



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pierce County Public Transportation Benefit Area

(Pierce Transit)

For the period January 1, 2024 through December 31, 2024

Published September 18, 2025

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

September 18, 2025

Board of Commissioners
Pierce Transit
Lakewood, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Pierce Transit's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Authority's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pierce Transit January 1, 2024 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Pierce Transit are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.525	Federal Transit Cluster – State of Good Repair Grants Program
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Authority qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Pierce Transit January 1, 2024 through December 31, 2024

Board of Commissioners
Pierce Transit
Lakewood, Washington

We have audited, 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, the financial statements of Pierce Transit, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2025

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Pierce Transit January 1, 2024 through December 31, 2024

Board of Commissioners
Pierce Transit
Lakewood, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Pierce Transit, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2024. The Authority's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 10, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Pierce Transit January 1, 2024 through December 31, 2024

Board of Commissioners
Pierce Transit
Lakewood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Pierce Transit, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Pierce Transit, as of December 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2024, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 26, 2025

FINANCIAL SECTION

Pierce Transit January 1, 2024 through December 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2024

Statement of Revenues, Expenses and Changes in Net Position – 2024

Statement of Cash Flows – 2024

Notes to Financial Statements – 2024

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, TERS
– 2024

Schedule of Employer Contributions – PERS 1, PERS 2/3, TERS – 2024

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2024

Notes to the Schedule of Expenditures of Federal Awards – 2024

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024

Following is Management's Discussion and Analysis (MD&A) of Pierce Transit's financial activities for the year ended December 31, 2024. This discussion should be reviewed in conjunction with the financial statements and the accompanying notes to the financial statements, which follow this report.

Introduction

Pierce Transit is a public transportation benefit area corporation providing public transportation services in Pierce County. The service covers 292 square miles, roughly 70% of the county population, and services include:

- Local and commuter bus services
- Paratransit services for the elderly and disabled
- On-demand service (Runner)
- Rideshare program
- Regional express bus services funded through Sound Transit

Financial Highlights

- As of December 31, 2024, Pierce Transit's net position totaled \$519.7 million.
- The unrestricted portion of the net position represents the amount available to meet the primary goal of providing transit service to the public, fund self-insurance and for investment in capital improvements as discussed in Pierce Transit's six-year plan. The unrestricted net position equaled \$284.7 million at year-end.
- Pierce Transit's total net position increased by \$37.4 million.
- Assets exceeded liabilities by \$503.1 million.
- Capital contributions were \$18.3 million.
- The primary source of funding is from local sales taxes. Pierce Transit saw an increase of 1.9% in sales tax in 2024 over 2023.

Overview of the Financial Statements

This discussion and analysis 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 is a stand-alone enterprise fund, and our financial statements report information using 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.

The *Statement of Net Position* presents information on Pierce Transit's assets, liabilities, and deferred inflows and outflows with the difference between assets plus deferred outflows of resources and

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Pierce Transit's financial position is improving or deteriorating.

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

The *Statement of Cash Flows* presents information on Pierce Transit's cash receipts, cash payments, and net changes in cash and cash equivalents during the fiscal year. 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 following this Management Discussion and Analysis. The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided with the financial statements. *Notes to the Financial Statements* can be found following the basic financial statements.

Financial Position

As noted earlier, net position serves as a useful indication of the Agency's financial strength. Pierce Transit's overall financial position improved in 2024. Primary indicators leading an improved net position included: Net investment in capital assets increased by 5.2% or \$10.9 million and unrestricted net position increased by 12.1% or \$31 million. Restricted net position decreased by \$4.2 million due to change in the net pension asset, but the overall result is an increase in total net position by 7.8% or \$37.4 million.

Pierce Transit relies heavily on sales tax revenue and in 2024, sales tax showed a slight increase from 2023 of 1.9%. In 2024, sales tax revenue was \$111,899,630 as compared to 2023 of \$109,798,330. The sales tax received was slightly below the budgeted amount by approximately \$1.1 million but Pierce Transit did not see a negative impact to revenue due to increased revenue in other areas such as investments and operational grants.

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024

Cash and Cash equivalents and long-term investments available to meet current and future obligations increased to \$257.1 million, up from \$233.3 million in 2023. Primarily, the increase was a result of high return on investments.

As of December 31, 2024, Pierce Transit had no long-term debt.

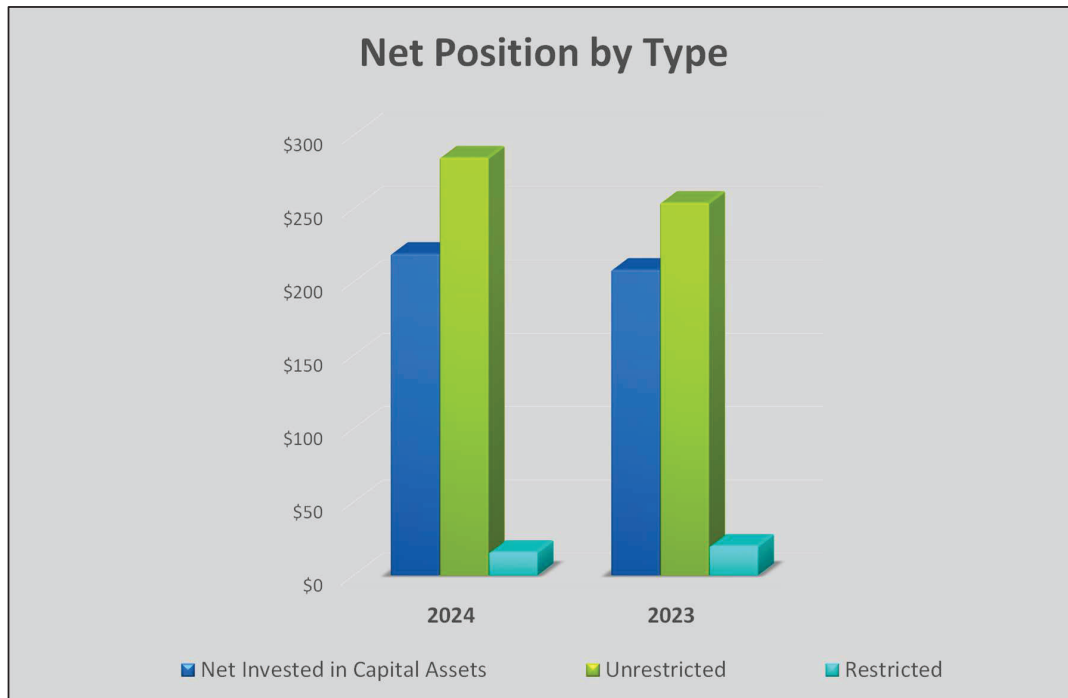
Financial Analysis

Pierce Transit's net position at the year-end was \$519.7 million as compared to \$482.3 million in 2023. A summary of net position follows.

Summary Statement for Net Position For the years ending December 31, 2024 and 2023		
	2024	2023
Assets:		
Current Assets	\$ 160,727,772	\$ 143,533,069
Non-current Assets	151,409,337	150,630,934
Capital Assets	224,842,797	214,397,758
Total Assets	536,979,906	508,561,761
Deferred Outflows of Resources:	23,797,399	18,304,037
Liabilities:		
Current Liabilities	\$ 20,267,539	\$ 16,921,106
Non-Current Liabilities	13,590,828	15,381,235
Total Liabilities	33,858,368	32,302,341
Deferred Inflows of Resources:	7,216,176	12,279,496
Net position:		
Net Investment in Capital Assets	219,127,300	208,262,839
Restricted Net Position, Net Pension Asset	15,889,614	20,129,411
Unrestricted Net Position	284,685,847	253,891,711
Total Net Position	\$ 519,702,761	\$ 482,283,962

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

The improved net position was due mostly to increases in operating revenue, investments, and net investment in capital assets. Expenditures were under budget slightly which also contributed to the net position increase of 7.8%. For more information on Pierce Transit's net position, see Note 11 in the *Notes to the Financial Statements*.



Transit is a capital-intensive enterprise. In 2024, net investment in capital assets increased by 5.2% to \$219.1 million. Pierce Transit's capital assets reflect its investment in assets such as revenue vehicles, passenger facilities, base improvements, technology, shop equipment, and right-to-use assets that are used to provide transportation to the community. These are committed assets, and this portion of the net position balance is not available for future spending.

The restricted net position of \$15.9 million corresponds with the net pension asset. Restricted funds are not available for use.

Of the unrestricted net position balance, \$69 million has been designated by Board action (e.g., capital, workers' compensation, and unemployment self-insurance programs). Pierce Transit also has designated a reserve equal to two months of operating expenses. In 2024, this amount was \$27.6 million. The remainder (\$188.1 million) of the unrestricted funds is available to support future obligations for transportation operations.

Following is a summary to key elements of the change in net position for 2024:

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024

Summary Statement of Revenue, Expense and Change in Net Position
For the years ended December 31, 2024 and 2023

	2024	2023
Operating Revenue		
Passenger Fares	\$ 6,573,620	\$ 6,218,947
Advertising	511,555	433,688
Regional Transit Service	56,845,450	52,127,424
Non-Operating Revenue:		
Subsidies	132,960,093	128,455,391
Other Revenue	13,283,451	11,263,579
Total Revenue	210,174,169	198,499,029
Operating Expense	163,452,907	137,390,179
Non-Operating Expense	2,636,783	156,711
Depreciation/Amortization	22,523,428	21,077,840
Total Expense	188,613,117	158,624,730
Excess (Deficiency) before Contributions	21,561,052	39,874,298
Capital Grants	18,285,820	11,568,243
Change in Net Position	39,846,872	51,442,541
Net Position-Beginning	482,283,962	430,841,421
Restatement	(2,428,072)	
Net Position-Ending	\$ 519,702,761	\$ 482,283,962
A description of operating & non-operating revenue follows:		
Operating Revenue	2024	2023
Passenger Fares	6,573,620	6,218,947
Advertising	511,555	433,688
Regional Transit Service	56,845,450	52,127,424
Total Operating Revenue	63,930,625	58,780,059
Non-Operating Revenue		
Operating Subsidies		
Sales Tax	111,899,630	109,798,330
Grants	21,060,464	18,657,061
Other Non-Operating Revenue		
Investment Revenue	11,030,044	10,747,423
Gain of Sale of Assets	705,624	94,431
Miscellaneous Revenue	1,547,783	421,725
Total Non-Operating Revenue	146,243,544	139,718,970
Total Revenue	\$ 210,174,169	\$ 198,499,029

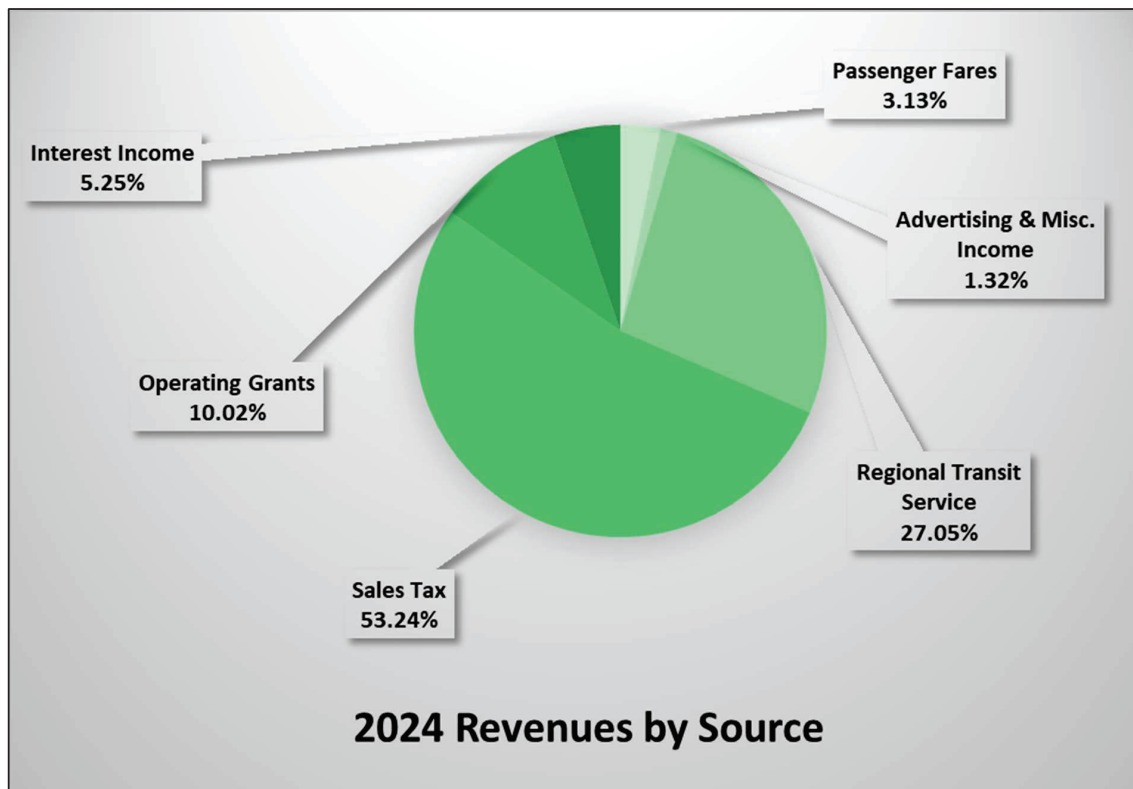
**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

Revenue

Operating revenue increased in 2024 by \$5.1 million or 8.8% as compared to 2023. The increase is contributed to slight increases in fares collected and advertising along with an increase to regional transit service revenue as would be expected with an increase in ridership and service hours.

Non-operating revenue includes sales tax, grants, interest income, disposal of assets and other miscellaneous revenue such as income from event parking at the Tacoma Dome Station and the receipt of CNG alternative fuel credits. Non-operating revenue increased by \$6.5 million or 4.7%.

The below chart illustrates major revenue sources and the percentage of the contribution toward total revenue.



- Pierce Transit's passenger fares consist of revenues from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Pierce Transit partners with six other Central Puget Sound transit agencies on a regional fare collection system (ORCA) using smart card technology. Customers can purchase fare media from any of the seven partners, regardless of where the media is used.

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024

- Fare revenues for 2024 were \$6.6 million, an increase of 5.7% over 2023. The rise in fare revenue is due to increased ridership in all modes of service. Ridership increased in 2024 by 4.7% or 446,843 more rides than in 2023.

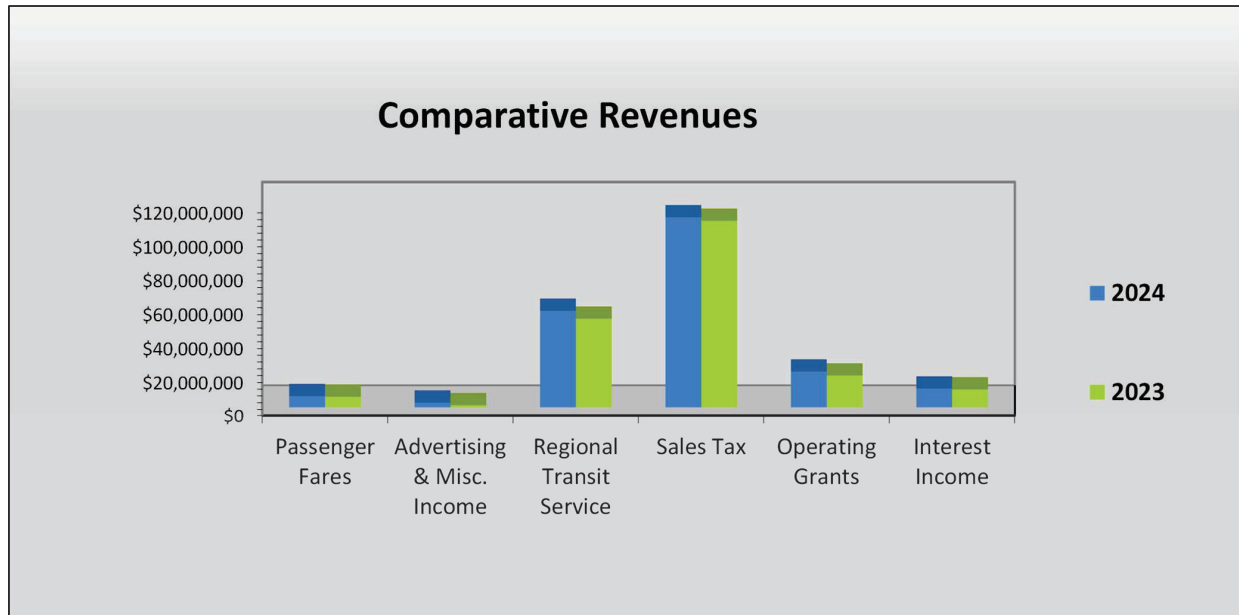
Following is a table representing ridership by type of service for 2024 and 2023:

Ridership	2024	2023
Fixed Route Pierce Transit	6,769,493	6,096,759
Fixed Route Sound Transit	2,562,879	2,821,392
Specialized Transportation	308,021	262,611
Runner Service	52,379	15,787
Rideshare (formerly Vanpool)	362,661	412,041
Total	10,055,433	9,608,590

- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit establishes the operating parameters of this service. Included in the agreement is a method for determining and allocating Pierce Transit costs to provide this service. The current operating agreement is through December 31, 2025, with options for additional years. Regional transit service also includes service to Lakeland Hills in Auburn, funded by King County Metro and the city of Auburn. Revenues generated from the regional transit service were \$56.8 million in 2024, increasing 9.1%, as compared to \$52.1 million in 2023.
- Advertising revenues for 2024 increased by 18% compared to 2023 in part due to naming rights offered to local business for the Stream Service.
- Sales tax, accounting for 53.2% of Pierce Transit's revenue, increased by \$2.1 million or 1.9% more than 2023. Sales tax revenue for 2024 was \$111.9 million as compared to \$109.8 million in 2023.
- In 2024, operating grant revenue totaled \$21.1 million as compared to \$18.7 million in 2023, an increase of 12.9%. In 2024, all COVID/ARPA related assistance ended. The increase was due to claiming Washington State Transit Support grant funding as expenses occurred.
- Investment earnings in 2024 were \$11.03 million, net of unrealized gain on investments from fair value adjustments on long-term investments, as compared to \$10.7 million in 2023.

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024

The below bar chart illustrates a comparison of revenue year over year. As noted, sales tax is the biggest contributor of revenue in 2024 and 2023.



Operating Expenses

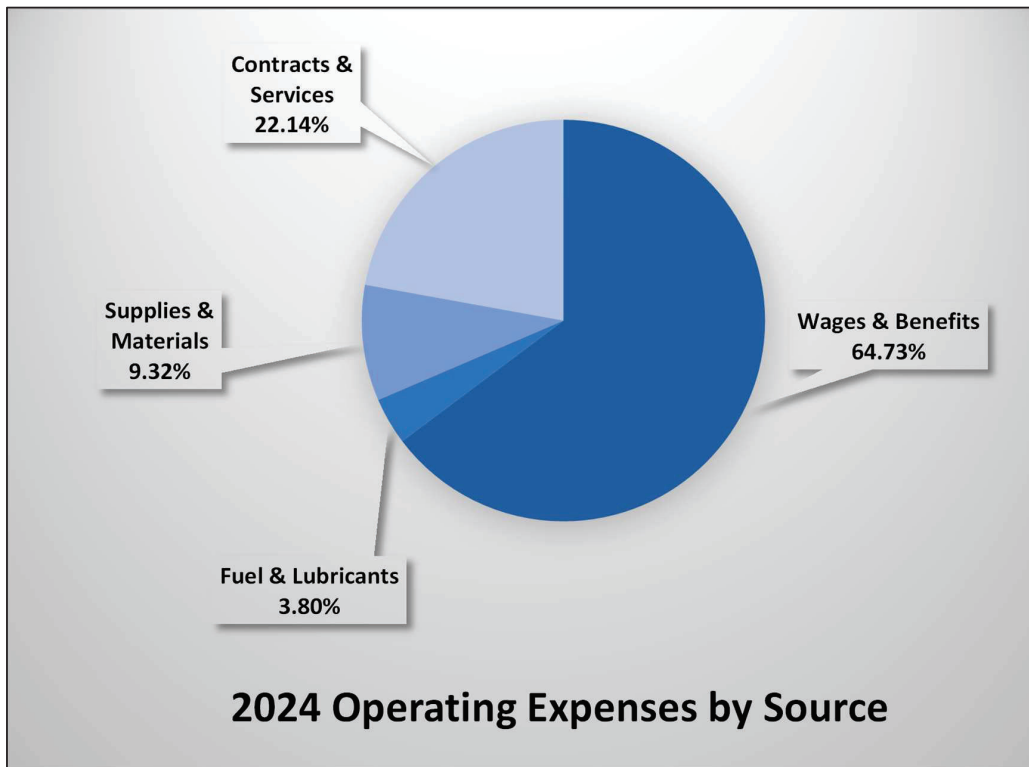
In 2024, operating expenses were \$186 million, an increase of 17.4% from the prior year. The increase correlates with increased wages and benefits and filling open vacant positions, mostly in the area of operators. Other contributors were an increase in the cost of supplies and additional assets being depreciated and amortized.

Operating Expenses:	2024	2023
Wages & Benefits	\$105,918,049	\$89,489,510
Fuel & Lubricants	6,219,426	5,687,839
Supplies & Materials	15,256,660	12,406,095
Contracts & Services	36,058,773	29,806,735
Depreciation /Amortization	22,523,428	21,077,840
Total Operating Expenses	185,976,336	158,468,019
Non-Operating Expenses:		
Lease/SBITA Interest Expense	165,616	153,303
Grant Exchange Funds	2,471,166	-
Total NonOperating Expenses	2,636,782	153,303
Total Expenses	\$188,613,118	\$158,621,322

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

Wages and Benefits for 2024 were \$105.9 million and comprise 64.7% of the operating expenses (exclusive of depreciation and amortization). The results are an increase over 2023 of \$16.4 million or 18.4%.

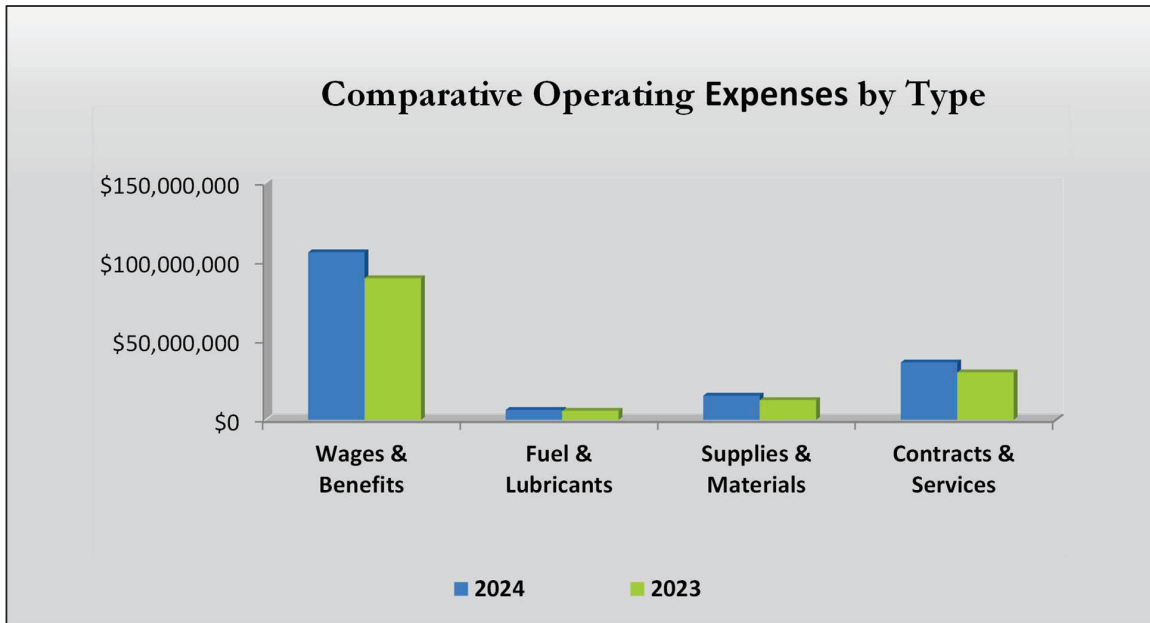
The chart below summarizes expenses by major function.



Depreciation and amortization increased by \$1.4 million or 6.9% due to completion of purchases or projects. Depreciable capital assets, net of depreciation and amortization, increased \$14.5 million in 2024 and \$48.1 million in 2023. In 2023, the large increase relates to completing the Fuel and Wash Building, whereas in 2024 the increase related largely to vehicle purchases.

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

The following graph represents operating expenses for 2024 and 2023.



Total operating expenses, exclusive of depreciation/amortization and capital, were directly impacted most by the number of service hours Pierce Transit operates. Service hours include drive time while in service, deadhead, and layover. In 2024, service hours increased by 6.7% or 63,723 hours.

Following is a table representing the number of service hours by type of service for 2024 and 2023:

Service Hours:	2024	2023
Fixed Route Pierce Transit	447,690	424,009
Fixed Route Sound Transit	248,123	255,055
Specialized Transportation	193,314	169,032
Runner Service	37,381	7,035
Rideshare (formerly Vanpool)	95,009	102,663
Total	1,021,517	957,794

Capital Assets

Capital assets include revenue vehicles, support vehicles, work in progress, land, buildings, shop equipment, passenger facilities, right-to-use leases, subscription-based information technology

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

assets, and other assets having a life of more than one year with an acquisition value of more than \$10,000 (as of 10/1/24, from \$5,000) or an aggregated cost of \$50,000 for like-item purchases.

Pierce Transit's capital assets as of December 31, 2024, totaled \$224.8 million, net of accumulated depreciation and amortization. This compares to 2023 capital assets of \$214.4 million. 2024 capital assets increased by 4.84%, or \$10.4 million.

Capital contributions, mostly from grants provided by the Federal Transit Administration and the Washington State Department of Transportation, totaled \$18.3 million and accounted for 51.6% of Pierce Transit's capital acquisitions in 2024.

Capital acquisitions and construction in progress during 2024 totaled \$35.4 million and included the following major capital assets:

- \$9 million for Building & Site improvements
- \$4.2 million for Technology projects
- \$22.2 million for Equipment & Vehicles

For a more detailed discussion on capital assets, see Note 3 in the *Notes to the Financial Statements*.

Economic Factors

In 2024, Pierce Transit remained financially sound with a healthy funding reserve, no debt and a balanced budget. Most of the funding for Pierce Transit's services comes from local sales tax, which was slightly up from the previous year. Projections are showing sales tax will continue to trend positive in 2025 but with uncertainties at the federal and state level. Due to these factors, we have budgeted the transit sales tax conservatively at 1.18 percent, where traditionally on average we budget 3 percent over the previous year's projection. Early results of sales tax collected in 2025 were above 2024 actuals.

Economic conditions in Pierce County trended positively, even if only marginally, in 2024. Per the Pierce County Economic Index, personal income grew approximately 3 percent; the economic index is estimated to increase 2 percent; nonfarm jobs employment increased by 1.6 percent over 2023, though the unemployment rate ended at 5.2 percent at year end and was an increase from 2023. New home listings rose 12.4 percent, but closings only increased 2.7 percent. These upward projections make Pierce County more attractive and affordable than neighboring King County. Public transit provides a vital connection as fifty-one percent of Pierce County residents work outside of the county, mostly in King County, per the US Census Bureau. Positive trends on the federal level are reduced inflation, lower unemployment rates and Federal Reserve three rate cuts in 2024 with an

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2024**

expected two rate cuts in 2025. Lower mortgage rates would have a positive impact in Pierce County with more affordable housing and more selling/buying in the housing market.

There is uncertainty on both the federal and state level regarding funding. While state funding sources remain stable for transit with the failure of I-2117 in November 2024, the state's operating budget has a large deficit to overcome. In 2025 this was addressed largely with tax increases, but also some spending reductions such as hiring freezes. Positive news from the state budget proposals; both indicate re-appropriation for all funds that Pierce Transit has been promised. There are proposed reductions in Green Transportation grants for transit and in the Rideshare program that may impact Pierce Transit. There are also potential fees imposed on transit agencies like tolls though these may be offset somewhat with lessening regulatory burdens when building a transit project. Even with the uncertainty, the 2025 Budget and the Six-Year Financial Plan are sustainable for operations. Capital projects may be delayed or abandoned if funding is not available for the designated project. Depending on decisions made at the federal and state level, Pierce Transit may see reserves decrease over the next six years as shown in the Six Year Plan if funding sources are impacted and reserves are used to supplement operations and capital infrastructure.

Pierce Transit remains committed to providing excellent service to the community and adjusting to the impacts of the economy as needed through sound financial practices while providing the highest level of service possible within its funding limitations.

Request for Information

This financial report is designed to provide a general overview of Pierce Transit's finances for anyone who is interested. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Danette Rogers
Finance Manager
Pierce Transit
3701 96th St SW
Lakewood, WA 98499

Pierce Transit
Statement of Net Position
December 31, 2024

CURRENT ASSETS

Cash and Cash Equivalents	\$ 56,399,100
Restricted Cash and Cash equivalents	65,175,343
Accounts Receivable	45,433
Sales Tax Receivable	19,539,292
Due From Other Governments	13,587,764
Prepaid Expenses	1,388,415
Inventories	4,592,425

TOTAL CURRENT ASSETS

160,727,772

NON-CURRENT ASSETS

Long-term Investments	135,519,723
Net Pension Asset	15,889,614
Capital Assets Not Being Depreciated:	
Land	16,433,571
Work in Progress	62,720,620
Capital Assets Depreciable/Amortized	
Right-to-Use Lease Assets	4,095,806
Right-to-Use Subscription-based IT Agreement Assets	4,490,716
Structures & Improvements	114,568,473
Site Improvements	73,497,279
Machinery & Equipment	233,366,783
Less: Accumulated Depreciation and Amoritization	(284,330,450)

Total Capital Assets Depreciable, Net of Depreciation and Amoritization

145,688,607

TOTAL NON-CURRENT ASSETS

376,252,134

TOTAL ASSETS

\$ 536,979,906

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension	23,797,399
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TOTAL DEFERRED OUTFLOWS OF RESOURCES

23,797,399

CURRENT LIABILITIES

Checks Payable	\$ 425,660
Accounts Payable	4,683,223
Unearned Revenue	393,873
Retainage Payable	198,528
Wages and Benefits Payable	2,367,820
Compensated Absences	7,071,816
Lease Liability	347,464
Subscription-based IT Agreements liability	925,501
Due to Other Governments	1,740,217
Due to Others	4,133
Claims Liability	2,109,306

TOTAL CURRENT LIABILITIES

20,267,539

Pierce Transit
Statement of Net Position - Continued
December 31, 2024

NON CURRENT LIABILITIES

Lease Liability - Long Term	2,801,402
Subscription-based IT Agreements liability - Long Term	773,894
Compensated Absences	2,585,725
Net Pension Liability	7,429,808

TOTAL NON-CURRENT LIABILITIES	13,590,828
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TOTAL LIABILITIES	\$ 33,858,368
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension	7,216,176
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TOTAL DEFERRED INFLOWS OF RESOURCES	7,216,176
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NET POSITION

Net Investment in Capital Assets	219,127,300
Restricted, Net Pension Asset	15,889,614
Unrestricted	284,685,847

TOTAL NET POSITION	\$ 519,702,761
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See accompanying notes to the financial statements.

Pierce Transit
Statement of Revenues, Expenses and Changes in Net Position
Year ended December 31, 2024

OPERATING REVENUE	
Passenger Fares	\$ 6,573,620
Advertising	511,555
Regional Transit Service	56,845,450
TOTAL OPERATING REVENUE	<u>63,930,625</u>
OPERATING EXPENSES	
Operations	90,152,991
Maintenance	30,945,869
Non-Vehicle Maintenance	7,188,216
General & Administration	35,165,832
Depreciation and Amortization	22,523,428
TOTAL OPERATING EXPENSES	<u>185,976,335</u>
OPERATING INCOME (LOSS)	<u>(122,045,710)</u>
NON-OPERATING REVENUE (EXPENSE)	
Operating Subsidies:	
Sales Tax	111,899,630
Grants	21,060,464
Other:	
Interest Revenue	11,030,044
Grant Exchange Funds	(2,471,166)
Lease Interest Expense	(115,724)
Subscription-based IT Agreements Interest Expense	(49,892)
Gain (Loss) on Termination of Lease	7,819
Gain (Loss) on Disposal of Assets	705,624
Miscellaneous Non-Operating Revenue	1,539,964
NET NON-OPERATING REVENUE	<u>143,606,761</u>
EXCESS (DEFICIENCY) BEFORE CONTRIBUTIONS	21,561,052
Capital Grants	18,285,820
CHANGE IN NET POSITION	<u>39,846,872</u>
NET POSITION-BEGINNING	482,283,962
Restatement	(2,428,072)
NET POSITION-ENDING	<u>\$ 519,702,761</u>

See accompanying notes to financial statements

Pierce Transit
Statement of Cash Flows
Year Ended December 31, 2024

INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From Customers	67,821,713
Cash Payments to Suppliers for Goods & Services	(55,918,442)
Cash Payments to Employees for Services	(113,362,094)
Other Receipts	1,539,964
Net Cash Used By Operating Activities	(99,918,859)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Sales Tax Received	111,408,807
Operating Grants Received	25,281,194
Grant Exchange Funds	(2,471,166)
Net Cash Provided By Noncapital Financing Activities	134,218,835

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(33,204,266)
Capital Grants and Contributions	12,971,924
Principal Paid on Debt	(1,829,856)
Interest Paid on Debt	(165,616)
Proceeds From Sale of Equipment	705,624
Net Cash Used By Capital and Related Financing Activity	(21,522,190)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investment Securities	(5,018,200)
Proceeds from Maturities of Investment Securities	5,018,200
Net Interest on Investments	6,011,843
Net Cash Provided By Investing Activities	6,011,843

Net Increase (Decrease) in Cash and Cash Equivalents	18,789,628
Cash and Cash Equivalents at Beginning of Year	102,784,812
Cash and Cash Equivalents at End of Year	121,574,441

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

Operating Loss	(122,045,710)
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**ADJUSTMENTS TO RECONCILE OPERATING
TO NET CASH USED BY OPERATING ACTIVITIES:**

Depreciation and Amortization	22,523,428
Miscellaneous Non-Operating Income	1,539,964

Pierce Transit
Statement of Cash Flows - Continued
Year Ended December 31, 2024

CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:

(Increase) Decrease in Receivables	64,683
(Increase) Decrease in Inventories	745,716
(Increase) Decrease in Prepaid Expenses/Deposits	(92,443)
(Increase) Decrease in Due from Other Governments	2,460,959
Increase (Decrease) in Checks Payable	112,804
Increase (Decrease) in Accounts Payable	852,595
Increase (Decrease) in Unearned Revenue	(100,668)
Increase (Decrease) in Retainage	5,896
Increase (Decrease) in Wages and Benefits Payable	334,085
Increase (Decrease) in Due to Other Governments	1,505,245
Increase (Decrease) in Compensated Absences	569,636
Increase (Decrease) Net Pension Asset, Liability Related Deferred Inflows and Outflow	(8,347,766)
Increase (Decrease) in Provision for Uninsured Claims	(47,282)
TOTAL ADJUSTMENTS	<u>22,126,852</u>
Net Cash Used By Operating Activities	<u><u>\$ (99,918,859)</u></u>

Non-cash Capital and Related Financing Activities

Acquisition of Capital Assets for Leases and SBITAs	2,106,793
(Increase) Decrease in Fair Market Value of Investments	729,010
Purchase of Capital Assets on Account	826,464

See accompanying notes to the financial statements.

**Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pierce Transit (the Agency) conform to Generally Accepted Accounting Principles (GAAP) 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. Reporting Entity

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

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

Pierce Transit is governed by an appointed Board of Commissioners whose members are elected by the jurisdictions they represent, is legally separate from other entities, and is fiscally independent of other state and local government entities. Pierce Transit is a primary government for reporting purposes and that there are no additional entities or funds for which the Agency has reporting responsibilities.

The Pierce Transit Board is comprised of nine voting members and one non-voting member from the Amalgamated Transit Union. As required by RCW 36.57A.055, transit agencies are required to organize a meeting every four years wherein meeting participants review the agency's board allocation. The board composition and allocation were reviewed June 26, 2024 and changes were recommended to the allocation of board seats. On August 12, 2024, the Board of Commissioners voted to formally adopt the recommended changes and amend its bylaws accordingly. The composition is as follows: City of Tacoma retained three members, Pierce County retained two members, the City of Lakewood retained one member, Puyallup now has one full seat (previously shared with Edgewood), the cities of Fircrest, Gig Harbor and University Place have one member (shared agreement), and the cities/towns of Auburn, Edgewood, Fife, Milton, Pacific, Ruston, and Steilacoom are represented by one member that is elected amongst the member jurisdictions.

Pierce Transit has an undivided interest in a non-equity joint venture, jointly governed with six other agencies for the provision of regional fare collection (ORCA) services.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

B. Measurement Focus and Basis of Accounting

Pierce Transit is a single proprietary fund prepared in conformity with generally accepted accounting principles. 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, regardless of the timing of related cash flows.

Revenues and expenses are categorized as operating or non-operating. Operating revenues and expenses are those directly associated with the provision of transportation service. Non-operating revenues and expenses are those secondary to the provision of transportation service.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents (*See Note 7 – Deposits and Investments*)

Cash and cash equivalents include cash on hand, demand deposits and short-term investments purchased with a remaining maturity of three months or less. Long-term investments are those with a maturity date of longer than three months. Pierce Transit invests all temporary cash surpluses in the Local Government Investment Pool (LGIP).

2. Investments (*See Note 7 – Deposits and Investments*)

Pierce Transit's investment policies are governed by regulations established for public funds by Washington State. Investments other than the LGIP are carried at Fair Value. Pierce Transit invests cash in a Separately Managed Account at the Office of the State Treasurer.

3. Receivables (*See Note 10 – Receivables*)

Accounts receivable are amounts owed from organizations and customers for various services. Sales tax receivable consists of sales tax and related interest. Receivables due from other governments are largely comprised of outstanding balances owed from regional transit services and grants.

4. Inventories

Inventories in propriety funds consist 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. All inventory is valued on the moving weighted average cost method, with the exception of fuel which is valued on First in/First Out (FIFO). Inventories at December 31, 2024 were \$4,592,425.

5. Restricted Cash and Cash Equivalents

As of December 31, 2024, Pierce Transit has restricted cash and cash equivalent assets in the amount of \$65,175,343 for the purpose of self-insurance liabilities and capital projects and purchases.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

6. Capital Assets (See Note 3 – Capital Assets)

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by Pierce Transit as assets with an initial, individual cost of more than \$10,000 (effective 10/1/24. Previously \$5,000) and an estimated useful life in excess of one year. Like items purchased together are capitalized if the value of the transaction is at least \$50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<i>Asset Category</i>	<i>Years</i>
Land	Not Depreciated
Work in Progress	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

7. Leases and SBITAs (See Note 8 – Leases; See Note 13 Subscription-Based IT Arrangements)

Lessee/SBITA: Pierce Transit recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the proprietary fund financial statements. Pierce Transit recognizes lease/SBITA liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, Pierce Transit initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

The lease/SBITA asset is amortized using the straight-line basis over its useful life.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

Pierce Transit uses the interest rate charged by the lessor/vendor as the discount rate. When the interest rate charged by the lessor/vendor is not provided, Pierce Transit generally uses its incremental borrowing rate as the discount rate.

Pierce Transit monitors changes in circumstances that would require a remeasurement of its leases and will remeasure lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

8. Compensated Absences (See Note 4 – Changes in Long-Term Liabilities)

Pierce Transit recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settle upon separation of employment. Based on the criteria listed, vacation and sick leave qualify for liability recognition for compensated absences. A liability for compensated absences is reported as incurred in the proprietary financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

9. Pensions (See Note 9 – Pension Plans)

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

For purposes of calculating the restricted net position related to the net pension asset, Pierce Transit includes the net pension asset only as per the GASB preferred method which is "the restricted net position is equal to the net pension asset. Both deferred inflows and deferred outflows are excluded from the calculation."

10. Unearned Revenue

Amounts are recognized as receivables but not revenues on the Statement of Net Position because revenue recognition criteria have not been met. Unearned revenue is made up of prepaid fare revenue and prepaid advertising. It amounted to \$393,873 in 2024.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

11. Due to Other Governments

Pierce Transit's Due to Other Governments liability was \$1,740,217 at the end of 2024. It consisted of:

Federal Transit Administration (FTA)	\$ 60,311
Sound Transit	1,679,906
	\$ 1,740,217

Funds owed to the FTA are for the proportionate share from proceeds of federal interest in sold assets. Funds owed to Sound Transit comprise of funds owed after reconciling service hours provided by Pierce Transit on behalf of Sound Transit, insurance proceeds, and their portion of the CNG credit received from the IRS.

12. Grant Exchange Funds

Pierce Transit and Pierce County have a long-standing agreement to exchange Federal Transit Administration (FTA) earned share funds allocated to Pierce County through the Puget Sound Regional Council (PRSC) for the Pierce County Ferry System. The County receives both 5307 and 5309 funds due to owning and operating ferry service within Pierce County. Pierce Transit receives Pierce County's FTA funds in exchange for non-federal funds. Pierce Transit is eligible to receive FTA funds by virtue of its charter to own and operate a transit system. Annually, the PRSC reviews the earned share allocation and provides the amount eligible for grant exchange to both parties. Pierce County receives 80% of their portion of FTA funding from Pierce Transit in the form of non-federal funds. The remaining 20% is held by Pierce Transit as an administrative fee.

13. Net Position

The difference between assets and deferred outflows or resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components as described:

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted net position** consists of restricted assets reduced by certain liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

- **Unrestricted net position** is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories.

The restricted net position in the amount of \$15,889,614 is equal to the amount of Net Pension Asset.

It is Pierce Transit's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2: ACCOUNTING CHANGES AND ERROR CORRECTIONS

In 2024, Pierce Transit implemented Governmental Accounting Standards Board (GASB) Statement 100, *Accounting Changes and Error Corrections*. GASB 100 was effective for fiscal years beginning after June 15, 2023. The primary objective of the Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Change in accounting principle:

In 2024, Pierce Transit implemented GASB Statement No. 101, Compensated Absences. GASB 101 was effective for fiscal years beginning after December 15, 2023. In addition to the value of unused vacation and sick time to be used or owed to employees upon separation of employment, Pierce Transit now recognizes salary-related benefits as part of the liability for compensated absences. With the implementation of GASB 101 Compensated Absences, the beginning net position decreased by \$2,428,072. The effect of the change in accounting principle is shown in column B of the table below.

	Net Position as previously reported (A)	Change in accounting principle (B)	Net Position as restated/adjusted (C)
Business-type Activities	\$ 482,283,962	\$ (2,428,072)	\$ 479,855,890

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

NOTE 3: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2024 was as follows:

2024 Capital Assets				
Description	Balance 1/1/2024	Increases	Decreases	Balance 12/31/2024
Capital Assets, Not Being Depreciated				
Land	\$ 16,417,573	\$ 15,999		\$ 16,433,571
Work in Progress	66,778,458	35,416,306	(39,474,144)	62,720,620
Subtotal	83,196,030	35,432,305	(39,474,144) *	79,154,191
Capital Assets Being Depreciated or Amortized:				
Structures	109,976,458	6,386,271	(1,794,255)	114,568,473
Site Improvements	67,818,985	5,678,295		73,497,279
Machinery & Equipment	217,458,393	23,243,722	(7,335,332)	233,366,783
Right-to-Use Lease Asset	4,312,755		(216,949)	4,095,806
Subscription-Based IT Assets	2,704,783	2,106,793	(320,861)	4,490,716
Subtotal	402,271,373	37,415,081 *	(9,667,398)	430,019,057
Less Accumulated Depreciation and Amortization For:				
Structures	(78,542,233)	(3,216,480)	1,684,684	(80,074,030)
Site Improvements	(47,857,011)	(2,591,030)		(50,448,041)
Machinery & Equipment	(142,707,147)	(14,884,283)	7,155,164	(150,436,266)
Right-to-Use Lease Asset	(843,230)	(411,128)	101,915	(1,152,443)
Subscription-Based IT Assets	(1,120,024)	(1,420,506)	320,861	(2,219,669)
Subtotal	(271,069,645)	(22,523,428)	9,262,624	(284,330,449)
Total Capital Assets, Net of Accumulated Depreciation and Amortization	\$ 214,397,759	\$ 50,323,958	\$ (39,878,918)	\$ 224,842,798

*The Work in Progress (WIP) decreased by \$39.5 million while capital assets being depreciated or amortized increased by \$37.3 million. The main difference is due to some items held in WIP were expensed when the Bus Rapid Transit (BRT) project was placed on hold. Items expensed related to wages and benefits for the project manager and miscellaneous expenses for advertising and open houses. Additionally, some purchases for IT were expensed after placing in WIP because of not meeting the capital asset criteria.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

NOTE 4: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

Note	Business Type Activities	Beginning Balance 1/1/2024	Additions	Reductions	Ending Balance 12/31/2024	Due Within One Year
4A	Compensated Absences * ^	\$ 9,087,905	569,636		\$ 9,657,541	7,071,816
4B	Net Pension Liability ^	\$ 9,460,689		2,030,881	\$ 7,429,808	
4C	Lease Liability	\$ 3,603,609	521,393	976,136	\$ 3,148,866	347,464
4D	SBITA Liability	\$ 1,102,898	3,113,166	2,516,669	\$ 1,699,395	925,501
	Total Change in Long Term Liabilities	<u>\$ 23,255,101</u>	<u>4,204,195</u>	<u>5,523,686</u>	<u>\$ 21,935,610</u>	<u>8,344,781</u>

^ Additions and reductions are reported as a net change

*Beginning balance of Compensated Absences changed by \$2,428,072 due to the implementation of GASB 101 restatement.

A. Compensated Absences

Employees accrue vacation or PTO based on tenure at annual rates ranging from 13 to 34 days per year. Vacation accrual balances shall not exceed an amount equal to two (2) years' accruals. PTO accrual balance shall not exceed six hundred (600) hours. All vacation or PTO hours are cashed out at 100% up to the maximum allowed if the employee separates after completing probation. In 2019, a new PTO plan was implemented for non-represented employees with a maximum accrual of 600 hours. Non-represented employees with 21 or more years of service were grandfathered in the original vacation plan, while all other non-represented employees were placed in the new PTO leave plan.

As of December 31, 2024, total vacation and PTO accruals are listed as follows:

PTO/Vacation-Current	\$	3,924,747
PTO/Vacation-Non-Current		1,606,960
Total Vacation Leave Liability	\$	5,531,707

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. There is no cap on the accrual for sick leave; however, the maximum payout is 960 hours or 1040 hours for union represented employees, no maximum of hours for non-represented employees that leave due to death, disability separation or retirement, and maximum payout of 960 hours for non-represented employees that leave of any other reason and who have passed probation.

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The estimated liability for these sick leaves payouts is as follows:

Current Liability based on usage or terminations	\$	3,147,069
Non-current Liability based on expected future payoffs		978,765
Total Sick Leave Liability	\$	4,125,834

A reconciliation of current and long-term employee compensated absences follows:

Balance beginning *	\$	5,626,925
Net Change		1,444,891
Compensated Absences-Current	\$	7,071,816
* Beginning balance changed due to 2023 remeasurement for GASB 101.		
Balance beginning *	\$	3,460,980
Net Change		(875,255)
Employee leave paid		-
Compensated Absences-Noncurrent	\$	2,585,725
* Beginning balance changed due to 2023 remeasurement for GASB 101.		

B. Certain Asset Retirement Obligations

Pierce Transit has identified certain assets which may have external retirement obligations, including 14 underground storage tanks (UST), 13 of which have now been decommissioned and replaced with above ground storage tanks. The one remaining UST useful life and retirement costs are not considered material.

NOTE 5. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Constructions Commitments

Commitments on active construction and capital projects as of December 31, 2024 are itemized as follows:

Project Type	WIP	Remaining Commitment
Buildings and Site Improvements	745,991	2,458,813
Maintenance and Operations Base Improvements	10,121,672	3,781,639
Bus Rapid Transit/Enhanced Bus Service	34,138,178	482,972
Vehicles and Equipment	9,452,965	3,241,645
Technology	8,261,813	2,900,281
Total	62,720,619	12,865,350

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Projects underway as of December 31, 2024, included base facility improvements, Spanaway Transit Center, transit center improvements, enhanced bus service, CAD/AVL and various technology upgrades or replacements, vehicle replacement, and equipment.

B. Other Commitments

1. Regional Fare Collection System (ORCA)

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

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

Pierce Transit's financial statements reflect its portion of ORCA fare revenues and expenses. ORCA fare revenue as of December 31, 2024 was \$2,496,875 with operating expenses of \$466,622.

2. Combined Communications Network

In January 2015, Pierce Transit entered into an agreement with Pierce County to provide the maintenance, operation, and governance of a county wide radio system to be called the Pierce Transit – Pierce County Combined Communications Network (CCN) of shared radio and microwave systems to carry voice and data traffic. Pierce Transit has discontinued participation in CCN after the Board of Commissioners approved ending the contract at the November 8, 2021 Board meeting, effective December 31, 2021. The leases for two towers were transferred in early 2023 to Pierce County. The Top Hat radio tower lease was

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transferred to Pierce County in February 2024, at which time Pierce Transit no longer has contractual obligations.

NOTE 6: CONTINGENCIES AND LITIGATIONS

Pierce Transit has recorded in its financial statements all material liabilities, including an estimate for situations not yet resolved but where, based on available information, management believes it is probable that payment will have to be made. In the opinion of management, Pierce Transit's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

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

NOTE 7: DEPOSITS AND INVESTMENTS

As of December 31, 2024, Pierce Transit had the following cash, cash equivalents, and investments:

Demand Deposits	\$	3,769,210
Local Government Investment Pool		117,805,233
Separately Managed Account		135,519,723
Total Cash, Equivalents, and Investments	\$	257,094,166

A. Deposits

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

B. Local Government Investment Pool

Pierce Transit is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington Office of the State Treasurer.

The LGIP is a qualified, unrated, external investment pool that is not registered with the Securities and Exchange Commission (SEC). All investments are subject to written policies and procedures adopted by the State Treasurer's office. The LGIP is considered extremely low risk.

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The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. Investments in the LGIP are reported at amortized cost which is the same as the value per share. The LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals and functions as a demand deposit account where the Transit receives an allocation of its proportionate share of pooled earnings using an amortized cost methodology. Contributions or withdrawals can be made on a daily basis. Unrealized gains and losses due to changes in the fair values are not distributed to Pierce Transit.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <https://www.tre.wa.gov>.

C. Investments

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

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

Separately Managed Account – Pierce Transit entered into an Interagency Agreement with the State of Washington's Office of the State Treasurer in June 2022 to authorize the State Treasurer's Office to invest funds in a Separately Managed Account. An initial deposit of \$100 million was made. An additional deposit of \$25 million was made in 2023. No additional funds were deposited in 2024. The State Treasurer invests these funds in accordance with the State's investment policies and procedures. Pierce Transit receives monthly reports of investment activity and records interest earned. At year end, Pierce Transit reported the investments at fair

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value in accordance with GASB 72 and made adjusting entries to balance the portfolio. Changes in fair value are included as a change in revenue in the financial statements.

Interest Rate Risk - Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity of its fair value to changes in market interest rates. Pierce Transit's investment policy is designed to manage the exposure to interest rate risk through diversification and by purchasing a combination of short and long-term investments that mature evenly over time.

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 except for the Washington State Local Government Investment Pool.
- No more than 25% of the Agency's total portfolio may be invested in any given issue with a specific maturity. Investment maturities may not exceed two years.

Custodial Credit Risk – All investments purchased by Pierce Transit are held and registered in the Transit's name in the trust or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between the Transit and financial institution. Investments in the Separately Managed Account are purchased by the state of Washington's Office of the State Treasurer and are held and registered in the State's name in the trust or safekeeping department of a financial institution as established by a written third-party agreement between the State and financial institution.

Fair Value – Pierce Transit reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities on the date of measurement.

Level 2: Directly or indirectly observable inputs available in active markets as of measurement date.

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Level 3: Unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

Pricing for the Separately Managed Account portfolio comes from Northern Trust using independent industry recognized pricing sources.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	\$ 67,965,273		\$ 67,965,273	
Fixed Rate Bonds	10,984,237		10,984,237	
U.S. Agencies Floating Rate Notes	5,003,067		5,003,067	
Callable Securites	17,339,321		17,339,321	
Supra-Bullet	33,215,799		33,215,799	
Total Investments by Fair Value Level		-	\$ 134,507,697	-
Total Investments Measured at Fair Value	<u>\$ 134,507,697</u>			
Other Securities Not Measured at Fair Value				
State LGIP	<u>1,012,026</u>			
	<u><u>\$ 135,519,723</u></u>			

NOTE 8: LEASES

A. Right-to-Use Lease Assets and Liabilities

1. Real Estate Leases

Pierce Transit entered into three real estate lease agreements for the purpose of operating Park and Rides at Tacoma Community College (TCC), Tacoma Mall and Kimball Drive. All leases were in before January 1, 2022, but all leases are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. For accounting purposes, the right-to-use lease asset and lease liability are reported at the present value of the future minimum lease payments using 3.5 percent interest rate. The initial rent of \$389,765 (TCC) \$517,583(Tacoma Mall), and \$1,928,919 (Kimball Drive) was used to calculate the present value of these leases.

Pierce Transit entered into the agreement with TCC originally on November 1, 1983. The agreement allows for an annual rent adjustment on November 1 of each year based on the Consumer Price Index for All Urban Consumers in the Seattle-Tacoma-Bremerton area. Annual

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sum shall never be adjusted downward nor increase more than 5%. The lease does not convey ownership, and the term is through October 31, 2029.

The original date of the Tacoma Mall agreement was November 15, 1984. The current amendment beginning in 2016 allows the annual rent to be increased 3% annually through the termination date of December 31, 2030. The lease does not convey ownership.

Pierce Transit entered into the agreement with Tacoma Public Utilities for Kimball Drive Park and Ride on August 15, 1997. Every five years, TPU may evaluate the value of the property and adjust the rent. The lease does not convey any right, title, or interest in the property.

For all real estate leases, future adjustments and changes to rents will be accounted for and recalculated for additional interest related to lease liability when incurred.

2. Building Lease

Pierce Transit entered into a building lease agreement for the purpose of operating our service provided by our contract with First Transit. The lease began before January 1, 2022, but the lease is recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation using present value and an interest rate of 2.5%. The lease does not convey ownership at the end of the lease or provide a purchase option.

The original lease was effective July 10, 1999. The amendment at implementation expired June 30, 2023. The amendment has an option to renew for up to two (2) additional consecutive periods of five (5) years. It is likely Pierce Transit will exercise the option for the additional periods. In June 2023, this lease was extended for an additional 5 years. The new expiration date is June 30, 2028. The right-to-use lease asset and lease liability were remeasured using the 2.5 percent interest rate. Future adjustments to rent will be accounted for and recalculated for additional interest related to lease liability when incurred.

3. Tower Leases

When GASB 87 was implemented, Pierce Transit held three leases relating to the CCN. (*See Note 5B.2*) These leases were measured in the same method as the real estate and building leases at the beginning of the implementation period of January 1, 2022. Two of the tower leases were terminated in 2023 and the right-to-use lease asset and lease liability were reduced for those. The Indian Hill tower lease ended on March 31, 2023. A gain on termination of \$3,535 was recorded for this lease. The Hemlock tower lease ended on May 30, 2023. A loss on termination of \$6,943 was recorded for this lease. In February 2024, the Top Hat tower lease transferred to Pierce County. A gain on termination of \$7,819 was recorded for this lease.

The table below is the summary of the lease assets and the related accumulated amortization:

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	Beginning Balance 1/1/24	Increases	Decreases	Ending Balance 12/31/24
Leased Real Estate	\$ 4,095,806	\$0	\$ -	\$4,095,806
Leased Tower	216,949	-	(216,949)	0
Total Right -to-Use Lease Assets	4,312,755	-	(216,949)	4,095,806
Accumulated Amort - Leased Real Estate	(747,891)	(404,553)	-	(1,152,444)
Accumulated Amort - Leased Tower	(95,340)	(6,575)	101,915	0
Total Amortization	(843,231)	(411,128)	101,915	(1,152,444)

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2025	\$347,464	\$103,555	\$451,019
2026	371,925	90,969	462,894
2027	397,103	77,523	474,626
2028	301,814	64,408	366,222
2029	188,317	56,903	245,220
2030-2034	536,295	219,951	756,246
2035-2039	668,255	120,765	789,020
2040-2044	337,693	12,048	349,741
Total	\$3,148,866	\$746,122	\$3,894,988

NOTE 9: PENSION – SPONSORED PLANS

A. PERS/TERS

The following table represents the aggregate pension amounts for all plans for the year 2024:

Aggregate Pension Amounts - All Plans	
Pension liabilities	(7,429,808)
Pension assets	15,889,614
Deferred outflows of resources	23,797,399
Deferred inflows of resources	(7,216,176)
Pension expense/expenditures	(846,754)

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

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in TERS. There are currently 15 employees covered under TERS, with the remaining employees covered by the Public Employees Retirement Systems (PERS).

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

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

The TERS ACFR may be downloaded at www.cityoftacoma.org/retirement.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding

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Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January – June		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
TOTAL	9.53%	6.00%
July - August		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.47%	
Administrative Fee	0.20%	
TOTAL	9.03%	6.00%
September - December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.55%	
Administrative Fee	0.20%	
TOTAL	9.11%	6.00%

Pierce Transit's actual contributions to Plan 1 were \$2,196,830 for the year ended December 31, 2024.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase

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of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
January – June			
PERS Plan 2/3	6.36%	6.36%	Varies 5% - 15%
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
TOTAL	9.53%	6.36%	
July - August			
PERS Plan 2/3	6.36%	6.36%	Varies 5% - 15%
PERS Plan 1 UAAL	2.47%		
Administrative Fee	0.20%		
TOTAL	9.03%	6.36%	
September - December			
PERS Plan 2/3	6.36%	6.36%	Varies 5% - 15%
PERS Plan 1 UAAL	2.55%		
Administrative Fee	0.20%		
TOTAL	9.11%	6.36%	

Pierce Transit's actual PERS Plan 2/3 contributions were \$5,071,074 for the year ended December 31, 2024.

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Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2023 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS1.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

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Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	25%	8.60%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents Pierce Transit's net pension liability calculated using the discount rate of 7%, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2024 PERS 1	\$9,775,544	\$6,645,623	\$3,900,607
2024 PERS 2/3	\$28,644,061	(\$15,889,614)	(\$52,464,193)

**Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024**

Tacoma Employees' Retirement System

The Tacoma Employees' Retirement System (TERS) is a cost-sharing, multiple-employer defined benefit public employee pension plan, covering most of the employees of the City of Tacoma. Other members include certain employees of Pierce Transit, South Sound 911 and the Tacoma Pierce County Health Department who established membership in TERS when these agencies were still City of Tacoma departments. TERS provides retirement, disability, and death benefits.

The measurement date for TERS is December 31, 2023, which is up to one year prior to the reporting date of this report and allowable per GASB Statement 68.

There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, "service retirement", is a product of the member's average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member's age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. TERS also provides death, disability, and deferred retirement. Additionally, TERS provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

The TERS member contribution rate is established the Tacoma City Council. The TERS required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

TERS Contribution Rate	Employer	Employee
2024	11.34%	9.66%

Pierce Transit's actual contributions to TERS plan were \$233,106 for the year ended December 31, 2024.

Long-Term Expected Rate of Return

The long-term expected rate of return on the TERS pension plan investments is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the System's investment advisors as of December 31, 2023. The target asset allocation is based on the TERS Investment Policy Statement dated November 2023. Rates of return for each major asset class included in the pensions plan's target asset allocation are summarized in the table below.

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return (30 year period)
Global Equity	19.0%	4.35%
Low Volatility Global Equity	9.5%	4.47%
Investment Grade Fixed Income	21.5%	2.28%
High Yield Bonds	5.0%	3.93%
US Long Gvt Bonds	3.00%	2.43%
Emerging Market Debt	5.00%	2.80%
Private Equity	15.0%	7.15%
Private Real Estate	10.0%	3.53%
Private Credit	3.0%	5.90%
US Bank / Leveraged loans	2.00%	4.12%
Infrastructure	7.00%	5.28%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.44%
Portfolio 10 year Geometric Rate of Return		7.89%
Portfolio Standard Deviation		11.55%
Long-Term Expected Rate of Return, net of investment expenses		6.75%

Sensitivity Analysis of Net Pension Liability (Asset)

The table below presents Pierce Transit's net pension liability as of the December 31, 2023 measurement date calculated using the discount rate of 6.75 percent, as well as what Pierce Transit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percent point lower (5.75 percent) or 1-percent higher (7.75 percent) than the current rate.

TERS	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	\$2,337,287	\$784,185	(\$509,923)

Pension Plan Fiduciary Net Position

Detailed information about DRS and TERS pension plans' fiduciary net position is available in the separately issued DRS and TERS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pierce Transit reported its proportionate share of the net pension liabilities and assets as follows:

Pierce Transit
Notes to Financial Statements
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Plan	Liability (or Asset)
PERS 1*	6,645,623
PERS 2/3*	(15,889,614)
TERS**	784,185

*As of June 30, 2024 ** As of December 31, 2023

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

	Proportionate Share 6/30/23	Proportionate Share 6/30/24	Change in Proportionate Share
PERS 1	0.381872%	0.374014%	-0.007858%
PERS 2/3	0.491119%	0.482004%	-0.009115%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

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

	Proportionate Share 12/31/22	Proportionate Share 12/31/23	Change in Proportionate Share
TERS	0.49511%	0.53023%	0.03512%

The employer contributions to TERS were used in determining each employer's proportionate share of the collective pension amounts for the calendar year ended December 31, 2023.

Pension Expense

For the year ended December 31, 2024, Pierce Transit recognized pension expense as follows:

Pension Expense	2024
PERS 1	\$ (295,345)
PERS 2/3	(806,673)
TERS	255,263
TOTAL	\$ (846,754)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024, Pierce Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

Pierce Transit
Notes to Financial Statements
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PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(531,765)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	1,023,799	
TOTAL	1,023,799	(531,765)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	9,028,818	(36,789)
Net difference between projected and actual investment earnings on pension plan investments	0	(4,553,510)
Changes of assumptions	8,774,275	(1,006,763)
Changes in proportion and differences between contributions and proportionate share of contributions	1,414,117	(1,050,462)
Contributions subsequent to the measurement date	2,561,295	
TOTAL	21,778,504	(6,647,524)

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

TERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	166,463	(11,047)
Net difference between projected and actual investment earnings on pension plan investments	489,489	
Changes of assumptions	96,310	
Changes in proportion and differences between contributions and proportionate share of contributions	9,730	(25,842)
Contributions subsequent to the measurement date	233,106	
TOTAL	995,098	(36,889)

*TERS Measurement date 12/31/2023

Deferred outflows of resources related to pensions resulting from Pierce Transit's contributions to DRS and TERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	PERS 1
2025	(880,033)
2026	452,118
2027	(47,871)
2028	(55,980)
2029	0
Thereafter	0

Year ending December 31:	PERS 2/3
2025	(3,495,018)
2026	6,799,638
2027	3,078,460
2028	3,211,510
2029	1,678,878
Thereafter	1,296,219

Pierce Transit
Notes to Financial Statements
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Year ending December 31:	TERS
2024	230,856
2025	144,051
2026	342,707
2027	(4,932)
2028	12,423
Thereafter	0

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 Empower Retirement Company and MissionSquare. In January 2025, all 457 Plans changed to MissionSquare. Pierce Transit contributes up to 4.25% of annual salary for employees with fewer than 10 years of service, up to 5.25% for employees with 10 – 14 years of service, and up to 6% for employees with 15 years of service or more. In 2024, Pierce Transit contributed \$2,586,859 and employees contributed \$4,109,930. The employer match contribution changed to bi-weekly earnings instead of annual salary beginning in January 2025. The plan is available to all employees on a voluntary basis and permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Beginning in fiscal year 1998, existing assets in the plan are held in a qualified custodial account. The custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of Pierce Transit and are not subject to claims of the Agency's creditors. Therefore, deferred compensation funds are not shown on the balance sheet.

NOTE 10: RECEIVABLES

Receivables due to Pierce Transit for year ending December 31, 2024 are detailed as follows:

Due From Other Governments	\$ 1,943,347
Due from Others	45,433
Fuel Tax Refund	142,353
Regional Transit Service Revenues	5,506,151
Capital Grants	5,995,913
	\$ 13,633,197

Pierce Transit
Notes to Financial Statements
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NOTE 11: NET POSITION

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

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

Net Investment in Capital Assets	\$ 219,127,300
Total Restricted Net Position	15,889,614
Unrestricted Net Position	
Operating	215,708,771
Self-Insurance	3,708,302
Capital Replacement/Expansion	65,268,774
Total Unrestricted Net Position	<u>284,685,847</u>
Net Position	<u><u>\$ 519,702,761</u></u>

Net Investment in Capital Assets is calculated as follows:

Pierce Transit
Notes to Financial Statements
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Total Capital Assets	\$ 509,173,247
Less: Accumulated Depreciation/Amortization	<u>284,330,450</u>
Net Capital Assets	224,842,797
Less:	
Outstanding Debt Principal (leases & SBITAs)	(4,848,260)
Capital-related Payables	(680,885)
Capital-related Retainage Payables	(186,352)
Net Investment in Capital Assets	<u><u>\$ 219,127,300</u></u>

NOTE 12: RISK POOL AND INSURANCE

A. Risk Management

Since January 1, 2010, Pierce Transit has been a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member governmental risk pool located in Olympia, Washington. WSTIP supplies Pierce Transit's auto liability, general liability, public official's liability coverage, property coverage, auto physical damage coverage, boiler and machinery coverage, employee fidelity/crime coverage, and cyber-liability coverage.

At the end of 2024, Pierce Transit retained a \$25,000 for its all-risk property coverage which includes auto physical damage. Pierce Transit has a \$5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. WSTIP helps member transit agencies by enabling them to:

- Pool resources for self-insurance
- Jointly purchase insurance
- Hire or contract for personnel to provide risk management, claims handling, and administrative services.

Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six-month's written notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin for a period of 36 months. The Pool is governed by a Board of Directors which is comprised of designated representatives from every Member. An Executive Committee is elected at the Annual Meeting and is responsible for conducting WSTIP's business affairs.

Pierce Transit
Notes to Financial Statements
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Transit agencies may apply for WSTIP membership, which is granted upon approval by a simple majority vote of the WSTIP Board of Directors. WSTIP's underwriting and rate-setting policies are established based on actuarial consultation. WSTIP members may be subject to supplemental assessments in the event of funding deficiencies. If WSTIP's assets were to be exhausted, Members would be responsible for WSTIP's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited annually by the Washington State Auditor.

WSTIP utilizes a combination of self-insurance, reinsurance and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance of America, Hallmark Specialty Insurance Company, and Allied World Assurance Company for the liability lines; Evanston and The Burlington Insurance Company for auto physical damage; American International Group Inc (AIG)/National Union Fire Insurance for the crime policy; Beazley Cyber Services for the cyber liability policy, and terrorism liability insurance from Price Forbes. The excess property carrier for all risk property and boiler and machinery is the Alliant Property Insurance Program provided by Alliant Insurance Services.

Pierce Transit has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP.

Here is a summary of coverage provided in 2024:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY:			
Bodily Injury & Property Damage	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability	\$25 million	Per occurrence	\$0
Vanpool Driver Medical Expense Protection	\$35,000	Per occurrence	\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0
Permissive Use of a Member-Owned Motor Vehicle	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
Agency, rental, and personal/private vehicle occupants not covered by workers compensation or transit passengers	\$100,000 for property damage and \$300,000 for bodily injury	Per occurrence	\$0
		Per occurrence	\$0
Endorsement 1:			
COMMUNICABLE DISEASE LIABILITY:	\$500,000	Per occurrence	\$0
Annual aggregate for all Members or Additional Covered Parties	\$2 million		

Pierce Transit
Notes to Financial Statements
Year Ended December 31, 2024

PUBLIC OFFICIALS LIABILITY	\$25 million	Per occurrence and aggregate	\$5,000
Endorsement 1: VIOLATIONS OF WAGE & HOUR LAWS	\$250,000	Per occurrence	\$25,000
Annual aggregate per Member	\$250,000		
PROPERTY COVERAGE All perils subject to the following sublimits:	\$500 million	Per occurrence, all perils and insureds/ members combined	\$25,000
Flood zones A & V – annual aggregate	\$10 million	Per occurrence, annual aggregate	\$500,000
All flood zones except A & V – annual aggregate	\$50 million	Per occurrence, annual aggregate	\$500,000
Earthquake, volcanic eruption, landslide, and mine subsidence --	\$35 million	Per occurrence, annual aggregate	5% subject to \$500,000 minimum per occurrence per unit
AUTO PHYSICAL DAMAGE Auto Physical Damage (below \$250,000 in value)	Fair market value		\$25,000
Auto Physical Damage for all vehicles valued over \$250,000 and less than 10 years old	Replacement Cost	Limited to \$1.6 million any one vehicle	\$25,000
BOILER AND MACHINERY	\$100 million		\$250,000 or \$350,000 depending on size of boiler
CRIME / PUBLIC EMPLOYEE DISHONESTY including faithful performance. Also includes:	\$2 million	Per occurrence	\$10,000
Employee theft	\$2 million	Per occurrence	\$10,000
Forgery or alteration	\$2 million	Per occurrence	\$10,000
Inside the premises – theft of money and securities	\$2 million	Per occurrence	\$10,000
Inside the premises – robbery or safe burglary of other property	\$2 million	Per occurrence	\$10,000
Outside premises	\$2 million	Per occurrence	\$10,000
Computer fraud	\$2 million	Per occurrence	\$10,000
Funds Transfer Fraud	\$2 million	Per occurrence	\$10,000
Money orders and counterfeit money	\$2 million	Per occurrence	\$10,000

CYBER LIABILITY INSURANCE		Coverage	Deductible
Annual Policy and Program Aggregate Limit of Liability for all policy holders (not just WSTIP members)	\$75 million		
Insured/Member Annual Aggregate Limit of Liability	\$2 million		\$5,000

Pierce Transit
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Year Ended December 31, 2024

BREACH RESPONSE COSTS	\$500,000	Aggregate for each insured/member (limit is increased to \$1 million if Beazley Nominated Service Providers are used)	
FIRST PARTY LOSS			
Business Interruption			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$500,000	Aggregate limit	
Dependent Business Loss			
<i>Resulting from Security Breach</i>	\$750,000	Aggregate limit	
<i>Resulting from System Failure</i>	\$100,000	Aggregate limit	
Cyber Extortion Loss	\$750,000	Aggregate limit	
Data Recovery Costs	\$750,000	Aggregate limit	
LIABILITY			
Data & Network Liability	\$2 million	Aggregate limit	
Regulatory defense and penalties	\$2 million	Aggregate limit	
Payment Card Liabilities & Costs	\$2 million	Aggregate limit	
Media Liability	\$2 million	Aggregate limit	
eCRIME			
Fraudulent Instruction	\$75,000	Aggregate limit	
Funds Transfer Fraud	\$75,000	Aggregate limit	
Telephone Fraud	\$75,000	Aggregate limit	
CRIMINAL REWARD	\$25,000	Limit	
COVERAGE ENDORSEMENTS			
Reputation Loss	\$200,000	Limit of Liability	
Claims Preparation Costs for Reputation Loss Claims Only	\$50,000	Limit of Liability	
Computer Hardware Replacement Costs	\$200,000	Limit of Liability	
Invoice Manipulation	\$100,000	Limit of Liability	
Cryptojacking	\$50,000	Limit of Liability	

Extra Cyber Limits

In addition to the coverage detailed in the basic Cyber Liability insurance description, Pierce Transit has chosen to purchase additional limits. This limit will be in excess to any limit of the basic cyber liability policy and increases the availability of insurance and/or drop down if the basic policy limits, which are shared with all policy holders, are exhausted. The extra limit is not

**Pierce Transit
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shared with any other policy holder or WSTIP member. Pierce Transit elected to purchase \$2 million (in excess of \$2 million). The carrier is Palomar Excess & Surplus Insurance Company.

Extra Auto Physical Damage Limits

In addition to the coverage detailed in the basic Auto Physical Damage insurance description, Pierce Transit has chosen to purchase additional limits. This limit will be in excess to any limit of the basic auto physical damage policy and increases the availability of insurance. The policy term in July 1 and renews annually. Pierce Transit elected to purchase \$10 million (in excess of \$20 million). The carrier is The Burlington Insurance Company.

Underground Storage Tank – Pollution Liability Insurance Policy

Pierce Transit purchases an Underground Storage Tank – Pollution Liability insurance policy. The policy term is October 1 and renews annually. The carrier is Mid-Continent Casualty Company. Insurance provisions on each policy were essentially the same. The insuring agreement has coverage parts for bodily injury and property damage liability, government mandated cleanup costs liability, and defense and claims handling expenses. The limit of coverage is \$1 million per environmental incident with a \$1 million aggregate and a \$500,000 limit on defense per environmental incident. Pierce Transit has a \$10,000 deductible per environmental incident. Tanks must be listed to be covered.

Covered Locations Pollution Liability Insurance Policy

Pierce Transit purchases a Covered Locations Pollution Liability insurance policy. The policy term is from April 4, 2024 to April 4, 2027. The carrier is Beazley Eclipse. The insuring agreement has coverage parts for covered location pollution liability coverage – new pollution conditions, covered location pollution liability coverage – existing pollution conditions, transportation pollution liability, and non-owned disposal site pollution liability. The policy covers cleanup costs, damages, and claims expenses. The limit of coverage is \$5 million each pollution condition – includes claims expenses with a \$5 million aggregate including claims expenses. Pierce Transit has a \$100,000 deductible per pollution condition. Locations must be listed to be covered.

Terrorism Policy

Pierce Transit purchases a stand-alone terrorism policy. The policy is underwritten by Price Forbes and has a \$25,000 deductible.

Coverage Limits:

- Section 1 (Terrorism & Sabotage): \$20,000,000 per occurrence and in the annual aggregate.
- Section 2 (Terrorism Liability): \$10,000,000 per occurrence and in the annual aggregate.

Pierce Transit
Notes to Financial Statements
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Definitions:

- Act of Terrorism means an act or series of acts, including the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.
- Act of Sabotage means a subversive act or series of such acts committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.

Coverage Details:

- Section 1: covers all real and personal property of every description belonging to Pierce Transit or for which Pierce Transit is responsible to insure including property of others in their care, custody or control and loss rent.
- Section 2: provides coverage for Pierce Transit's legal liability arising from acts of terrorism (see policy for complete details).

B. Additional Coverage

Pierce Transit purchases additional coverage in 2024 outside the Washington State Transit Insurance Pool for the following risks:

Type	Company	Limits	Deductible
Unmanned Aircraft	United States Aviation Underwriters Inc	\$1,000,000, per occurrence	\$0
Fuel Tank Storage	Mid Continent Casualty	\$1,000,000, per occurrence & aggregate	\$10,000
Deadly Weapon	Alliant Deadly Weapon Response Program: Beazley	\$1,000,000, per occurrence & aggregate	\$10,000
Excess Workers' Compensation	Arch Insurance Company	Statutory, per occurrence	\$1,000,000

C. Unemployment and Workers Compensation Insurance

Pierce Transit continues to be self-insured for unemployment compensation and self-insured for \$1 million for workers' compensation (industrial insurance), with excess workers' compensation (EWC) retained consistent with statutory requirements. Self-insurance assets have been set aside for these workers' compensation claims, which are administered by a third-party administrator.

Pierce Transit
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On December 31, 2024, the self-insurance assets totaled \$5,902,482 of which a liability of \$2,109,306 is recorded for workers' compensation and unemployment compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported.

These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants. Claim settlements in the past three years have not exceeded insurance coverage. A reconciliation of claims liabilities follows:

	2024	2023	2022
Balance beginning of year	\$ 2,156,587	\$ 2,301,855	\$ 2,606,065
Provision for incurred claims	1,302,725	1,271,757	1,000,513
Payments made for claims	(1,350,006)	(1,417,024)	(1,304,723)
Claims liabilities end of year	<u>\$ 2,109,306</u>	<u>\$ 2,156,587</u>	<u>\$ 2,301,855</u>

D. Health and Welfare

Pierce Transit is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2024, 268 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to

Pierce Transit
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individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2024, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW, and Chapter 200-110-WAC.

Pierce Transit
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The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor’s office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

NOTE 13: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

Pierce Transit has a variety of noncancellable subscription-based information technology arrangements (SBITAs) for the right to use information technology hardware and software. The table below is the summary of the subscription-based IT arrangements and the related accumulated amortization:

	Beginning Balance 1/1/24	Increases	Decreases	Ending Balance 12/31/24
IT Software Subscriptions	\$ 2,704,783	\$2,106,793	\$ (320,861)	\$4,490,715
Total Right -to-Use Lease Assets	2,704,783	2,106,793	(320,861)	4,490,715
Accumulated Amort - IT Software Subscriptions	(1,120,024)	(1,420,506)	320,861	(2,219,669)
Total Amortization	(1,120,024)	(1,420,506)	320,861	(2,219,669)

As of December 31, 2024, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2025	\$925,501	\$34,504	\$960,005
2026	732,585	7,433	740,018
2027	24,849	605	25,454
2028	16,460	-	16,460
2029	-	-	-
Total	\$1,699,395	\$42,542	\$1,741,937

REQUIRED SUPPLEMENTARY INFORMATION

Pierce Transit
 Schedule of Proportionate Share of the Net Pension Liability (Asset)
Public Employees Retirement System (PERS) 1
 As of June 30
 Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Employer's proportion of the net pension liability (asset)	0.374014%	0.381872%	0.406604%	0.406819%	0.443014%
Employer's proportionate share of the net pension liability (asset)	\$ 6,645,623	\$ 8,717,114	\$ 11,321,348	\$ 4,968,212	\$ 15,640,786
Covered payroll	\$ 75,064,662	\$ 68,077,239	\$ 65,900,772	\$ 62,252,274	\$ 69,168,194
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.85%	12.80%	17.18%	7.98%	22.61%
Plan fiduciary net position as a percentage of the total pension liability	84.05%	80.16%	76.56%	88.74%	68.64%
	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.500234%	0.470955%	0.489281%	0.482721%	0.479064%
Employer's proportionate share of the net pension liability (asset)	\$ 19,235,773	\$ 21,033,010	\$ 23,216,765	\$ 25,924,391	\$ 25,059,502
Covered payroll	\$ 67,342,562	\$ 64,592,987	\$ 60,959,719	\$ 57,083,737	\$ 52,159,102
Employer's proportionate share of the net pension liability as a percentage of covered payroll	28.56%	32.56%	38.09%	45.41%	48.04%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%

REQUIRED SUPPLEMENTARY INFORMATION

Pierce Transit

Schedule of Proportionate Share of the Net Pension Liability (Asset)

Public Employees Retirement System (PERS) 2/3

As of June 30

Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Employer's proportion of the net pension liability (asset)	0.482004%	0.491119%	0.525714%	0.518743%	0.572846%
Employer's proportionate share of the net pension liability (asset)	\$ (15,889,614)	\$ (20,129,411)	\$ (19,497,581)	\$ (51,675,149)	\$ 7,326,374
Covered payroll	\$ 75,043,212	\$ 68,002,749	\$ 65,712,856	\$ 62,074,686	\$ 68,982,010
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-21.17%	-29.60%	-29.67%	-83.25%	10.62%
Plan fiduciary net position as a percentage of the total pension liability	105.17%	107.02%	106.73%	120.29%	97.22%
	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.639412%	0.594352%	0.617009%	0.605330%	0.603019%
Employer's proportionate share of the net pension liability (asset)	\$ 6,210,865	\$ 10,148,031	\$ 21,438,113	\$ 30,477,887	\$ 21,546,213
Covered payroll	\$ 67,064,474	\$ 64,157,443	\$ 60,435,521	\$ 56,544,917	\$ 51,566,025
Employer's proportionate share of the net pension liability as a percentage of covered payroll	9.26%	15.82%	35.47%	53.90%	41.78%
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%

Pierce Transit
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Tacoma Employees Retirement System (TERS)
As of December 31 (measurement date)
Last 10 Fiscal Years

	2023	2022	2021	2020	2019
Employer's proportion of the net pension liability (asset)	0.53023%	0.49511%	0.36725%	0.32046%	0.26538%
Employer's proportionate share of the net pension liability (asset)	\$ 784,185	\$ 743,575	(587,117)	240,999	(53,437)
Covered payroll	\$ 1,736,164	\$ 1,484,109	1,047,205	877,390	707,672
Employer's proportionate share of the net pension liability as a percentage of covered payroll	45.17%	50.10%	-56.07%	27.47%	-7.55%
Plan fiduciary net position as a percentage of the total pension liability	93.49%	93.02%	107.74%	96.22%	101.08%
	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.23239%	0.28145%	0.27297%	0.22088%	0.20435%
Employer's proportionate share of the net pension liability (asset)	294,290	(119,702)	274,143	206,402	(21,186)
Covered payroll	588,467	679,954	645,417	502,074	452,287
Employer's proportionate share of the net pension liability as a percentage of covered payroll	50.01%	-17.60%	42.48%	41.11%	-4.68%
Plan fiduciary net position as a percentage of the total pension liability	92.81%	102.53%	93.91%	93.94%	100.71%

Notes to Schedule:

The measurement date for TERS is one year behind the district's reporting date.

REQUIRED SUPPLEMENTARY INFORMATION

Pierce Transit
Schedule of Employer Contributions
Public Employees Retirement System (PERS) 1
For the year ended December 31
Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Statutorily or contractually required contributions	\$ 2,196,830	\$ 2,384,077	\$ 2,573,078	\$ 2,730,240	\$ 3,179,192
Contributions in relation to the statutorily or contractually required contributions	<u>2,196,830</u>	<u>2,384,077</u>	<u>2,573,078</u>	<u>2,730,240</u>	<u>3,179,192</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 79,757,405	\$ 70,099,571	\$ 68,007,795	\$ 63,100,514	\$ 66,023,720
Contributions as a percentage of covered payroll	2.75%	3.40%	3.78%	4.33%	4.82%

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 3,368,552	\$ 3,393,572	\$ 3,095,083	\$ 2,775,078	\$ 2,407,649
Contributions in relation to the statutorily or contractually required contributions	<u>3,368,552</u>	<u>3,393,572</u>	<u>3,095,083</u>	<u>2,775,078</u>	<u>2,407,649</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 67,662,518	\$ 66,326,248	\$ 62,554,076	\$ 59,829,190	\$ 53,375,452
Contributions as a percentage of covered payroll	4.98%	5.12%	4.95%	4.64%	4.51%

REQUIRED SUPPLEMENTARY INFORMATION

Pierce Transit
Schedule of Employer Contributions
Public Employees Retirement System (PERS) 2/3
For the year ended December 31
Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Statutorily or contractually required contributions	\$ 5,071,074	\$ 4,456,737	\$ 4,326,488	\$ 4,507,343	\$ 5,214,950
Contributions in relation to the statutorily or contractually required contributions	5,071,074	4,456,737	4,326,488	4,507,343	5,214,950
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$ 79,735,001	\$ 70,074,351	\$ 67,835,309	\$ 62,927,990	\$ 65,845,330
Contributions as a percentage of covered payroll	6.36%	6.36%	6.38%	7.16%	7.92%

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 5,155,760	\$ 4,959,391	\$ 4,223,914	\$ 3,542,370	\$ 3,025,923
Contributions in relation to the statutorily or contractually required contributions	5,155,760	4,959,391	4,223,914	3,542,370	3,025,923
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$ 67,465,766	\$ 65,959,038	\$ 62,059,236	\$ 59,266,162	\$ 52,817,995
Contributions as a percentage of covered payroll	7.64%	7.52%	6.81%	5.98%	5.73%

REQUIRED SUPPLEMENTARY INFORMATION

Pierce Transit

Schedule of Employer Contributions

Tacoma Employees Retirement System (TERS)

For the year ended December 31

Last 10 Fiscal Years

	2024	2023	2022	2021	2020
Statutorily or contractually required contributions	\$ 233,106	\$ 196,881	\$ 168,298	\$ 118,753	\$ 99,496
Contributions in relation to the statutorily or contractually required contributions	233,106	196,881	168,298	118,753	99,496
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$ 1,988,060	\$ 1,736,164	\$ 1,484,109	\$ 1,047,205	\$ 877,390
Contributions as a percentage of covered payroll	11.73%	11.34%	11.34%	11.34%	11.34%

	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 80,250	\$ 66,435	\$ 73,435	\$ 69,705	\$ 54,224
Contributions in relation to the statutorily or contractually required contributions	80,250	66,435	73,435	69,705	54,224
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$ 707,672	\$ 588,467	\$ 679,954	\$ 645,417	\$ 502,074
Contributions as a percentage of covered payroll	11.34%	11.29%	10.80%	10.80%	10.80%

**Pierce County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2020-017	-	26,995	26,995	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2024-040	-	1,774,570	1,774,570	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2024-043	-	1,762,927	1,762,927	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2024-076	-	5,463,314	5,463,314	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	WA-2023-004	-	3,088,945	3,088,945	-	1,2,3
			Total ALN 20.507:	-	12,116,751	12,116,751	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	WA-2024-076	-	100,028	100,028	-	1,2,3
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2024-076	-	687,165	687,165	-	1,2,3

The accompanying notes are an integral part of this schedule.

**Pierce County Public Transportation Benefit Area
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
		Total Federal Transit Cluster:		-	12,903,944	12,903,944	-	
Transit Services Programs Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	PTD0356	176,104	-	176,104	-	1,2,3
Total Transit Services Programs Cluster:				176,104	-	176,104	-	
Total Federal Awards Expended:				176,104	12,903,944	13,080,048	-	

The accompanying notes are an integral part of this schedule.

Pierce Transit

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as Pierce Transit's financial statements. Pierce Transit uses the accrual method of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

Pierce Transit has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including Pierce Transit's portion, may be more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 – Prior Year Expenditures

Not on the Schedule of Federal Awards is \$117,449.01 received in 2024 for the 2023 approved project from Washington State Department of the Military, Emergency Management Division (FEMA). The funds were for 2020 expenditures relating to COVID-19 and were included on the 2023 Schedule of Federal Awards. The funds represent retainage withheld from the 2023 payment but received and recognized in 2024.

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In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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