



# ***Regional Fare Coordination System***

***Financial Statements and Independent  
Auditors' Report for the Years Ended  
December 31, 2019 and 2018***

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# REGIONAL FARE COORDINATION SYSTEM

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## **Report of Independent Auditors**

The Joint Board  
Regional Fare Coordination System

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Regional Fare Coordination System (One Regional Card for All, "ORCA"), which comprise the statement of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Regional Fare Coordination System as of December 31, 2019 and 2018, and the respective 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.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Regional Fare Coordination System's financial statements. The supplemental Schedule of Net Position by Agency, Schedule of Operating and Non-Operating Activity by Agency, and Note to the Supplemental Allocation Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Net Position by Agency, Schedule of Operating and Non-Operating Activity by Agency, and Note to the Supplemental Allocation Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Net Position by Agency, Schedule of Operating and Non-Operating Activity by Agency, and Note to the Supplemental Allocation Schedules are fairly stated, in all material respects, in relation to the 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 April 3, 2020, on our consideration of the Regional Fare Coordination System'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 solely 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 Regional Fare Coordination System'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 Regional Fare Coordination System's internal control over financial reporting and compliance.

*MossAdams LLP*

Seattle, Washington  
April 3, 2020

## REGIONAL FARE COORDINATION SYSTEM

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### MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Regional Fare Coordination System (One Regional Card for All, “ORCA”) for the years ended December 31, 2019 and 2018. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements and notes to the financial statements as a whole.

ORCA is a jointly operated electronic payment system for fare collection using smart card technology for bus, rail and ferry travel in the King, Kitsap, Snohomish and Pierce counties for participating agencies. This system allows riders to add a variety of fare products to a smart card in order to pay for fares on the transportation services. Fare products that can be loaded to the ORCA card, including regional passes, agency-specific passes, e-purse (stored-value) or a combination of pass and e-purse, which are then used to pay for fares and distributed to the following participant agencies:

- Snohomish County Public Transportation Benefit Area (“Community Transit”)
- City of Everett (“Everett Transit”)
- King County (“King County Metro”)
- Kitsap County Public Transportation Benefit Area (“Kitsap Transit”)
- Pierce County Public Transportation Benefit Area (“Pierce Transit”)
- Central Puget Sound Regional Transit Authority (“Sound Transit”)
- Washington Department of Transportation, Ferries Division (“Washington State Ferries”)

As set forward in the Amended and Restated Interlocal Cooperation Agreement (“ORCA ILA Agreement”), ORCA is administered by a Fiscal Agent, Sound Transit, who is responsible for the management of funds received but not yet allocated to participating agencies, as well as the financial reporting of operating and maintenance activities associated with the collection and distribution of fare revenue. Expenses incurred relative to regional administration are billed to participating agencies in accordance with the ORCA ILA agreement. No legal entity exists and as such all assets and liabilities are the responsibility of each participating agency, which are presented in the Schedule of Net Position by Agency. Usage of fare products, operating revenue and operating expenses associated with the operations of a smart card based fare payment system are reported for each participating agency in the Schedule of Operating Activity by Agency.

## REGIONAL FARE COORDINATION SYSTEM

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### OVERVIEW OF THE FINANCIAL STATEMENTS

ORCA's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). The 2019 and 2018 financial statements are presented using the economic resource measurement focus and accrual basis of accounting and provide information for the participating agencies of the ORCA ILA Agreement to incorporate into their financials. The ORCA ILA Agreement created a joint venture in the activities of the ORCA system, however, no legal entity has been created by the participants and all assets and liabilities are the responsibility of each participating agency.

In accordance with GAAP, all revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the activities of ORCA are included in the Statements of Net Position. Net position is the difference between assets and liabilities, however, as the assets and liabilities are the responsibility of each participating agency, there is no net position for ORCA. The financial statements also include notes that provide additional information that are essential to a full understanding of the information provided as well as the supplemental allocation Schedules of Net Position by Agency and Schedules of Operating Activity by Agency which present each participating Agency's pro-rata interest.

#### FINANCIAL ANALYSIS

##### NET POSITION

<i>(in millions)</i>	December 31			% Change	
	2019	2018	2017	2019-2018	2018-2017
<b>ASSETS</b>					
Cash and cash equivalents	\$ 52.8	\$ 47.9	\$ 42.9	10.2%	11.7%
Accounts receivable and due from agencies	42.7	40.6	37.7	5.2%	7.7%
<b>Total assets</b>	<u>95.5</u>	<u>88.5</u>	<u>80.6</u>	<u>7.9%</u>	<u>9.8%</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 7.0	\$ 6.0	\$ 4.8	16.7%	25.0%
Due to agencies	88.5	82.5	75.8	7.3%	8.8%
<b>Total liabilities</b>	<u>95.5</u>	<u>88.5</u>	<u>80.6</u>	<u>7.9%</u>	<u>9.8%</u>
<b>NET POSITION</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Total assets and total liabilities increased 7.9% in 2019 and 9.8% in 2018. The sales value of ORCA regional products is deposited to cash accounts held by the Fiscal Agent on behalf of the ORCA participants as unearned and undistributed receipts due to agencies until earned. As products are used to pay transit fares, the revenue is earned by the agency providing service and will be distributed according to the usage of the product. Overall, ORCA sales in 2019 were \$262.3 million, up from \$255.4 million in 2018 and \$243.7 million in 2017, an increase of 2.7% and 4.8% respectively. The number of ORCA cards in use increased 3.2% in 2019 and 4.2% in 2018 when comparing December card usage for all three periods. While overall ORCA sales grew, growth has slowed in 2019 as we see a slight decrease in ORCA boardings for the first time.



## REGIONAL FARE COORDINATION SYSTEM

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### SALES BY PRODUCT TYPE

<i>(in millions)</i>	December 31			% Change	
	2019	2018	2017	2019-2018	2018-2017
Business accounts	\$146.1	\$137.3	\$126.7	6.4%	8.4%
E-Purse	72.0	71.9	68.7	0.1%	4.7%
Pass products	44.2	46.2	48.3	-4.3%	-4.3%
<b>Total</b>	<b>\$262.3</b>	<b>\$255.4</b>	<b>\$243.7</b>	<b>2.7%</b>	<b>4.8%</b>

ORCA products include both business and retail products. The business passport product is available to businesses and institutions through the ORCA business account program and is priced based on an annual fixed rate contract. Business accounts saw increases in sales because of both an increase in the number of annual contracts in addition to increases in ridership of existing agreements. As of the end of 2019, there were 1,116 business passport accounts, up from 1,012 in 2018 and 960 in 2017. Retail products include E-purse, Puget Pass, and Day Passes. E-purse sales growth slowed to 0.1% in 2019, due to a decrease in E-purse related boardings of -2.0%, while pass products continued to decrease as riders weigh the costs/benefits of a Pass versus E-purse or receive their pass through a business program. ORCA retail products are available for purchase through a number of sales channels including websites, ticket vending machines, retailer outlets and transit customer service centers.

#### Revenue and Expense

Operations of the ORCA system is governed by the Joint Board. Sound Transit and King County Metro act as Regional Service Providers as set forth in the ORCA ILA Agreement. As Service Providers, both agencies provide staffing and administrative support for the regional program coordination for both current system operations and planning for the next generation ORCA project, financial services, operations and contract management.

All program expenses are shared and billed to the participating agencies. Operating expenses are allocated based on an operating share calculated annually. The operating share calculation is defined by the ILA agreement and is based on historical ORCA ridership. Non-Operating expenses relate to costs associated with the next generation ORCA project. In 2015, the ORCA Joint Board approved the start of planning for a complete replacement of the current ORCA system as the equipment for the system was nearing its end of life. Planning and procurement phases for a new account-based system to replace the legacy card-based fare collection system have been ongoing since late 2015. Non-operating expenses associated with this project are allocated to the agencies in 2019 and 2018 based on a Capital Share formula as adopted by the Joint Board in 2017. Non-operating expenses in 2017 were allocated to the agencies based on 2017 operating shares.

## REGIONAL FARE COORDINATION SYSTEM

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### REGIONAL ORCA OPERATING REVENUE AND EXPENSE

<i>(in millions)</i>	December 31			% Change	
	2019	2018	2017	2019-2018	2018-2017
<b>Operating revenues</b>					
Agency billings	\$ 7.6	\$ 7.2	\$ 7.1	5.6%	1.4%
Other revenue	1.4	1.0	0.7	40.0%	42.9%
<b>Total operating revenues</b>	<b>\$ 9.0</b>	<b>\$ 8.2</b>	<b>\$ 7.8</b>	<b>9.8%</b>	<b>5.1%</b>
<b>Operating expenses</b>					
Services	\$ 4.3	\$ 4.3	\$ 3.9	0.0%	10.3%
Wages and benefits	1.6	1.6	1.6	0.0%	0.0%
Card production costs	1.9	1.2	1.3	58.3%	-7.7%
Other expenses	1.2	1.1	1.0	9.1%	10.0%
<b>Total operating expenses</b>	<b>\$ 9.0</b>	<b>\$ 8.2</b>	<b>\$ 7.9</b>	<b>9.8%</b>	<b>5.1%</b>
<b>Non-operating revenue (expenses)</b>					
Agency billings	\$ 4.9	\$ 2.1	\$ 1.3	133.3%	61.5%
Project wages and benefits	(0.6)	(0.5)	(0.3)	20%	66.7%
Technical consulting services	(1.0)	(0.7)	(1.0)	42.9%	-30.0%
Back office software design	(3.3)	(0.9)	0.0	266.7%	0.0%
<b>Total non-operating revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>

Revenue consists primarily of Agency billings for operating and non-operating expenses. Agency billings for operating expenses increased \$0.4 million in 2019 and \$0.1 million in 2018. Other revenue increased \$0.4 million with interest income growing by 34.3% due to favorable interest rates in 2019.

Total operating expenses increased \$0.8 million in 2019 and \$0.4 million in 2018. The increase in 2019 is driven mainly by card production costs. Card Production costs increased 58.3% in 2019 primarily due to implementation of trade tariffs and increased card quantities. Inventory levels decreased in 2018 as a result of 2017 purchasing to safeguard against delayed order fulfilments. Other expenses increased in 2019 by \$0.1 million and \$0.1 million in 2018 primarily driven by increased bankcard fees.

Agency billings for non-operating expenses increased \$2.8 million in 2019 and \$0.8 million in 2018. Total non-operating expense has steadily increased with increases of 133.3% in 2019 and 61.5% in 2018 as the system design is well underway. In September 2018, the Joint Board approved the contract for the System Integrator, responsible for the design and development of the core components of the next generation ORCA project. As of the end of December 2019, the program is in the design phase of the project with transition and implementation of the new system estimated to begin late 2021.

## REGIONAL FARE COORDINATION SYSTEM

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### ORCA Operating Activity

Passenger fare revenues are distributed to each agency based on usage of the product. Fluctuations in ORCA fare revenue are a result of changes in ridership and the cost of transit. The following tables and narrative present ORCA Ridership, ORCA Fare Revenue by Participating Agency, and ORCA Ridership Market Share.

#### ORCA Ridership

Overall ridership decreased slightly in 2019 with 133.9 million rides, compared to 134.4 million rides in 2018 and 130.3 million rides in 2017. Decreased ridership in 2019 is attributable to snowstorms in February 2019 and significant impacts from construction projects which effected riders travel within the region.

##### RIDERSHIP BY AGENCY

<i>(in millions)</i>	December 31			% Change	
	2019	2018	2017	2019-2018	2018-2017
King County Metro	81.7	82.4	80.7	-0.8%	2.1%
Sound Transit	36.0	35.8	34.2	0.6%	4.7%
Community Transit	7.1	6.8	6.7	4.4%	1.5%
Pierce Transit	4.5	4.6	4.2	-2.2%	9.5%
Kitsap Transit	2.6	2.5	2.3	4.0%	8.7%
Everett Transit	0.9	1.0	1.0	-10.0%	0.0%
Washington State Ferries	1.1	1.2	1.2	-8.3%	0.0%
<b>Total</b>	<b>133.9</b>	<b>134.4</b>	<b>130.3</b>	<b>-0.3%</b>	<b>3.1%</b>

#### ORCA Fare Usage

Overall ORCA fare usage in 2019 was \$258.1 million, an increase of \$7.0 million or 2.8% from 2018. The increase from the previous year is primarily driven by higher business account revenues, which are priced on ridership increases from the previous year.

##### ORCA FARE USAGE BY PARTICIPATING AGENCY

<i>(in millions)</i>				% Change	
	2019	2018	2017	2019-2018	2018-2017
<b>Regional ORCA Fare Usage</b>					
King County Metro	\$ 145.5	\$ 143.5	\$ 139.7	1.4%	2.7%
Sound Transit	82.9	80.1	74.4	3.5%	7.7%
Community Transit	16.8	16.2	15.8	3.7%	2.5%
Pierce Transit	4.4	4.4	4.3	0.0%	2.3%
Washington State Ferries	4.5	4.2	3.6	7.1%	16.7%
Kitsap Transit	3.1	2.0	1.4	55.0%	42.9%
Everett Transit	0.9	0.7	0.7	28.6%	0.0%
<b>Total Regional ORCA Fare Usage</b>	<b>\$258.1</b>	<b>\$251.1</b>	<b>\$239.9</b>	<b>2.8%</b>	<b>6.4%</b>

## REGIONAL FARE COORDINATION SYSTEM

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### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following fare changes were implemented in 2019:

- Everett Transit increased their Adult Local service fare in January 2019 by 50 cents and by an additional 50 cents in July 2019
- Everett Transit introduced an ORCA LIFT fare in July 2019, Local fare is \$1.50 and Commuter fare is \$1.25
- Pierce Transit introduced in January a new Adult Monthly Pass valid on Pierce Transit buses for \$62.00
- Community Transit introduced an ORCA LIFT fare in July 2019, Local fare is \$1.25, Commuter fare is \$2.00 and Swift BRT is \$1.25
- Washington State Ferries fares increased 2.5% for vehicles and 2.0% for passengers in October 2019.

The following fare changes were implemented in 2018:

- Kitsap Transit introduced Kitsap Fast Ferries service between Kingston and Seattle in November 2018. The Adult per trip fare is \$2.00 Eastbound and \$10.00 Westbound.
- King County Metro implemented a \$2.75 regular Adult fare in July 2018. Riders no longer pay additional surcharges for zones or travel during peak commute hours.
- King County Water Taxis implemented a fare change in March 2018 on West Seattle and Vashon Routes. Adult one-way fares increased by 50 cents.
- Sound Transit ST Express fares were simplified in July 2018 for ORCA LIFT, Youth and Senior or Disabled riders. Two-zone fares were reduced to the existing one-zone fare for these fare categories.
- Community Transit increased local bus fares in October 2018 by 25 cents. Zone categories for commuter bus riders were eliminated, resulting in a flat fare for each passenger category for all commuter bus routes.
- Everett Transit increased the fare on Commuter Route 70 in October 2018 by 25 cents.
- Washington State Ferries fares increased 2.5% for vehicles and 2.1% for passengers in October 2018.

The following fare changes were implemented in 2017:

- Kitsap Transit introduced Kitsap Fast Ferries service between Bremerton and Seattle in July 2017. The service introduced new fares and new Kitsap Transit agency specific passes. The Adult per trip fare is \$2.00 Eastbound and \$10.00 Westbound.
- Washington State Ferries fares increased 2.9% for vehicles and 2.1% for passengers in October 2017.

## REGIONAL FARE COORDINATION SYSTEM

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### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### ORCA Market Share

The percentage of fares paid with an ORCA card in 2019 were comparable to previous years.

#### ORCA RIDERSHIP MARKET SHARE

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	2019	December 31 2018	2017
King County Metro	63.7%	64.2%	66.5%
Sound Transit	76.4%	75.8%	74.3%
Community Transit	70.0%	71.5%	71.7%
Pierce Transit	53.5%	53.0%	49.7%
Kitsap Transit	81.7%	75.1%	64.5%
Everett Transit	59.1%	57.0%	55.0%
Washington State Ferries	16.5%	16.3%	16.1%
<b>Total</b>	<b>65.1%</b>	<b>65.1%</b>	<b>65.9%</b>

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#### Economic Conditions

ORCA is forecasting overall continued growth as the public transportation system within the region continues to grow and expand. However, the forecast for 2020-2021 could see decreases in sales and ridership due impacts of construction and public emergencies such as COVID-19.

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# REGIONAL FARE COORDINATION SYSTEM

## STATEMENTS OF NET POSITION

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 3):		
FDIC or PDPC	\$ 463,875	\$ 586,167
WA State Local Government Investment Pool	52,322,922	47,295,672
Contractually restricted cash	140,118	-
Accounts receivable (note 4)	224,716	228,655
Due from agencies:		
Capital	878,417	1,168,578
Operating	1,675,344	838,086
Product loads	39,834,918	38,359,503
<b>Total assets</b>	<b>95,540,310</b>	<b>88,476,661</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5):		
Capital	866,998	1,182,549
Operating	1,252,504	661,520
Cardholder and participant claim funds	4,910,812	4,169,036
Due to agencies (note 6):		
Capital	180,819	1,101
Operating	773,244	761,033
Unearned receipts	41,468,494	36,929,887
Undistributed receipts	46,087,439	44,771,535
<b>Total liabilities</b>	<b>95,540,310</b>	<b>88,476,661</b>
<b>NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to financial statements.*

## REGIONAL FARE COORDINATION SYSTEM

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	December 31	
	2019	2018
<b>Operating revenues</b>		
Agency billings	\$ 7,585,105	\$ 7,183,536
Interst income	1,127,740	839,478
Card fee income	290,923	232,296
<b>Total operating revenues</b>	<b>9,003,768</b>	<b>8,255,310</b>
<b>Operating expenses</b>		
Services	4,250,065	4,310,640
Wages and benefits	1,616,265	1,639,303
Card product costs	1,892,223	1,226,073
Bank card fees	1,017,737	887,512
Bad debt	132,393	127,764
Office supplies	37,434	37,076
Telephone	57,651	26,942
<b>Total operating expenses</b>	<b>9,003,768</b>	<b>8,255,310</b>
<b>Net operating revenues (expenses)</b>	<b>-</b>	<b>-</b>
<b>Non-operating revenues (expenses)</b>		
Agency billings - non-operating	4,841,518	2,086,592
Back office software design	(3,280,547)	(885,839)
Technical consulting services	(974,491)	(671,904)
Project wages and benefits	(586,480)	(528,849)
<b>Net non-operating revenues (expenses)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>-</b>	<b>-</b>
<b>Total net position, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Total net position, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to financial statements.*



# REGIONAL FARE COORDINATION SYSTEM

## STATEMENTS OF CASH FLOWS

	December 31	
	2019	2018
<b>Cash flows from operating activities</b>		
Cash receipts from product loads	\$ 263,049,962	\$ 253,298,370
Payments to agencies for fare apportionment	(258,057,544)	(248,616,699)
Cash received from participating agencies for operating	7,038,770	8,274,923
Payments to employees for wages and benefits for operating	(1,581,627)	(1,663,454)
Payments to suppliers and service providers for operating	(6,686,553)	(7,177,516)
<b>Net cash provided by operating activities</b>	<b>3,763,008</b>	<b>4,115,624</b>
<b>Cash provided by investing activities</b>		
Interest income received	1,127,740	839,478
<b>Cash flows from capital activities</b>		
Cash received from participating agencies for capital	4,880,549	1,045,503
Payments to employees for wages and benefits for capital	(572,983)	(449,119)
Payments for capital	(4,153,238)	(596,384)
<b>Net cash provided by capital activities</b>	<b>154,328</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,045,076</b>	<b>4,955,102</b>
<b>Cash and cash equivalents</b>		
Beginning of year	47,881,839	42,926,737
<b>End of year</b>	<b>\$ 52,926,915</b>	<b>\$ 47,881,839</b>
<b>Cash and cash equivalents (note 3)</b>		
Unrestricted	\$ 52,786,797	\$ 47,881,839
Contractually restricted	140,118	-
	<b>\$ 52,926,915</b>	<b>\$ 47,881,839</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Adjustments to reconcile to net cash provided by operating activities</b>		
Bad debt expense	132,393	127,764
Investment income	(1,127,740)	(839,478)
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in accounts receivable	3,939	(81,399)
(Increase) decrease in expenses due from agencies - operating	(837,258)	859,091
Increase in product loads due from agencies	(414,270)	(2,760,025)
Increase (decrease) in accounts payable and accrued liabilities - operating	590,984	(670,477)
Increase in cardholder and participant claim fund	741,776	780,015
Decrease in amounts due to agencies - operating	(22,427)	(18,796)
Increase (decrease) in amounts due to agencies - operating wages	34,638	(24,151)
Increase in unearned receipts	4,538,607	4,262,562
Increase in undistributed receipts	122,366	2,480,518
<b>Net cash provided by operating activities</b>	<b>\$ 3,763,008</b>	<b>\$ 4,115,624</b>
<b>Changes in capital assets and liabilities</b>		
Decrease (increase) in expenses due from agencies - capital	39,031	(1,041,089)
(Decrease) increase in accounts payable and accrued liabilities - capital	(50,450)	1,055,060
Increase (decrease) in amounts due to agencies - capital	152,250	(93,701)
Increase in amounts due to agencies - capital wages	13,497	79,730
<b>Net cash provided by capital activities</b>	<b>\$ 154,328</b>	<b>\$ -</b>

See accompanying notes to financial statements.

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# REGIONAL FARE COORDINATION SYSTEM

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## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### 1. AGREEMENT AND REPORTING ENTITY

**Agreement**— In April 2009, Snohomish County Public Transportation Benefit Area (“Community Transit”), the City of Everett (“Everett Transit”), King County (“King County Metro”), Kitsap County Public Transportation Benefit Area (“Kitsap Transit”), Pierce County Public Transportation Benefit Area (“Pierce Transit”), Central Puget Sound Regional Transit Authority (“Sound Transit”) and Washington State Department of Transportation, Ferries Division (“Washington State Ferries”), signed the Amended and Restated Interlocal Cooperation Agreement (“ORCA ILA Agreement”) for the design, implementation, operation and maintenance of the Regional Fare Coordination System (“ORCA”). The purpose of the ORCA system is to simplify the fare collection program using smart card technology for all bus, rail and ferry travel in the King, Kitsap, Snohomish and Pierce counties.

**Reporting Entity**— The Government Accounting Standards Board Statement (GASB) establishes standards for defining and reporting on the financial reporting entity and reporting participation in joint ventures or other jointly operated arrangements. The ORCA ILA Agreement created a joint venture in the activities of the ORCA system; however, no legal entity has been created by the participants. ORCA administers operating and maintenance activities associated with the collection and distribution of fare revenue on behalf of participating agencies. Expenses incurred related to regional administration are billed to participating agencies in accordance with the ORCA ILA Agreement. As no legal entity exists, all assets and liabilities are the responsibility of each participating agency.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and should be considered an integral part of the financial statements.

**Basis of Accounting**—The accounts are maintained and financial statements prepared using the economic resources measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Operating revenues consist primarily of agency billings and is the amount paid by the agencies for their share of operating expenses for the current ORCA system. Non-operating revenues consist of agency billings for the planning, design and implementation of a complete replacement of the current ORCA system as the equipment for the system is nearing its end of life. As of December 31, 2019, the project is in the design phase. Both operating and non-operating revenues are recorded when the underlying expense is incurred. All assets and liabilities associated with the operation of ORCA are included in the statement of net position.

**Cash and Cash Equivalents**—Cash and cash equivalents are carried at cost, which approximates fair value.

**Use of Estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## REGIONAL FARE COORDINATION SYSTEM

### NOTES TO FINANCIAL STATEMENTS (continued)

**Reclassifications**—ORCA has reclassified certain amounts relating to its prior period results to confirm to its current period presentation. The reclassifications have not changed the change in net position of the prior period.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and demand deposits in the Washington State Local Government Investment Pool (LGIP). All LGIP investments consist of high quality, highly liquid securities, with a weighted average maturity of 60 days or less, a weighted average life of 120 days or less, and a unit value of \$1. Cash held in the LGIP is managed by the Washington State Treasurer's Office. This pool represents an interest in a group of securities and has no specific security subject to custodial risk.

ORCA's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

All surplus cash for the Regional Pass and Float accounts are deposited in segregated accounts at the LGIP.

Cash and cash equivalents are comprised of the following accounts:

	2019			2018		
	FDIC or PDPC	LGIP	Total	FDIC or PDPC	LGIP	Total
<b>Fare processing</b>						
Float account	\$ 26,665	30,864,523	\$ 30,891,188	\$ 4,259	26,866,947	\$ 26,871,206
Regional pass account	162,469	16,614,399	16,776,868	2,499	16,363,725	16,366,224
Institutional account	16,638		16,638	10,308		10,308
Weekly retail distributor account	1,308		1,308	55,092		55,092
Daily retail distributor account	73,336		73,336	89,724		89,724
ORCA disbursements account	-		-	8,330		8,330
Cardholder claim fund account	39,091	4,286,000	4,325,091	79,521	3,605,000	3,684,521
Participant claim fund	8,604	558,000	566,604	5,844	460,000	465,844
<b>Total fare processing</b>	<b>328,111</b>	<b>52,322,922</b>	<b>52,651,033</b>	<b>255,577</b>	<b>47,295,672</b>	<b>47,551,249</b>
<b>Other</b>						
Central payments account	135,764	-	135,764	330,590	-	330,590
Contractually restricted cash	140,118	-	140,118	-	-	-
<b>Total cash</b>	<b>\$ 603,993</b>	<b>\$52,322,922</b>	<b>\$52,926,915</b>	<b>\$ 586,167</b>	<b>\$47,295,672</b>	<b>\$47,881,839</b>

**Concentration of Credit Risk**— Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. The ORCA funds other than those in the LGIP are in bank accounts covered either by the FDIC or by collateral held in a multiple financial institution collateral pool administered by the PDPC.

**Credit Risk**— Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The LGIP is not registered with the SEC and is unrated. While there are no

## REGIONAL FARE COORDINATION SYSTEM

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### NOTES TO FINANCIAL STATEMENTS (continued)

specific investments associated with the ORCA funds at the LGIP, it generally invests in treasury and agency securities of the U.S. government and bank deposits, which are fully guaranteed under FDIC and the PDPC, so credit risk is minimal.

#### *Fare Processing Accounts*

**Float** is the depository account holding the funds for prepaid fares loaded on ORCA cards that are to be used to pay for future transit usage using e-purse. These funds reside in the account until the cardholder uses the ORCA card or until other transactions occur which affect these funds (i.e. claims or escheatment). This account is allocated among agencies in the same ratios as the historical transit fares collected from payment using e-purse for the last three months.

**Regional Pass** is the depository account holding the funds from the purchase of regional passes. These funds reside in the account until the ORCA system apportions the revenues earned by agencies based on actual regional pass ridership, 30 calendar days after the end of the month. This account is allocated to agencies based on actual apportionment, which occurs 30 days after the date of the statement of net position, with the remainder being allocated based on the ratio of historical transit fares collected by the agencies for fares paid by regional pass usage in the three months prior to the past apportionment month.

**Institutional** is the depository account used to collect and distribute funds for all business account products and prepaid business account products such as electronic vouchers. This account is allocated among agencies in the ratio of transit fares collected by the agencies for fares paid by total of combined e-purse and regional pass usage for three months prior.

**Weekly Retail Distributor** is the depository account used to collect the funds for the loading of products purchased at retailers. The account is swept daily by ACH transferring funds to the e-purse or regional pass (product accounts) and is reimbursed from the retailers on a weekly basis. This account is prefunded by the Regional Pass account. The amount funded by the Regional Pass account is allocated according to the rules for that account with the remaining receivable balance allocated by total of combined e-purse and regional pass usage for three months prior.

**Daily Retail Distributor** is the depository account that functions the same as the Weekly Retail Distributor, except that reimbursements from retailers are collected on a daily basis. This account is prefunded by the Regional Pass account. The amount funded by the Regional Pass account is allocated according to the rules for that account with the remaining receivable balance allocated by total of combined e-purse and regional pass usage for three months prior.

**ORCA Disbursement account** is the depository account used to issue customer refunds. This account is allocated to the agencies first to known payables, not yet paid to customers, with the balance allocated in the ratio of transit fares collected by the agencies for fares paid by e-purse usage for three months prior.

**Cardholder Claim** is the depository account that holds funds from cardholder purchases that have been made in a “card not present environment” and have expired due to the cardholder not interacting with a fare collection device prior to the expiration of the prescribed period. The cardholder’s funds are moved from the product issuer account to the Cardholder Claim account, awaiting claim by cardholders. These funds are available to reimburse the agency that makes the refund to cardholder claimants or for distribution among agencies, if such claims do not occur as provided under Washington unclaimed property laws. This account is allocated to the agencies first to known claims in process, not yet paid to

## REGIONAL FARE COORDINATION SYSTEM

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### NOTES TO FINANCIAL STATEMENTS (continued)

agencies, with the balance allocated in the ratio of transit fares collected by the agencies for fares paid by total of combined e-purse and regional pass usage for three months prior.

**Participant Claim** is the depository account that holds funds from transactions awaiting distribution back to the agencies that provided the unreported service. This account is allocated to the agencies first to known claims in process, not yet paid to agencies, with the balance allocated in the ratio of transit fares collected by the agencies for fares paid by e-purse usage for three months prior.

#### *Other*

**Central Payments** is the depository account for funds used to accept deposits from agencies for payment to vendors for work related to the activities of ORCA. This account is allocated to the agencies based on actual payments received from agencies.

#### **4. RECEIVABLES AND AMOUNTS DUE FROM AGENCIES**

Accounts receivable and amounts due from other agencies include amounts receivable from third parties as well as amounts due from agencies for regionally shared capital expenditures and operating expenses. Amounts due from agencies for product loads are for sales of ORCA products transacted in 2019 and for uncollected billings for fare revenue earned by the transportation agencies (usage) in the current period. Accounts receivable and amounts due from other agencies are allocated among the agencies based on their ORCA ILA agreement percentages or respective portion of earned receipts. Payment terms are generally defined by agreement and range from 3 to 60 days. Where payment terms are not defined by agreement, they are due in accordance with the terms specified in the invoice, which is generally 30 days.

#### **5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities include the amounts payable to agencies or vendors for regionally shared operating expenses or non-operating expenditures. These accounts are allocated to the agencies based on the ORCA ILA agreement percentages for either operating expenses or capital expenditures.

Cardholder claims represent the liability to cardholders for purchases that have been made in a “card not present environment” and have expired due to the cardholder not interacting with a fare collection device prior to the expiration of the prescribed period. The balance is allocated to the agencies, first to known claims in process and not yet paid, with the balance allocated in the ratio of transit fares collected by the agencies for fares paid by the total combined e-purse and regional pass usage during the current quarter.

Participant claims represents the liability from transactions awaiting distribution back to the agencies that provided the unreported service. The balance is allocated to the agencies first to known claims in process, not yet paid to agencies, with the balance allocated in the ratio of transit fares collected by the agencies for fares paid by e-purse usage during the current quarter.

## **REGIONAL FARE COORDINATION SYSTEM**

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### NOTES TO FINANCIAL STATEMENTS (continued)

#### **6. DUE TO AGENCIES**

Amounts due to agencies include reimbursable regionally shared expenses for capital expenditures and operating expenses.

Unearned receipts due to agencies are derived from the purchase of product loads of e-purse fares, regional Puget Passes and passport products that have not yet been earned. These amounts are paid to the agencies when travel by transit riders has occurred, based on their proportionate share of actual usage that occurred.

Undistributed receipts include amounts due to agencies for completed travel by transit riders through December 31, 2019 and 2018, which have not been distributed to the agencies. These amounts are allocated based on actual settlements.

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**SUPPLEMENTAL  
ALLOCATION SCHEDULES**

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# REGIONAL FARE COORDINATION SYSTEM

## SCHEDULE OF NET POSITION BY AGENCY

	December 31, 2019							
	Community Transit	Everett Transit	King County	Kitsap Transit	Pierce Transit	Sound Transit	Washington State Ferries	Total
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents:								
FDIC or PDPC	\$ 20,061	\$ 2,070	\$ 213,041	\$ 1,612	\$ 20,526	\$ 206,257	\$ 308	\$ 463,875
WA State Local Government Investment Pool	3,333,280	346,569	28,183,181	629,371	1,320,283	16,092,997	2,417,241	52,322,922
Contractually restricted cash	10,229	1,121	80,988	2,942	6,165	37,692	981	140,118
Accounts receivable	14,337	1,461	122,830	2,494	5,753	68,628	9,213	224,716
Due from agencies:								
Capital	68,291	7,719	523,719	19,487	40,357	211,735	7,109	878,417
Operating	90,103	14,079	1,090,212	31,325	48,025	386,114	15,486	1,675,344
Product loads	1,194,680	183,234	37,484,429	76,763	461,945	488,509	(54,642)	39,834,918
<b>Total assets</b>	<b>4,730,981</b>	<b>556,253</b>	<b>67,698,400</b>	<b>763,994</b>	<b>1,903,054</b>	<b>17,491,932</b>	<b>2,395,696</b>	<b>95,540,310</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Accounts payable and accrued liabilities:								
Capital	63,173	7,394	500,194	18,662	38,565	232,186	6,824	866,998
Operating	64,377	10,143	776,718	22,416	41,036	326,781	11,033	1,252,504
Cardholder and participant claim funds	313,367	32,266	2,662,143	57,446	123,644	1,505,289	216,657	4,910,812
Due to agencies:								
Capital	5,306	-	4,678	-	-	170,835	-	180,819
Operating	-	-	420,769	-	-	352,475	-	773,244
Unearned receipts	2,645,711	278,078	22,027,137	544,414	1,004,236	12,824,302	2,144,616	41,468,494
Undistributed receipts	3,057,436	130,246	26,647,706	573,529	717,235	14,908,081	53,206	46,087,439
<b>Total liabilities</b>	<b>6,149,370</b>	<b>458,127</b>	<b>53,039,345</b>	<b>1,216,467</b>	<b>1,924,716</b>	<b>30,319,949</b>	<b>2,432,336</b>	<b>95,540,310</b>
<b>Net position</b>	<b>\$ (1,418,389)</b>	<b>\$ 98,126</b>	<b>\$14,659,055</b>	<b>\$ (452,473)</b>	<b>\$ (21,662)</b>	<b>\$ (12,828,017)</b>	<b>\$ (36,640)</b>	<b>\$ -</b>

See accompanying independent accountants' report

# REGIONAL FARE COORDINATION SYSTEM

## SCHEDULE OF NET POSITION BY AGENCY

	December 31, 2018							
	Community Transit	Everett Transit	King County	Kitsap Transit	Pierce Transit	Sound Transit	Washington State Ferries	Total
<b>ASSETS</b>								
<b>Current assets</b>								
Cash and cash equivalents:								
FDIC or PDPC	\$ 33,460	\$ 3,679	\$ 371,473	\$ 4,920	\$ 23,345	\$ 144,449	\$ 4,841	\$ 586,167
WA State Local Government Investment Pool	2,870,891	204,391	25,963,960	442,873	1,323,803	14,575,301	1,914,453	47,295,672
Accounts receivable	13,948	983	126,606	2,035	6,448	70,106	8,529	228,655
Due from agencies:								
Capital	97,619	14,975	676,488	34,854	63,193	275,027	6,422	1,168,578
Operating	44,335	7,208	529,000	15,420	28,579	206,085	7,459	838,086
Product loads	1,122,040	158,587	36,198,629	69,694	429,790	474,077	(93,314)	38,359,503
<b>Total assets</b>	<b>4,182,293</b>	<b>389,823</b>	<b>63,866,156</b>	<b>569,796</b>	<b>1,875,158</b>	<b>15,745,045</b>	<b>1,848,390</b>	<b>88,476,661</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Accounts payable and accrued liabilities:								
Capital	97,619	14,975	676,488	34,854	63,193	275,027	20,393	1,182,549
Operating	35,229	5,786	417,724	12,260	22,692	161,759	6,070	661,520
Cardholder and participant claim funds	253,791	18,021	2,292,881	38,807	114,918	1,283,524	167,094	4,169,036
Due to agencies:								
Capital	-	-	-	-	-	-	1,101	1,101
Operating	-	-	375,838	-	-	385,195	-	761,033
Unearned receipts	2,235,148	161,745	20,008,467	375,867	977,932	11,460,340	1,710,388	36,929,887
Undistributed receipts	2,983,689	78,349	26,393,950	381,965	608,640	14,276,830	48,112	44,771,535
<b>Total liabilities</b>	<b>5,605,476</b>	<b>278,876</b>	<b>50,165,348</b>	<b>843,753</b>	<b>1,787,375</b>	<b>27,842,675</b>	<b>1,953,158</b>	<b>88,476,661</b>
<b>Net position</b>	<b>\$ (1,423,183)</b>	<b>\$ 110,947</b>	<b>\$13,700,808</b>	<b>\$ (273,957)</b>	<b>\$ 87,783</b>	<b>\$ (12,097,630)</b>	<b>\$ (104,768)</b>	<b>\$ -</b>

See accompanying independent accountants' report

# REGIONAL FARE COORDINATION SYSTEM

## SCHEDULE OF OPERATING AND NON-OPERATING ACTIVITY BY AGENCY

	December 31, 2019							
	Community Transit	Everett Transit	King County	Kitsap Transit	Pierce Transit	Sound Transit	Washington State Ferries	Total
<b>Usage</b>								
E-purse	\$ 4,183,533	\$ 447,998	\$ 34,630,186	\$ 1,046,276	\$ 1,511,298	\$ 21,650,490	\$ 4,483,534	\$ 67,953,315
Regional pass	2,817,078	234,998	26,677,707	155,647	1,462,215	13,076,937	-	44,424,582
Business accounts	9,789,640	250,880	84,199,202	1,933,888	1,417,260	48,211,143	-	145,802,013
<b>Total usage</b>	<b>16,790,251</b>	<b>933,876</b>	<b>145,507,095</b>	<b>3,135,811</b>	<b>4,390,773</b>	<b>82,938,570</b>	<b>4,483,534</b>	<b>258,179,910</b>
<b>Operating revenue</b>								
Agency billings	388,357	60,681	4,698,973	135,015	247,274	1,988,056	66,749	7,585,105
Interest income	57,740	9,022	698,635	20,074	36,764	295,581	9,924	1,127,740
Card fee income	14,895	2,327	180,228	5,178	9,484	76,251	2,560	290,923
<b>Total operating revenue</b>	<b>460,992</b>	<b>72,030</b>	<b>5,577,836</b>	<b>160,267</b>	<b>293,522</b>	<b>2,359,888</b>	<b>79,233</b>	<b>9,003,768</b>
<b>Total operating revenue and usage</b>	<b>17,251,243</b>	<b>1,005,906</b>	<b>151,084,931</b>	<b>3,296,078</b>	<b>4,684,295</b>	<b>85,298,458</b>	<b>4,562,767</b>	<b>267,183,678</b>
<b>Operating expenses</b>								
Services	217,603	34,001	2,632,915	75,651	138,552	1,113,942	37,401	4,250,065
Wages and benefits	82,753	12,930	1,001,277	28,770	52,690	423,622	14,223	1,616,265
Card production costs	96,882	15,138	1,172,231	33,682	61,686	495,952	16,652	1,892,223
Bank card fees	52,107	8,142	630,487	18,116	33,178	266,748	8,959	1,017,737
Bad debt	6,779	1,059	82,017	2,357	4,316	34,700	1,165	132,393
Telephone	1,917	299	23,191	666	1,220	9,812	329	37,434
Office supplies	2,952	461	35,715	1,026	1,879	15,111	507	57,651
<b>Total operating expenses</b>	<b>460,993</b>	<b>72,030</b>	<b>5,577,833</b>	<b>160,268</b>	<b>293,521</b>	<b>2,359,887</b>	<b>79,236</b>	<b>9,003,768</b>
<b>Non-operating revenue (expenses)</b>								
Agency billings - non-operating	351,961	44,454	2,786,759	107,356	218,248	1,289,405	43,335	4,841,518
Back office software design	(238,010)	(31,966)	(1,884,518)	(74,576)	(149,565)	(869,504)	(32,408)	(3,280,547)
Technical consulting services	(71,138)	(7,796)	(563,256)	(20,464)	(42,878)	(262,138)	(6,821)	(974,491)
Project wages and benefits	(42,813)	(4,692)	(338,985)	(12,316)	(25,805)	(157,763)	(4,106)	(586,480)
<b>Total non-operating revenue (expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net ORCA receipts</b>	<b>16,790,251</b>	<b>933,876</b>	<b>145,507,095</b>	<b>3,135,811</b>	<b>4,390,773</b>	<b>82,938,570</b>	<b>4,483,534</b>	<b>258,179,910</b>
<b>Transfers to agencies</b>	<b>(13,732,815)</b>	<b>(803,630)</b>	<b>(118,859,389)</b>	<b>(2,562,282)</b>	<b>(3,673,538)</b>	<b>(68,030,489)</b>	<b>(4,430,328)</b>	<b>(212,092,471)</b>
<b>Undistributed receipts</b>	<b>\$ 3,057,436</b>	<b>\$ 130,246</b>	<b>\$ 26,647,706</b>	<b>\$ 573,529</b>	<b>\$ 717,235</b>	<b>\$14,908,081</b>	<b>\$ 53,206</b>	<b>\$ 46,087,439</b>

See accompanying independent accountants' report

## REGIONAL FARE COORDINATION SYSTEM

### SCHEDULE OF OPERATING AND NON-OPERATING ACTIVITY BY AGENCY

	December 31, 2018							
	Community Transit	Everett Transit	King County	Kitsap Transit	Pierce Transit	Sound Transit	Washington State Ferries	Total
<b>Usage</b>								
E-purse	\$ 3,855,067	\$ 296,121	\$ 35,750,879	\$ 832,834	\$ 1,515,646	\$ 21,898,433	\$ 4,158,276	\$ 68,307,256
Regional pass	2,806,627	189,862	27,231,567	152,453	1,775,986	13,201,046	-	45,357,541
Business accounts	9,578,629	181,505	80,504,116	1,073,425	1,112,309	44,982,436	-	137,432,420
<b>Total usage</b>	<b>16,240,323</b>	<b>667,488</b>	<b>143,486,562</b>	<b>2,058,712</b>	<b>4,403,941</b>	<b>80,081,915</b>	<b>4,158,276</b>	<b>251,097,217</b>
<b>Operating revenues</b>								
Agency billings - operating	380,009	61,778	4,534,248	132,177	244,959	1,766,432	63,933	7,183,536
Interest income	44,408	7,220	529,879	15,446	28,626	206,428	7,471	839,478
Card fee income	12,288	1,998	146,626	4,274	7,921	57,122	2,067	232,296
<b>Total operating revenue</b>	<b>436,705</b>	<b>70,996</b>	<b>5,210,753</b>	<b>151,897</b>	<b>281,506</b>	<b>2,029,982</b>	<b>73,471</b>	<b>8,255,310</b>
<b>Total operating revenue and usage</b>	<b>16,677,028</b>	<b>738,484</b>	<b>148,697,315</b>	<b>2,210,609</b>	<b>4,685,447</b>	<b>82,111,897</b>	<b>4,231,747</b>	<b>259,352,527</b>
<b>Operating expenses</b>								
Services	228,033	37,071	2,720,876	79,316	146,993	1,059,987	38,364	4,310,640
Wages and benefits	86,719	14,098	1,034,728	30,163	55,900	403,106	14,589	1,639,303
Card production costs	64,859	10,544	773,898	22,560	41,809	301,491	10,912	1,226,073
Bank card fees	46,949	7,633	560,199	16,330	30,264	218,239	7,898	887,512
Bad debt	6,759	1,099	80,644	2,351	4,357	31,417	1,137	127,764
Telephone	1,961	319	23,402	682	1,264	9,117	331	37,076
Office supplies	1,425	232	17,006	495	919	6,625	240	26,942
<b>Total operating expenses</b>	<b>436,705</b>	<b>70,996</b>	<b>5,210,753</b>	<b>151,897</b>	<b>281,506</b>	<b>2,029,982</b>	<b>73,471</b>	<b>8,255,310</b>
<b>Non-operating revenue (expenses)</b>								
Agency billings - non-operating	152,321	16,693	1,206,050	43,819	91,810	561,293	14,606	2,086,592
Back office software design	(64,666)	(7,087)	(512,014)	(18,603)	(38,977)	(238,291)	(6,201)	(885,839)
Technical consulting services	(49,049)	(5,375)	(388,361)	(14,110)	(29,564)	(180,742)	(4,703)	(671,904)
Project wages and benefits	(38,606)	(4,231)	(305,675)	(11,106)	(23,269)	(142,260)	(3,702)	(528,849)
<b>Total non-operating revenue (expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net ORCA receipts</b>	<b>16,240,323</b>	<b>667,488</b>	<b>143,486,562</b>	<b>2,058,712</b>	<b>4,403,941</b>	<b>80,081,915</b>	<b>4,158,276</b>	<b>251,097,217</b>
<b>Transfers to agencies</b>	<b>(13,256,634)</b>	<b>(589,139)</b>	<b>(117,092,612)</b>	<b>(1,676,747)</b>	<b>(3,795,301)</b>	<b>(65,805,085)</b>	<b>(4,110,164)</b>	<b>(206,325,682)</b>
<b>Undistributed receipts</b>	<b>\$ 2,983,689</b>	<b>\$ 78,349</b>	<b>\$ 26,393,950</b>	<b>\$ 381,965</b>	<b>\$ 608,640</b>	<b>\$14,276,830</b>	<b>\$ 48,112</b>	<b>\$ 44,771,535</b>

See accompanying independent accountants' report

## **REGIONAL FARE COORDINATION SYSTEM**

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### **NOTE TO SUPPLEMENTAL ALLOCATION SCHEDULES**

#### **PRODUCTS COLLECTED ON BEHALF OF PARTICIPATING AGENCIES AND EXPENDITURE ALLOCATION METHODOLOGY**

##### ***E-Purse Product***

Funds received from cardholders for loading e-purse value are allocated to each agency based on actual trip value. For trips involving multiple agencies (linked trips) that involve e-purse transfer credits, the total fare is allocated based on actual reappropriation that occurs 30 days later in proportion to the value of the fare each agency would have otherwise been charged for the service as a non-linked trip.

##### ***Regional Pass Product***

Funds received for the purchase of regional pass product are apportioned to the agencies 30 days after the end of the month for which the product was valid. The purchase price of the product is allocated to the transit service provider based the proportionate share of the total value of trips taken during the month. Funds not distributed to the agencies as fare revenue are allocated to the agencies based on the prior three months of regional pass revenue earned.

##### ***Business Account Products***

A business account may elect to choose either a business account “choice” agreement or a business account “passport” agreement subject to established program requirements. The business “choice” agreement revenues are allocated in accordance with the rules for e-purse and regional pass products. Business account “passport” products are allocated to each agency based on either a flat rate or per trip basis.

##### ***Operating Expenses***

The allocation for regionally shared ORCA operating expenses is based on the proportion to agency estimated ridership numbers, as adjusted to account for ridership that did not occur using the ORCA fare payment system.

##### ***Non-Operating Expenses***

The allocation for regionally shared ORCA non-operating expenses is based on the Capital Share formula adopted by the Joint Board in 2017, effective for all project costs as of January 1, 2018. This allocation is fixed for future years and will only be subject to revision as necessary to accommodate an addition or withdrawal of an agency. Expenses prior to January 1, 2018 were allocated to the agencies based on the operating shares for the period in which the expense occurred.