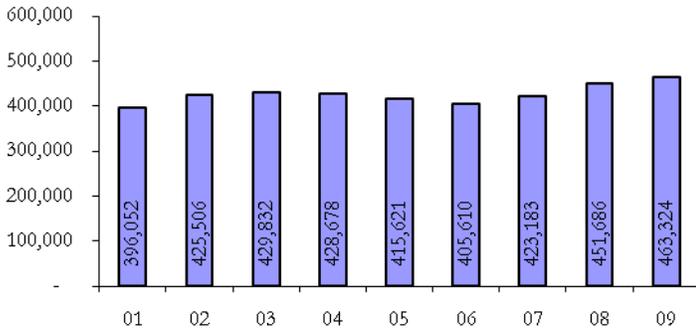


Source: National Transit Database (NTD)
 Sound Transit Seattle Express service began in September 1999.

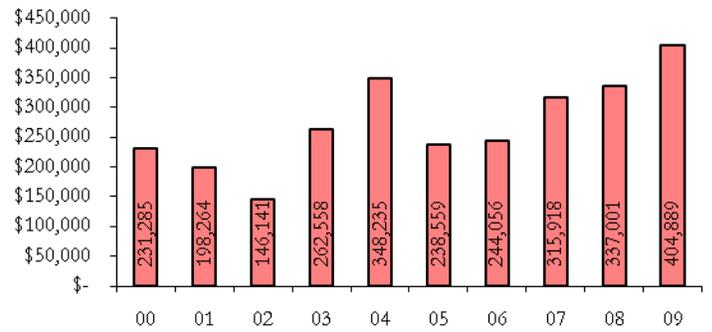
Pierce Transit
Statistical Section
Year ended December 31, 2009

**Operating Information
Specialized Transportation (SHUTTLE)
2000 - 2009**

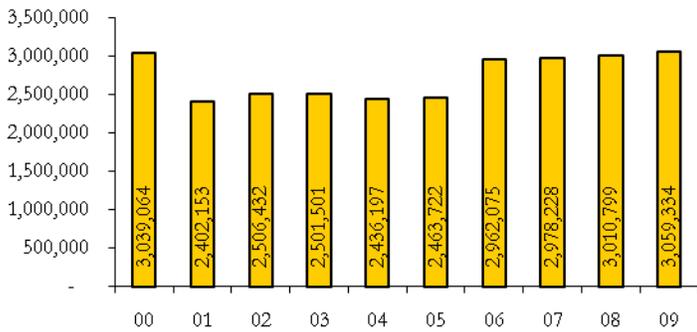
Annual Boardings



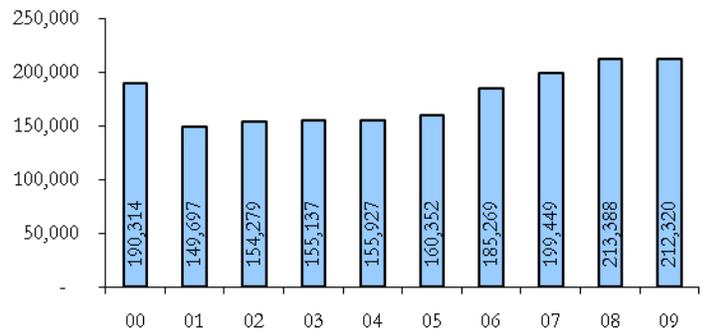
Annual Passenger Fare Revenues



Revenue Miles



Actual Revenue Hours

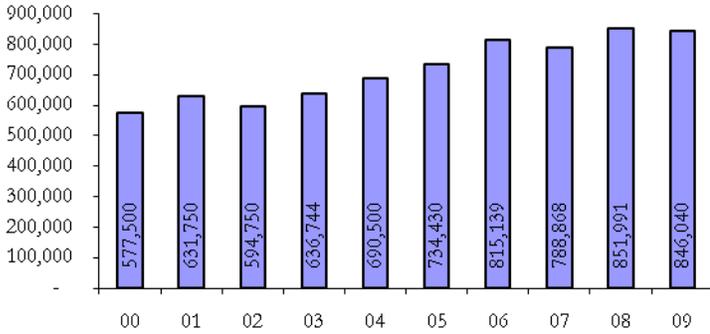


Includes directly operated and purchased transportation services.

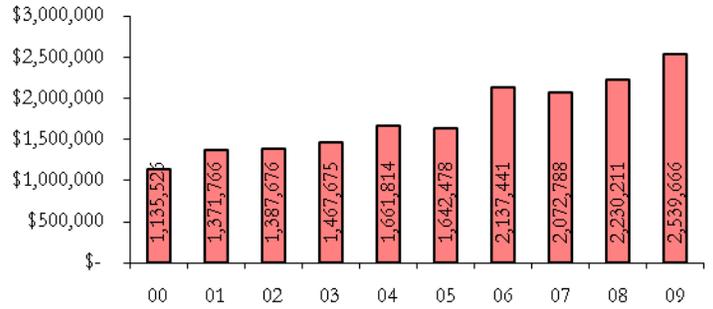
Pierce Transit
Statistical Section
Year ended December 31, 2009

Operating Information
Vanpool Statistics
2000 – 2009

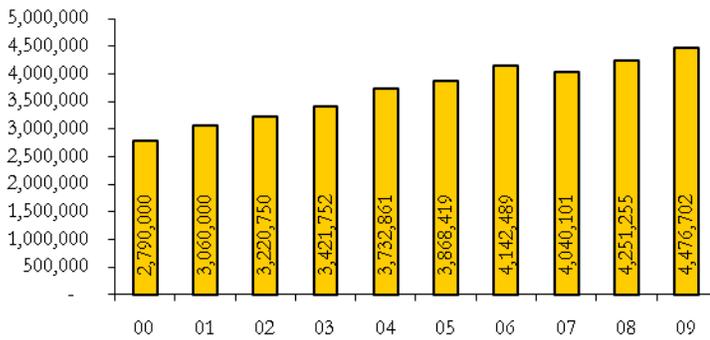
Annual Boardings



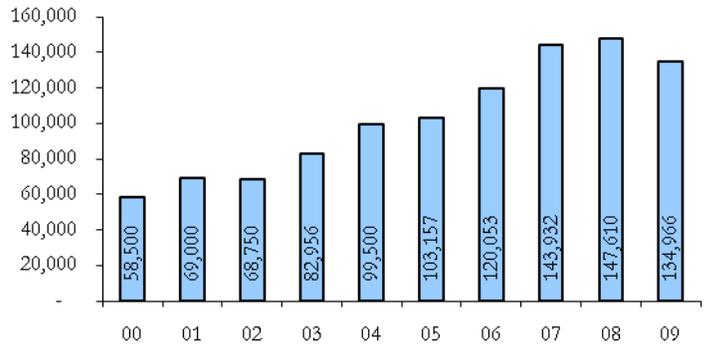
Annual Passenger Fare Revenues



Revenue Miles



Actual Revenue Hours



**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Operating Information
Key Performance Measures
2000 – 2009**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):										
Annual Boardings	11,935,606	11,717,375	11,161,468	11,335,185	11,946,488	12,245,514	12,409,416	13,307,473	14,985,277	14,251,163
Cost per Service Hour	\$ 66.36	\$ 73.59	\$ 75.15	\$ 72.36	\$ 81.50	\$ 86.80	\$ 90.36	\$ 96.96	\$ 104.96	\$ 107.47
Farebox Recovery	18%	18%	19%	18%	16%	14%	17%	16%	16%	19%
Passengers per Service Hour	25.5	24.7	22.5	20.4	21.2	21.1	20.6	21.1	22.7	22.7
Cost per Passenger	\$ 2.61	\$ 2.98	\$ 3.34	\$ 3.55	\$ 3.84	\$ 4.11	\$ 4.38	\$ 4.59	\$ 4.63	\$ 4.63
SHUTTLE:										
Annual Boardings	462,070	396,052	425,506	429,832	428,678	415,621	405,610	423,539	451,686	463,324
Cost per Service Hour	\$ 52.41	\$ 62.17	\$ 63.22	\$ 63.97	\$ 72.47	\$ 66.23	\$ 64.17	\$ 66.26	\$ 72.92	\$ 71.67
Farebox Recovery	2%	2%	1%	2%	3%	2%	2%	2%	2%	2%
Passengers per Service Hour	2.2	2.3	2.4	2.5	2.4	2.2	1.9	1.8	1.9	1.9
Cost per Passenger	\$ 23.98	\$ 26.88	\$ 26.29	\$ 25.97	\$ 29.73	\$ 29.67	\$ 34.23	\$ 37.32	\$ 39.05	\$ 38.70
VANPOOL:										
Annual Boardings	577,500	631,750	594,750	636,744	690,500	734,430	815,139	788,868	851,991	846,040
Cost per Service Hour	\$ 30.50	\$ 25.54	\$ 30.98	\$ 30.44	\$ 28.98	\$ 26.93	\$ 24.93	\$ 25.07	\$ 29.06	\$ 31.33
Farebox Recovery	63%	76%	64%	57%	57%	59%	71%	57%	52%	57%
Passengers per Service Hour	9.8	9.0	8.5	7.6	6.9	7.1	6.7	5.5	5.8	6.27
Cost per Passenger	\$ 3.12	\$ 2.84	\$ 3.65	\$ 4.02	\$ 4.23	\$ 3.82	\$ 3.71	\$ 4.57	\$ 5.03	\$ 5.00

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
2000 – 2009**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Pierce Transit Buses	149	164	166	168	208	193	176	176	218	189
SHUTTLE Vans	151	157	144	166	154	100	118	146	145	157
Vanpool Vans	218	249	250	270	284	293	300	320	328	328

**Pierce Transit
Statistical Section
Year ended December 31, 2009**

**Grant Information
Capital Grant History
2000 – 2009**

<u>FTA</u>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Section 3	\$ 5,699,938	\$ 1,151,973	\$ 1,132,955	\$ 157,643	\$ 2,131,762	\$ 2,774,048	\$ 343,103	\$ -	\$ -	\$ -
Section 4	-	-	132	454	-	-	-	-	-	-
Section 8	6,726	(6,647)	36,715	610	-	-	-	-	-	-
Section 9	12,104,446	1,814,148	6,056,583	2,278,019	14,921,797	10,261,877	4,687,911	7,528,260	3,172,893	1,474,753
Other	-	-	-	-	-	-	-	53,793	148,056	96,502
 <u>WA STATE</u>										
Misc Grants	(251,801)	1,378,994	-	65,161	(99,912)	215,807	344,798	504,380	223,262	
 <u>MUNICIPAL/ LOCAL</u>										
Partnerships	6,798,188	372,822	64,256	83,534	16,667	1,056,667	154,311	11,941	5,191,984	1,246,058
	<u>\$ 24,357,497</u>	<u>\$ 4,711,290</u>	<u>\$ 7,290,641</u>	<u>\$ 2,585,421</u>	<u>\$ 16,970,314</u>	<u>\$ 14,308,399</u>	<u>\$ 5,530,123</u>	<u>\$ 8,098,374</u>	<u>\$ 8,736,195</u>	<u>\$ 2,817,313</u>