

Pierce Transit

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2006
Pierce County, Washington

Lynne M. Griffith
Chief Executive Officer

Prepared by
The Finance and Administration Department

Wayne Fanshier
Vice President, Finance and Administration

Kathy Sullivant
Finance Manager

Liz Passmore
Assistant Manager of Accounting

Kasi Reeves
Senior Accountant

Pierce Transit customers often give feedback on our service quality, our employees' commitment and just how well we meet their needs. Actual testimonials are included in this report. We hope you enjoy reading them as much as we did receiving them.



**Pierce Transit
Comprehensive Annual Financial Report
Year Ended December 31, 2006**

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June 30, 2007

Board of Commissioners
Pierce County Public Transportation
Benefit Area Corporation

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

Pierce Transit's Comprehensive Annual Financial Report for the year ending December 31, 2006 is presented herein. Management assumes full responsibility for the completeness and reliability of the information contained in this reports, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not outweigh their benefits, Pierce Transit's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that its financial statements will be free from material misstatement. We believe the data, including management's discussion and analysis, the financial statements, supporting schedules and statistical tables, as presented, is accurate in all material aspects and that adequate internal controls are in place to ensure that it presents fairly the financial position and results of the operations of Pierce Transit. All disclosures necessary to enable the reader to gain the maximum understanding of Pierce Transit's business have been included.

The Washington State Auditor's Office has issued an unqualified ("clean") opinion on Pierce Transit's financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

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

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

II. PROFILE OF THE AGENCY

The Pierce County Public Transportation Benefit Area Corporation, AKA "Pierce Transit," was formed in 1979 when voters passed a 0.3 % sales tax to fund public transportation. By authorizing this taxing authority, a municipal corporation (Pierce Transit), was formed under Chapter 36.57A of the revised Code of Washington. In February 2002, Pierce County voters approved a ballot measure increasing local sales tax support from .3% to .6%. Sales tax collections based on the new tax rate began in July 2002. This additional sales tax revenue was used to restore service cut as a result of the loss of motor vehicle excise tax (MVET) revenues.

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

Pierce Transit's mission is to "deliver outstanding transportation services that match our customers' needs." Services are provided over a 414 square mile radius to an estimated population of 705,018. Pierce Transit's service area includes the cities and towns of Bonney Lake, Buckley, Dupont, Edgewood, Fife, Fircrest, Gig Harbor, Lakewood, Milton, Orting, Pacific, Puyallup, Ruston, Steilacoom, Sumner, Tacoma, and University Place along with extensive unincorporated areas of Pierce County. A Board of Commissioners governs the Agency. The Board is comprised of three members of the Tacoma City Council, two members of the Pierce County Council, the Pierce County Executive or his delegate, a member of the City of Lakewood council, one member selected by the City Councils of the cities of Puyallup and University Place, and an elected official chosen by the remaining small cities and towns. Appointments are based on three-year terms.

The Chief Executive Officer (CEO) is responsible for implementation of the policies legislated by the Board of Commissioners. In order to provide overall management for the Agency, six departments have been established, Executive, Maintenance, Operations, Development, Finance and Administration, and Human Resources.

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

Pierce Transit's local fixed route bus service is provided along more than 42 routes throughout Pierce County. This service is centered on a network of transit center hubs and park and ride lots. Pierce Transit supports regional express bus service in cooperation with Sound Transit, Puget Sound's Regional Transit Authority. Since 1999, the popular Seattle Express service from Tacoma to Seattle was funded by Sound Transit, and operated by Pierce Transit. In 2006, all local and express fixed route services combined carried 14.4 million passengers.

Specialized transportation services, commonly known as SHUTTLE, provide transportation to individuals in the community, who, due to a disability, are unable to use fixed route bus services. SHUTTLE is provided directly by Pierce Transit employees and through contracts with local transportation providers. In 2006, total ridership was 405,610.

The Agency's vanpool program was added to the mix of services in 1986. Since its inception, the vanpool program has expanded to 300 vans with over 3,261 daily riders. The vanpool program accounted for 5.2% of the Agency's total ridership in 2006, with 815,139 passenger boardings.

More people than ever look to Pierce Transit as an integral community partner. This year, we provided more than 130,674 rides in support of special events including the Puyallup Fair, Sound to Narrows Run, Mariners' games, Seahawk Games, and the 4th of July Freedom Fair.

Major Initiatives

- The Agency began a strategic positioning process in 2006. This is a powerful approach to planning for dynamic challenges and opportunities facing organizations. This exciting, fast-paced process will help Pierce Transit to determine a long-range vision and to prepare itself for a wide array of possible future

scenarios. The end result of the strategic positioning project will be a mission statement, goals, and organizational strategies that will provide a clear direction for the future.

- A project to replace Pierce Transit's mobile communication system is currently underway. The current radio system has exceeded its useful life and does not provide adequate radio coverage. This project will implement a mobile communication system that will enable reliable voice and data communication to all vehicles. In addition to replacing the current radio system, the system will be upgraded to include computer aided dispatch, mobile data, automatic vehicle location and other Intelligent Transportation System (ITS) capabilities. These new radio technologies will provide the opportunity to dramatically improve system safety and productivity. The cost of the project is currently estimated at approximately \$37 million.
- Coinciding with the opening of a second Tacoma Narrows Bridge in 2007, a significant increase in demand for bus and vanpool services is anticipated. Additional demand for transportation services will be motivated by the addition of two high occupancy vehicle lanes and the imposition of a toll across the bridge. This will create an increased demand for park and ride lot capacity in the Gig Harbor Peninsula area. In anticipation of this need, Pierce Transit is planning for an additional park and ride lot that will accommodate between 450-550 automobiles. Conceptual design and environmental work for the Park and Ride was completed in 2006. Property acquisition is currently underway. The estimated Phase I project cost is \$15 million.
- Design work on major changes to Pierce Transit's oldest transit center, Parkland Transit Center, was completed in 2006. Planned improvements included security enhancements, increased passenger amenities and transit capacity improvements.

III. ECONOMIC CONDITION AND OUTLOOK

Local economic conditions play a major part in sales tax revenue which is Pierce Transit's primary operating revenue source. Pierce Transit's sales tax rate of 6/10ths of 1% is anticipated to generate over \$79 million dollars in sales tax revenue in 2007. Sales tax has become an increasingly important component of Pierce Transit's operating revenues since the loss of Motor Vehicle Excise Tax (MVET) in 2000. In 2000, sales tax represented 41 % of operating revenues. In 2007, sales tax is expected to account for 69 % of Pierce Transit's operating revenues.

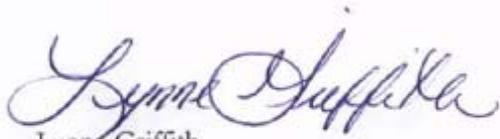
In creating the long-term financial plan and preparing the annual budget, local conditions and issues are closely examined. Pierce County's economy provides a stable base for economic growth. Growth in the local economy has a significant positive impact on Pierce Transit's sales tax revenues. Major manufacturers such as Boeing and Intel, along with other employers such as the Port of Tacoma and service employers like the Franciscan Health System and Multicare Medical Center give Pierce County a diversified economic base. Growth in the local military bases is expected to help to spur the local economy in 2007. Record low unemployment, a strong housing market and strong growth in personal income are also expected to continue to feed moderate economic growth in 2007. This growth is expected to support Pierce Transit's six-year financial plan.

IV. AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pierce Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a governmental unit must establish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



Lynne Griffith
Chief Executive Officer



Wayne Fanshier
Vice President, Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pierce Transit
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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



President

Executive Director

Organizational Chart

Lynne Griffith
Chief Executive Officer

Larry Cline
Acting Vice President, Operations

Sandy Byers, CMC
Assistant to the CEO/Clerk of the Board

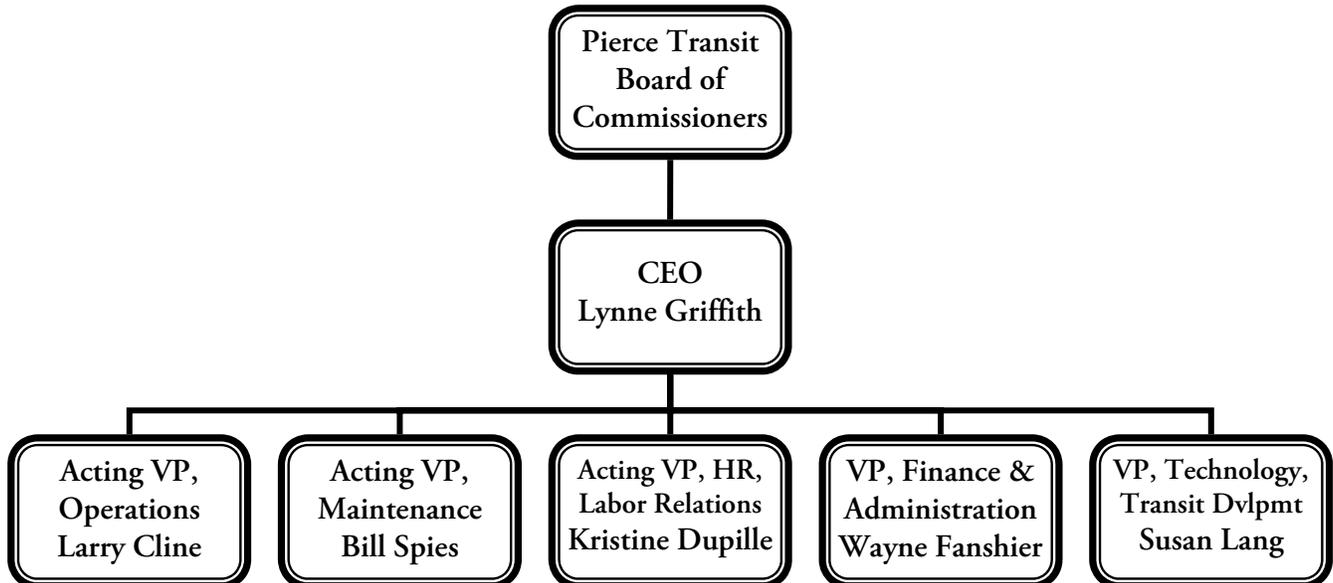
Bill Spies
Acting Vice President, Maintenance

Tom Wolfendale
General Counsel

Kristine Dupille
Acting Vice President, Human Resources &
Labor Relations

Wayne Fanshier, CPA
Vice President, Finance & Administration

Susan Lang
Vice President, Technology & Transit
Development



Board of Commissioners

Bill Baarsma

Chairman of the Board
Mayor of Tacoma
Term Expires 5/07

John Ladenburg

Vice Chairman of the Board
Pierce County Executive
Term Expires 5/08

Calvin Goings

Pierce County
Councilmember
Term Expires 5/09

Dave Enslow

Small Cities/Towns
Councilmember
Term Expires 5/07

Gerald Gehring

Puyallup/University Place
Councilmember
Term Expires 5/09

Tom Stenger

Tacoma Councilmember
Term Expires 5/08

Rick Talbert

Tacoma Councilmember
Term Expires 5/09

Terry Lee

Pierce County Councilmember
Term Expires 5/07

John Arbeeny

Lakewood Councilmember
Term Expires 5/08

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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 22, 2007

Board of Commissioners
Pierce Transit
Lakewood, Washington

We have audited the accompanying basic financial statements of the the Pierce Transit, Pierce County, Washington, as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pierce Transit, Pierce County, Washington, as of December 31, 2006 and 2005, and the changes in financial position and, where applicable, cash flows thereof, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Sincerely,

**BRIAN SONNTAG, CGFM
STATE AUDITOR**



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Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006

Following is management's discussion and analysis (MD&A) of Pierce Transit's financial activities for the year ended December 31, 2006. This discussion should be reviewed in conjunction with the financial statements, which follow this report.

Financial Highlights

- Net income for 2006, before contributions, was \$12.9 million, compared to \$8.7 million for 2005 and \$4.0 million in 2004. The 2006 increase in net income was a result of increased sales tax revenue. \$12.9 million in net income and capital contributions of \$5.5 million accounted for the \$18.4 million increase in net assets in 2006.
- Pierce Transit's assets exceeded its liabilities at December 31, 2006 by \$223.9 million (net assets) compared to \$205.5 million in 2005 and \$182.4 million in 2004. These increases in net assets as a result of operations indicate an improved financial position. Investments in capital assets increased by \$.7 million, \$9.2 million and \$9.0 million in 2006, 2005 and 2004 respectively. Unrestricted net assets increased by \$17.7 million in 2006, \$13.8 million in 2005 and \$11.7 million in 2004. A \$37 million communication project and a \$15 million Peninsula Phase 1 Park and Ride project will use a portion of these reserves over the next two years.
- No additional debt was issued during the last three years.

Overview of the Financial Statements

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

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

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

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

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

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006

Pierce Transit's financial statements can be found on page 21 to 24 of this report.

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

Financial Statement Analysis

As noted earlier, net assets may serve as a useful indication of the Agency's financial position. Total net assets exceed liabilities by \$223.9 million, \$205.5 million and \$182.5 million in 2006, 2005 and 2004 respectively.

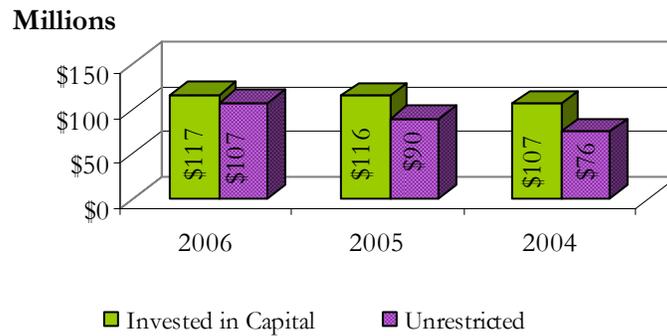
Summary Statement for Net Assets
For the years ending December 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets:			
Current Assets	\$ 74,503,799	\$ 53,787,701	\$ 48,400,372
Restricted and Designated Assets	51,872,141	53,602,590	42,468,789
Other Non-current assets	-	-	-
Capital Assets (net)	116,669,627	115,927,548	106,752,212
Total Assets	<u>\$ 243,045,567</u>	<u>\$ 223,317,839</u>	<u>\$ 197,621,373</u>
Liabilities:			
Current Liabilities	\$ 12,661,532	\$ 12,448,807	\$ 9,655,597
Current Liabilities Payable from Restricted Assets	3,351,987	2,008,468	1,984,046
Non-current Liabilities	3,104,517	3,389,084	3,528,256
Total Liabilities	<u>19,118,036</u>	<u>17,846,359</u>	<u>15,167,899</u>
Net Assets:			
Invested in Capital Assets	116,669,627	115,927,548	106,752,212
Net Assets	107,257,904	89,543,932	75,701,262
Total Net Assets	<u>223,927,531</u>	<u>205,471,480</u>	<u>182,453,474</u>
Total Liabilities and Net Assets	<u>\$ 243,045,567</u>	<u>\$ 223,317,839</u>	<u>\$ 197,621,373</u>

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006**

A large majority of Pierce Transit's 2006 net assets (\$116.7 million) reflect its investment in capital assets (e.g. revenue vehicles, passenger facilities, and shop equipment). The Agency uses these capital assets to provide transportation to the community. These are committed assets and this portion of the net asset balance is not available for future spending. A portion (\$48.5 million) of the remaining net asset balance of \$107.2 million has been restricted or designated by Board action (e.g., capital, workers' compensation and liability self-insurance programs) or by bond covenants. The remainder of \$58.7 million is available to support future obligations for transportation operations.

Net Assets by Type



Following is a summary of the Comparative Statement of Revenues, Expenses and Changes in Net Assets for the last three years:

**Comparative Statement of Revenues, Expenses and Changes in Net Assets
For the years ending December 31, 2006, 2005 & 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 27,700,692	\$ 24,787,446	\$ 23,351,313
Operating Expenses	(87,266,403)	(81,949,100)	(75,723,197)
Depreciation	(13,681,147)	(12,567,124)	(12,274,862)
Operating Loss	<u>(73,246,858)</u>	<u>(69,728,778)</u>	<u>(64,646,746)</u>
Operating Subsidies	81,622,203	76,582,094	66,477,601
Non-operating Revenues	5,415,907	3,749,902	2,257,558
Non-operating Expenses	(865,324)	(1,893,611)	(131,825)
Net Non-operating Income	<u>86,172,786</u>	<u>78,438,385</u>	<u>68,603,334</u>
Net Income (Loss) Before Contributions	12,925,928	8,709,607	3,956,588
Capital Grants	5,530,123	14,308,399	16,970,314
Change in Net Assets	<u>\$ 18,456,051</u>	<u>\$ 23,018,006</u>	<u>\$ 20,926,902</u>

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006

A description of operating & non-operating revenues follows:

Operating Revenues	2006	2005	2004
Passenger Fares	\$ 11,515,007	\$ 9,096,278	\$ 9,368,453
Advertising	1,094,081	851,602	442,379
Regional Transit Service	15,091,604	14,839,566	13,540,481
Total Operating Revenues	<u>27,700,692</u>	<u>24,787,446</u>	<u>23,351,313</u>
Non-Operating Revenues:			
Operating Subsidies:			
Sales Tax	74,593,386	69,126,119	61,770,952
Operating Grants	7,028,817	7,455,975	4,706,649
Other Non-Operating Revenues:			
Investment Income	4,161,786	2,393,870	1,218,453
Miscellaneous Income	1,254,121	1,356,032	1,039,105
Total Non-Operating Revenues	<u>87,038,110</u>	<u>80,331,996</u>	<u>68,735,159</u>
Total Revenues	<u>\$ 114,738,802</u>	<u>\$ 105,119,442</u>	<u>\$ 92,086,472</u>

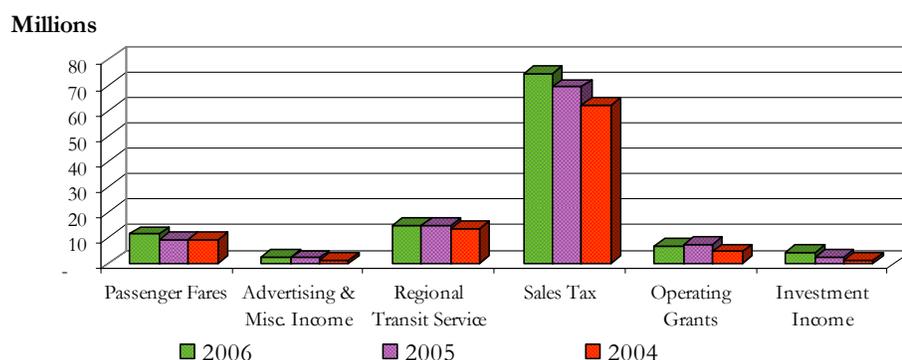
Revenue highlights for 2006 include:

- Pierce Transit's passenger fares consist of revenues from the sale of passes and tickets as well as cash fares collected on-board revenue vehicles. Fare revenues increased in 2006 by \$2.4 million to \$11.5 million due to an increase in ridership and a fare increase implemented in March 2006. Fare revenues in 2005 and 2004 were \$9.1 million and \$9.4 million respectively.
- Advertising revenues increased to \$1.1 million due to the timing of contractual guarantees. Advertising revenues were \$.8 million in 2005 and \$.4 million in 2004.
- Regional transit service is the fixed route express service provided for Sound Transit, Puget Sound's Regional Transit Authority. An inter-local agreement between Pierce Transit and Sound Transit has been established for the operation of this service. The agreement is for a period of five years. The current operating agreement ends on December 31, 2009. Revenues generated from this regional transit service were \$15.1 million in 2006, an increase of 1.7% over 2005. This increase is a result of a change in the number of service hours as well as the rate Pierce Transit charges for providing this service. Regional transit service revenues were \$14.8 million and \$13.5 million in 2005 and 2004 respectively.
- Sales tax, accounting for nearly 65% of Pierce Transit's total revenue (excluding capital), grew by \$5.5 million, an increase of 7.9% over 2005. Sales tax revenues have been steadily increasing with sales tax revenues of \$74.6 million in 2006, \$69.1 million in 2005 and \$61.8 million in 2004. These increases are a result of a strong local economy.

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006**

- The majority of operating grant revenue is received from the Federal Transit Administration (FTA). Operating grants received in 2006 totaled \$7.0 million compared to \$7.4 million in 2005 and \$4.7 million in 2004.
- Investment income increased nearly 74% from 2005 earnings. 2006 investment earnings were \$4.1 million compared to \$2.4 million in 2005 and \$1.2 million in 2004. These increases are primarily due to a larger investment portfolio.

Operating Revenue by Source



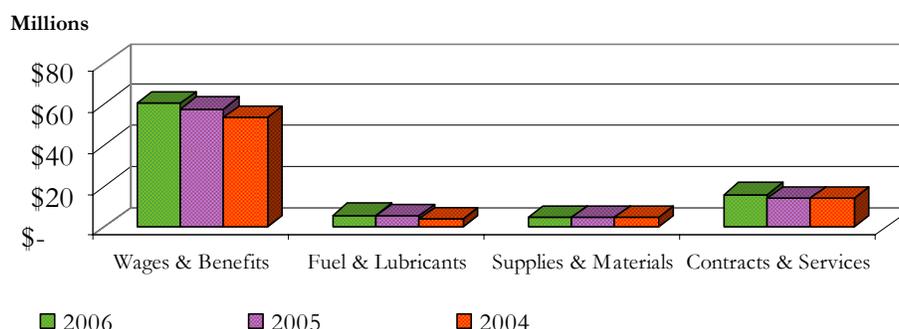
Operating Expenses

Total 2006 operating expenses, excluding depreciation and capital, totaled \$87.3 million and increased by 6.5% over 2005 levels. Operating expenses for 2005 and 2004 were \$81.9 million and \$75.7 million. Several factors, including contractual wage and benefit increases as well as service levels contributed to the rise in operating expenses.

Operating Expenses:	<u>2006</u>	<u>2005</u>	<u>2004</u>
Wages & Benefits	\$ 60,736,926	\$ 57,785,602	\$ 53,276,898
Fuel & Lubricants	5,917,776	5,386,453	3,731,581
Supplies & Materials	4,636,844	4,851,849	4,944,439
Contracts & Services	15,974,856	13,925,196	13,770,279
Total Operating Expenses	<u>87,266,402</u>	<u>81,949,100</u>	<u>75,723,197</u>
Non Operating Expenses:			
Depreciation & Amortization	13,681,147	12,567,124	12,274,862
Items Previously Deferred	50,590	61,865	1,277
Grant Exchange Funds	711,191	1,714,333	-
Interest Expense	103,543	117,413	130,548
Total Non-Operating Expenses	<u>14,546,471</u>	<u>14,460,735</u>	<u>12,406,687</u>
Total Expenses	<u>\$ 101,812,873</u>	<u>\$ 96,409,835</u>	<u>\$ 88,129,884</u>

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006**

2006 Operating Expenditures by Type



Wages and benefits for 2006 of \$60.7 million make up 70% of operating expenses and increased by 5.1% over 2005 levels. Contractual wage increases of 2.25%, a 51% increase in the PERS retirement rate, and the increase in the number of service hours accounted for the change in operating costs. National increases in the price of fuel, as well as an increase in the number of service hours operated, contributed to a 9.9% increase in fuel costs as compared to 2005. Wages and benefits for 2005 and 2004 were \$57.8 million and \$53.3 million respectively.

Total operating expenses, exclusive of depreciation and capital, are most directly impacted by the number of service hours Pierce Transit operates. Service hours include drive time while in service, deadhead and layover. Following is a table representing the number of service hours by type of service for 2006, 2005 and 2004:

Service Hours:	2006	2005	2004
Fixed Route Pierce Transit	601,655	580,073	563,468
Fixed Route Sound Transit	163,684	172,410	176,505
Demand Response	216,284	186,147	175,901
Vanpool	121,386	104,239	100,750
Total	1,103,009	1,042,869	1,016,624

Capital Assets

Capital assets include revenue vehicles, support vehicles, projects in progress, land, buildings, shop equipment, passenger facilities, and other assets having a life of more than one year with an acquisition value of more than \$5,000. Pierce Transit's investment in capital assets as of December 31, 2006 totaled \$116.7 million, net of accumulated depreciation. This compared to a 2005 net investment in capital assets of \$115.9 million and a 2004 net investment in capital assets of \$106.8 million. Net 2006 capital assets increased by less than one percent, or \$.8 million during the year. This is the net result of the addition of \$14.4 million in assets and \$13.6 million in depreciation for 2006.

Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006

Capital contributions in 2006 totaled \$5.5 million. Capital grants funded 38 % of Pierce Transit's capital acquisitions in 2006. The Federal Transit Administration provides the majority of this funding. For a more detailed discussion on capital assets see footnote 1I.

Major capital asset acquisitions during 2006 include the following:

- 15 CNG buses, 44 Vanpool Vans, 10 SHUTTLE vehicles and additional support vehicles
- Property improvements and building improvements
- Transit center development including a new Peninsula Park and Ride and improvements to multiple locations throughout Pierce County
- A variety of maintenance and computer equipment

Debt Administration

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

Outstanding bond debt as of December 31, 2006 totaled \$2,145,000. It consists of limited sales tax general obligation bonds issued in 1999 with varying interest rates between 3.0% to 4.3% and maturities ranging from November 1, 1999 through November 1, 2011. This debt has been rated Aaa by Moody's Investors Service and is insured by Financial Guaranty Insurance Company (FGIC). A more detailed description of Pierce Transit's debt activity is found in footnote 4 and 9 of the financial section of this report.

Pierce Transit's authorized debt limit without a vote of the people is .375 percent of the value of the taxable property within its boundaries. The estimated non-voted debt capacity is \$130,368,711. Pierce Transit's maximum debt capacity (voted and non-voted) is 1.25 percent of assessed valuation, or \$437,014,131. This estimate is based on the assessed value of the cities and towns of Tacoma, Puyallup, Lakewood, University Place, Dupont, Orting, Steilacoom, Gig Harbor, Fircrest, Ruston, Fife, Milton, Sumner, Edgewood, Bonney Lake and Buckley, which are served by Pierce Transit. This estimate does not include any of the assessed valuation from the unincorporated areas of Pierce County within Pierce Transit's jurisdiction. As of December 31, 2006, Pierce Transit has a remaining total debt capacity of 99% and a remaining voted debt capacity of 97%.

Reserve Policies

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

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

**Pierce Transit
Management's Discussion and Analysis
Year Ended December 31, 2006**

- Insurance Reserve: The Insurance Reserve will be set at a level to adequately protect the Agency from self-insurance risks.
- Capital Reserve: The minimum amount of the Capital Reserve will be set at a level equal to ten percent of the six-year average annual capital expenditures and fifty percent of the average annual grant funding programmed in the Six-Year Financial Plan. The capital reserve has been set at a level to enable the Agency to respond to urgent unanticipated capital expenditure requirements as well as to protect Pierce Transit from the uncertainty of Federal and State grant funding.
- Pierce Transit complied with its reserve policies during 2006.

Factors Affecting Financial Condition

Local Economy

- A record low unemployment rate and a 3.6 percent increase in the Pierce County Economic Index helped to spur strong growth in the Pierce County economy in 2006. Adding to the strength of the local economy, retail sales grew by 8.2 percent in 2006. This strong growth in retail sales was fueled by strong growth in personal income, a strong housing market and falling unemployment. The solid performance of the economy is expected to continue in 2007 and will positively impact Pierce Transit's sales tax revenues.
- Because 2006 economic growth was exceptionally strong, a slightly more moderate growth of 3% is anticipated in 2007. A strengthening economy, continued military personnel rotations, a healthy housing sector and solid retail expansion will stimulate local economic growth in the coming year.

Long Term Financial Outlook

- Pierce Transit expects to increase fixed route service hours approximately 17% by 2012. Current revenue and expenditure projections support this level of increase. Pierce Transit has identified expanded express services, more frequent peak hour services and more direct services to popular destinations as the most critical service needs for the next six years.
- Pierce Transit has developed a financial plan that relies upon sales tax revenues, fare revenues, regional transit service revenues from Sound Transit, and grant funds. In order to keep pace with inflation, one fare increase is planned over the next six years.
- Throughout the next six years, capital spending will focus on maintaining existing facilities and equipment and expanding facilities and equipment in order to improve customer service and support service expansion objectives. To do this, Pierce Transit will purchase replacement and expansion vehicles, expand base facilities, provide new park and ride lots, place shelters at existing stops and implement new technologies that provide better customer information and service. Two major projects are planned. Pierce Transit radio system will be replaced at a cost of \$37 million. This radio system will include a 700 MHz trunked voice and data radio system with Computer Aided Dispatch/Automated Vehicle Location (CAD/AVL). Phase I and II of the Peninsula Park and Ride lot will also be constructed. This park and ride lot will accommodate increased demand for transit

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Management's Discussion and Analysis
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services associated with the opening of a second Tacoma Narrows bridge. Phase II will include an in-line station in the median of SR-16 and will save time by allowing buses to remain on SR-16.

- Pierce Transit will support operating expenses of \$713 million and capital expenses of \$203 million over the next six years. The planned expenses totaling \$815 million with modest fund balances will provide prudent reserves to help manage future uncertainties.

Request for Information

This financial report is designed to provide a general overview of Pierce Transit's finances for all those who have an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President of Finance & Administration, PO Box 99070, Lakewood, WA 98496-0070.

End of Management's Discussion and Analysis

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**Pierce Transit
Financial Statements
Years Ended December 31, 2006 and 2005**

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Pierce Transit

Comparative Statement of Net Assets

December 31, 2006 and 2005

CURRENT ASSETS	2006	2005
Cash & Cash Equivalents	\$ 8,009,216	\$ 5,362,970
Investments	43,500,143	27,258,536
Accounts Receivable	248,759	4,565,711
Interest Receivable	220,502	121,013
Sales Tax Receivable	13,541,527	12,724,096
Due From Other Governments	6,593,688	1,458,957
Prepaid Expenses	239,456	252,175
Inventories	2,150,508	2,044,243
TOTAL CURRENT ASSETS	74,503,799	53,787,701
CURRENT RESTRICTED ASSETS		
Cash & Cash Equivalents	106,059	140,064
Investments	46,348,216	52,997,252
Accounts Receivable	386,715	71,517
Interest Receivable	165,407	268,889
Due From Other Governments	4,865,744	124,868
TOTAL CURRENT RESTRICTED ASSETS	51,872,141	53,602,590
TOTAL CURRENT ASSETS	126,375,940	107,390,291
LONG TERM ASSETS		
CAPITAL ASSETS		
Land	17,339,804	17,339,804
Work in Progress	5,770,407	5,017,323
Structures & Improvements	68,727,699	66,626,356
Site Improvements	46,510,031	43,918,591
Machinery & Equipment	96,575,639	94,067,431
Leasehold Improvements	0	79,250
Less: Accumulated Depreciation	(118,253,953)	(111,121,207)
TOTAL CAPITAL ASSETS	116,669,627	115,927,548
TOTAL LONG TERM ASSETS	116,669,627	115,927,548
TOTAL ASSETS	\$ 243,045,567	\$ 223,317,839

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Net Assets

December 31, 2006 and 2005

CURRENT LIABILITIES	2006	2005
Checks Payable	\$ 1,554,750	\$ 1,338,659
Accounts Payable	2,677,388	3,970,362
Unearned Revenue	61,990	-
Wages and Benefits Payable	2,602,686	2,476,419
Employee Leave Payable	3,935,058	3,977,809
Due to Other Governments	1,809,492	413,895
Retainage Payable	20,168	271,663
TOTAL CURRENT LIABILITIES	12,661,532	12,448,807
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Checks Payable	179,756	41,526
Accounts Payable	956,811	64,810
Interest Payable	212,380	204,986
Retainage Payable	116,990	-
Provision for Uninsured Claims	1,491,050	1,317,146
Bonds Payable-Current Portion	395,000	380,000
TOTAL RESTRICTED LIABILITIES	3,351,987	2,008,468
TOTAL CURRENT LIABILITIES	16,013,519	14,457,275
LONG-TERM LIABILITIES		
Employee Leave Payable	1,556,392	1,486,334
Bonds Payable-Non-Current Portion	1,750,000	2,145,000
Unamortized Bond Refunding Gain	(201,875)	(242,250)
TOTAL LONG-TERM LIABILITIES	3,104,517	3,389,084
TOTAL LIABILITIES	19,118,036	17,846,359
NET ASSETS		
Invested in Capital Assets	116,669,627	115,927,548
Unrestricted Net Assets	107,257,904	89,543,932
TOTAL NET ASSETS	223,927,531	205,471,480
TOTAL LIABILITIES AND NET ASSETS	\$ 243,045,567	\$ 223,317,839

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2006 and 2005

	2006	2005
OPERATING INCOME		
Passenger Fares	\$ 11,515,007	\$ 9,096,278
Advertising	1,094,081	851,602
Regional Transit Service	15,091,604	14,839,566
TOTAL OPERATING REVENUE	<u>27,700,692</u>	<u>24,787,446</u>
OPERATING EXPENSES		
Operations	47,015,359	45,657,013
Maintenance	16,790,669	15,760,591
Non-Vehicle Maintenance	4,636,652	4,248,971
General & Administration	18,823,723	16,282,525
Depreciation & Amortization	13,681,147	12,567,124
TOTAL OPERATING EXPENSES	<u>100,947,550</u>	<u>94,516,224</u>
OPERATING INCOME (LOSS)	<u>(73,246,858)</u>	<u>(69,728,778)</u>
NON-OPERATING INCOME (EXPENSE)		
Operating Subsidies:		
Sales Tax	74,593,386	69,126,119
Operating Grants	7,028,817	7,455,975
Other:		
Expense of Items Previously Deferred	(50,590)	(61,865)
Investment Income	4,161,786	2,393,870
Grant Exchange Funds	(711,191)	(1,714,333)
Miscellaneous Non-operating Income	969,860	1,005,346
Gain (Loss) on Disposal of Assets	284,261	350,686
Interest Expense	(103,543)	(117,413)
NET NON-OPERATING INCOME	<u>86,172,786</u>	<u>78,438,385</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	12,925,928	8,709,607
Capital Contributions	5,530,123	14,308,399
NET INCOME (LOSS) AFTER CONTRIBUTIONS	<u>18,456,051</u>	<u>23,018,006</u>
NET ASSETS-BEGINNING	<u>205,471,480</u>	<u>182,453,474</u>
NET ASSETS-ENDING	<u>\$ 223,927,531</u>	<u>\$ 205,471,480</u>

See accompanying notes to the financial statements.

Pierce Transit

Comparative Statement of Cash Flows

Years ended December 31, 2006 and 2005

INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS:	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	\$ 27,392,904	\$ 24,461,678
Cash Payments to Suppliers for Goods & Services	(39,061,191)	(34,176,200)
Cash Payments to Employees for Services	(47,920,257)	(45,468,676)
Net Cash Used By Operating Activities	<u>(59,588,544)</u>	<u>(55,183,198)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales Tax Received	73,775,955	67,793,205
Operating Grants Received	6,714,103	5,324,194
Net Cash Provided By Noncapital Financing Activities	<u>80,490,058</u>	<u>73,117,399</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(15,627,775)	(20,378,454)
Capital Grants and Contributions	1,025,219	15,955,247
Principal Paid on Debt	(380,000)	(365,000)
Interest Paid on Debt	(96,149)	(108,785)
Proceeds From Sale of Equipment	546,017	331,186
Net Cash Used By Capital and Related Financing Activity	<u>(14,532,688)</u>	<u>(4,565,806)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(100,322,217)	(194,585,429)
Proceeds from Maturities of Investment Securities	92,399,853	179,704,324
Interest on Investments	4,165,779	2,354,398
Change in Investment Value	0	0
Net Cash Used By Investing Activities	<u>(3,756,585)</u>	<u>(12,526,707)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,612,241	841,688
Cash and Cash Equivalents at Beginning of Year	5,503,034	4,661,346
Cash and Cash Equivalents at End of Year	<u>\$ 8,115,275</u>	<u>\$ 5,503,034</u>
See accompanying notes to the financial statements.		
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	(73,246,858)	\$ (69,728,778)
ADJUSTMENTS TO RECONCILE OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and Amortization	13,681,147	12,567,124
CHANGE IN ASSETS AND LIABILITIES FROM OPERATIONS:		
(Increase) Decrease in Receivables	4,081,631	(2,707,281)
(Increase) Decrease in Inventories	(106,265)	(421,708)
(Increase) Decrease in Prepaid Expenses	12,719	11,650
(Increase) Decrease in Due from Other Governments	(5,687,341)	2,358,474
Increase (Decrease) in Warrants Payable	354,321	996,326
Increase (Decrease) in Accounts Payable	(400,973)	964,166
Increase (Decrease) in Wages and Benefits Payable	153,574	802,466
Increase (Decrease) in Due to Other Governments	1,395,597	(80,424)
Increase (Decrease) in Provision for Uninsured Claims	173,904	54,787
TOTAL ADJUSTMENTS	<u>13,658,314</u>	<u>14,545,580</u>
Net Cash Used By Operating Activities	<u>\$ (59,588,544)</u>	<u>\$ (55,183,198)</u>

See accompanying notes to the financial statements.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

In accordance with Government Accounting Standards Board (GASB) Statement 20, the Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principals Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB), Statement 34, "Basic Financial Statements" and related standards. This statement provides for significant changes in terminology and includes recognition of capital grants in the Comparative Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis and other changes. Pierce Transit adopted this statement effective for the period ending December 31, 2002.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

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

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

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

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

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

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

During the fiscal year, periodic budget reviews of actual expenditures and revenues are made. Should any significant budget variances in either expenses or revenues occur, budget amendments, if required, are made by resolution by the Board of Commissioners. Individual department budgets are monitored for authorized expenditures on a department total rather than a line-item basis. With the exception of personnel costs, travel and training, and capital acquisitions, department and division managers may exercise their judgment in exceeding line item appropriations so long as they do not exceed their total appropriations. Any overruns for the Agency as a whole must be authorized by resolution by the Board of Commissioners.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

A schedule of budgeted versus actual revenues and expenses for the periods ending December 31, 2006 and 2005, is as follows:

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2006

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 10,862,600	\$ 11,515,007	\$ 652,407
Advertising	897,000	1,094,081	197,081
Regional Transit Service	15,260,500	15,091,604	(168,896)
Interest Income	2,111,800	4,161,786	2,049,986
Sales Tax	72,177,600	74,593,386	2,415,786
Operating Grants	5,959,200	7,028,817	1,069,617
Capital Grants	15,055,400	5,530,123	(9,525,277)
Bonds	10,000,000	-	(10,000,000)
Miscellaneous Revenues	1,907,100	969,860	(937,240)
Gain on Disposal of Assets	-	284,261	284,261
TOTAL*	\$ 134,231,200	\$ 120,268,925	\$ (13,962,275)

SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2006

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 64,338,300	\$ 60,736,927	\$ 3,601,373
Fuel and Lubricants	6,375,157	5,917,776	457,381
Supplies and Materials	4,977,943	4,636,806	341,137
Contracts and Services	15,928,000	15,974,894	(46,894)
Depreciation and Amortization	-	13,681,147	(13,681,147)
Expense of Items Previously Deferred	-	50,590	(50,590)
Capital Acquisitions	72,946,201	14,426,046	58,520,155
Interest Expense	104,000	103,543	457
Grant Exchange Funds	691,900	711,191	(19,291)
Bond Principal	380,000	380,000	-
TOTAL*	\$ 165,741,501	\$ 116,618,920	\$ 49,122,581

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

SCHEDULE OF REVENUES AND NON-REVENUES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2005

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Passenger Fares	\$ 9,821,400	\$ 9,096,278	\$ (725,122)
Advertising	763,900	851,602	87,702
Regional Transit Service	16,365,000	14,839,566	(1,525,434)
Interest Income	983,300	2,393,870	1,410,570
Sales Tax	62,147,200	69,126,119	6,978,919
Operating Grants	7,738,700	7,455,975	(282,725)
Capital Grants	24,199,200	14,308,399	(9,890,801)
Miscellaneous Revenues	1,892,500	1,005,345	(887,155)
Gain on Disposal of Assets	-	350,686	350,686
TOTAL*	\$ 123,911,200	\$ 119,427,840	\$ (4,483,360)

SCHEDULE OF EXPENSES AND EXPENDITURES BUDGETED VERSUS ACTUAL
Year Ended December 31, 2005

	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
Personnel	\$ 62,192,000	\$ 57,785,602	\$ 4,406,398
Fuel and Lubricants	4,715,517	5,386,453	(670,936)
Supplies and Materials	5,049,375	4,851,849	197,526
Contracts and Services	14,946,708	13,925,196	1,021,512
Depreciation and Amortization	-	12,567,124	(12,567,124)
Expense of Items Previously Deferred	-	61,865	(61,865)
Capital Acquisitions	58,984,074	21,717,527	37,266,547
Interest Expense	118,000	117,413	587
Grant Exchange Funds	2,805,900	1,714,333	1,091,567
Bond Principal	365,000	365,000	-
TOTAL*	\$ 149,176,574	\$ 118,492,362	\$ 30,684,212

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

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

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

	<u>2006</u>	<u>2005</u>
Passenger Fares	\$ 11,515,007	\$ 9,096,278
Advertising	1,094,081	851,602
Regional Transit Service	15,091,604	14,839,566
Investment Income	4,161,786	2,393,870
Misc. Non-Operating Revenue	969,860	1,005,345
Operating Subsidies	81,622,203	76,582,094
Gain on Disposal of Assets	284,261	350,686
TOTAL	<u>114,738,802</u>	<u>105,119,441</u>

Revenues From the Budget vs. Actual Schedule:

Capital Grants	5,530,123	14,308,399
TOTAL	<u>120,268,925</u>	<u>119,427,840</u>
GRAND TOTAL	<u>\$ 120,268,925</u>	<u>\$ 119,427,840</u>

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

	<u>2006</u>	<u>2005</u>
Operations	\$ 47,015,359	\$ 45,657,013
Maintenance	16,790,669	15,760,591
Non-Vehicle Maintenance	4,636,652	4,248,971
General & Administration	18,823,723	16,282,525
Depreciation and Amortization	13,681,147	12,567,124
Expense of Items Previously Deferred	50,590	61,865
Interest Expense	103,543	117,413
Grant Exchange Funds	711,191	1,714,333
TOTAL	<u>101,812,874</u>	<u>96,409,835</u>

Expenses From the Budget vs. Actual Schedule

Capital Acquisitions	14,426,046	21,717,527
Bond Principal Payment	380,000	365,000
TOTAL	<u>14,806,046</u>	<u>22,082,527</u>
GRAND TOTAL	<u>\$ 116,618,920</u>	<u>\$ 118,492,362</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

D. ENCUMBRANCES - Pierce Transit encumbers all expenses for management information. Encumbrances do not, however, constitute a legal reduction of appropriations. Accounts encumbered but not expended by the end of the budget year become an encumbrance of the following year's appropriations. Encumbrances outstanding on December 31, 2006 total \$33,310,561 compared to \$2,803,278 on December 31, 2005. The large increase in encumbrances for 2006 results from large capital projects in progress including base facility expansion, a mobile communications project, and passenger facilities improvements. Encumbrances are not shown on the financial statements.

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

F. INVESTMENTS - Investments are carried at fair value based on quoted market prices. Pierce Transit adopted GASB Statement 40, Deposit and Investment Risk Disclosures, effective January 1, 2005.

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

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

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

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

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

The Summary of Changes in Capital Assets for the years ended December 31, 2006 and 2005, respectively, follows:

Summary of Changes in Capital Assets
Year Ended December 31, 2006

Description	Balance January 1, 2006	Additions	Retirements	Adjustment	Balance December 31, 2006
Capital assets not being depreciated:					
Land	\$ 17,339,804	\$ -	\$ -	\$ -	\$ 17,339,804
Work in Progress	5,017,323	14,426,046	-	(13,672,962)	5,770,407
Total capital assets not being depreciated	<u>22,357,127</u>	<u>14,426,046</u>	<u>-</u>	<u>(13,672,962)</u>	<u>23,110,211</u>
Depreciable capital assets:					
Structures	66,626,356	-	-	2,101,343	68,727,699
Site Improvements	43,918,591	-	-	2,591,440	46,510,031
Machinery & Equipment	94,067,431	-	(6,449,281)	8,957,489	96,575,639
Leasehold Improvements	79,250	-	(79,250)	-	-
Total depreciable capital assets at cost	<u>204,691,628</u>	<u>-</u>	<u>(6,528,531)</u>	<u>13,650,272</u>	<u>211,813,369</u>
Total Capital Assets (gross)	<u>227,048,755</u>	<u>14,426,046</u>	<u>(6,528,531)</u>	<u>(22,690)</u>	<u>234,923,580</u>
Less accumulated depreciation for:					
Structures	(29,955,455)	(4,083,910)	-	-	(34,039,365)
Site Improvements	(37,218,394)	(221,095)	-	-	(37,439,489)
Machinery & Equipment	(43,868,108)	(9,328,373)	6,449,281	(27,899)	(46,775,099)
Leasehold Improvements	(79,250)	-	79,250	-	-
Total accumulated depreciation	<u>(111,121,207)</u>	<u>(13,633,378)</u>	<u>6,528,531</u>	<u>(27,899)</u>	<u>(118,253,953)</u>
Total Capital Assets (net)	<u>\$115,927,548</u>	<u>\$ 792,668</u>	<u>\$ -</u>	<u>\$ (50,589)</u>	<u>\$116,669,627</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

Summary of Changes in Capital Assets
Year Ended December 31, 2005

Description	Balance January 1, 2005	Additions	Retirements	Adjustment	Balance December 31, 2005
Capital assets not being depreciated:					
Land	\$ 16,470,104	\$ -	\$ -	\$ 869,700	\$ 17,339,804
Work in Progress	6,675,912	21,287,267	-	(22,945,857)	5,017,323
Total capital assets not being depreciated	<u>23,146,016</u>	<u>21,287,267</u>	<u>-</u>	<u>(22,076,157)</u>	<u>22,357,127</u>
Depreciable capital assets:					
Structures	64,335,558	-	-	2,290,799	66,626,356
Site Improvements	41,081,799	-	-	2,836,792	43,918,591
Machinery & Equipment	86,644,307	430,260	(9,893,834)	16,886,698	94,067,431
Leasehold Improvements	79,250	-	-	-	79,250
Total depreciable capital assets at cost	<u>192,140,914</u>	<u>430,260</u>	<u>(9,893,834)</u>	<u>22,014,289</u>	<u>204,691,628</u>
Total Capital Assets (gross)	<u>215,286,930</u>	<u>21,717,527</u>	<u>(9,893,834)</u>	<u>(61,868)</u>	<u>227,048,755</u>
Less accumulated depreciation for:					
Structures	(26,845,221)	(3,495,769)	-	385,535	(29,955,455)
Site Improvements	(35,230,799)	(1,602,060)	-	(385,535)	(37,218,394)
Machinery & Equipment	(46,379,448)	(7,382,494)	9,893,834	-	(43,868,108)
Leasehold Improvements	(79,250)	-	-	-	(79,250)
Total accumulated depreciation	<u>(108,534,718)</u>	<u>(12,480,323)</u>	<u>9,893,834</u>	<u>-</u>	<u>(111,121,207)</u>
Total Capital Assets (net)	<u>\$106,752,212</u>	<u>\$ 9,237,204</u>	<u>\$ -</u>	<u>\$ (61,868)</u>	<u>\$115,927,548</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

Work in progress as of 12/31/06 consists of the following projects:

Buildings & Site Improvements	\$ 432,109
Equipment	4,499,742
Park and Ride Lots/Transit Centers	838,556
Total Work in Progress	<u>\$ 5,770,407</u>

A number of projects were in process at the end of 2006. Commitments on capital projects as of 12/31/06 totaled \$29,120,462 and are itemized as follows: buildings and site improvements \$427,336, equipment \$28,334,349, and park and Ride lots/transit centers \$358,777. Projects underway on 12/31/06 included base facility expansion, passenger facilities improvements, a mobile communications project, and a regional fare coordination project (Smart Card).

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

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

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

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

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

K. UNEARNED REVENUE - Revenues are recorded when earned. Unearned revenue as of December 31, 2006 and 2005 was \$61,990 and \$0, respectively.

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

Net assets include the following subsidies of operations:

Sales Tax - In February 2002, Pierce County voters approved a ballot measure increasing the local sales tax support from .3% to .6%. The sales tax increase went into effect July 1, 2002. The sales tax increase replaces funding that was lost when the Motor Vehicle Excise Tax (MVET) was eliminated in 2000. The sales tax collected in 2006 totaled \$74,593,386, resulting in an eight percent increase over 2005 sales tax revenue of \$69,126,119.

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

Federal Operating Assistance - Federal operating grants.

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

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

VACATION AND SICK LEAVE - Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 days per year. Employees are not allowed to accumulate more than 2 years of vacation leave accrual at any point in time. Total vacation accruals are listed as follows:

	<u>2006</u>	<u>2005</u>
Vacation-Current	\$ 2,374,179	\$ 2,444,360
Vacation-Non-current	263,798	271,596
Total Vacation Leave Liability	<u>\$ 2,637,977</u>	<u>\$ 2,715,956</u>

Employees accumulate sick leave at the rate of 8 hours per month with no maximum accumulation specified. Total sick leave accruals as of December 31, 2006 and 2005 were \$6,613,509 and \$6,293,748 respectively. Sick leave is recorded as an expense at the time of payment, which occurs upon usage or termination. Fifty percent of the value is paid upon retirement or death of the employee, 20% is paid upon termination for any other reason. The estimated liability for these sick leaves payouts is as follows:

	<u>2006</u>	<u>2005</u>
Current Liability based on usage or terminations	\$ 1,560,879	\$ 1,533,449
Non-current Liability based on expected future payoffs	1,292,594	1,214,738
Total Sick Leave Liability	<u>\$ 2,853,473</u>	<u>\$ 2,748,187</u>

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

	<u>2006</u>	<u>2005</u>
Balance beginning of year	\$ 1,486,334	\$ 1,323,679
Employee leave earned	1,404,253	1,324,280
Employee leave paid	(1,334,195)	(1,161,625)
Long-term employee leave payable as of 12/31/06	<u>\$ 1,556,392</u>	<u>\$ 1,486,334</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

2. CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as of December 31, 2006 and 2005, respectively as follows:

Composition of Cash and Cash Equivalents:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 1,535,805	\$ 1,393,726
Investments having original maturities of less than 3 months	6,579,470	4,109,308
Total Cash and Cash Equivalents	<u>\$ 8,115,275</u>	<u>\$ 5,503,034</u>

All bank deposits are entirely insured.

The investment practices of Pierce Transit are governed by an investment policy adopted by the Board of Commissioners. Allowable investments are limited as follows:

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

During 2006 and 2005, Pierce Transit's portfolio complied with the investment policies discussed above. Management intends to hold time deposits and securities until maturity. Investments are stated at fair value on the balance sheet. Changes in fair value are included as revenue in the financial statements. The fair value of securities is based on quoted market prices. The fair value of the position in the Washington Local Government Investment Pool is the same as the value of the pool shares. No investment losses occurred during 2006 or 2005.

In 2005, Pierce Transit implemented GASB Statement 40 – Deposit and Investment Risk Disclosures (an amendment to GASB Statement 3), which modifies and expands existing disclosure requirements for deposits and investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity of its fair value to changes in market interest rates. Pierce Transit's weighted average maturity for December 31, 2006 and 2005 was 97 days and 105 days, respectively.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

Information of the sensitivity of fair values of investments to interest rate fluctuations is provided by the following table showing maturities of all investments held by Pierce Transit as of December 31, 2006 and 2005.

Investment Type	Fair Value	2006 Investment Maturities (in months)				
		0-3	4-6	6-12	12-24	Total
Local Government Investment Pool	\$ 68,685,118	\$ 68,685,118	\$ -	\$ -	\$ -	\$ 68,685,118
Repurchase Agreement	5,580,780	5,580,780	-	-	-	5,580,780
Banker's Acceptances	623,369	623,369	-	-	-	623,369
U. S. Agencies	21,538,562	3,494,255	5,116,934	6,954,864	5,972,509	21,538,562
	<u>\$ 96,427,829</u>	<u>\$ 78,383,522</u>	<u>\$ 5,116,934</u>	<u>\$ 6,954,864</u>	<u>\$ 5,972,509</u>	<u>\$ 96,427,829</u>

Investment Type	Fair Value	2005 Investment Maturities (in months)				
		0-3	4-6	6-12	12-24	Total
Local Government Investment Pool	\$ 48,283,826	\$ 48,283,826	\$ -	\$ -	\$ -	\$ 48,283,826
Repurchase Agreement	3,910,573	3,910,573	-	-	-	3,910,573
Banker's Acceptances	2,624,045	1,819,422	804,623	-	-	2,624,045
U. S. Agencies	29,546,652	4,016,971	6,996,105	10,589,063	7,944,513	29,546,652
	<u>\$ 84,365,096</u>	<u>\$ 58,030,792</u>	<u>\$ 7,800,728</u>	<u>\$ 10,589,063</u>	<u>\$ 7,944,513</u>	<u>\$ 84,365,096</u>

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignments of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by GASB 31. As of December 31, 2006, thirty-five percent of Pierce Transit's investments are in the following U.S. Agencies: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), and Federal Farm Credit Banks (FFCB). All the U.S. Agencies held by Pierce Transit have an AAA rating from Standard & Poor's and Aaa from Moody's.

Concentration of Credit Risk

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

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

Custodial Credit Risk

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

3. RECEIVABLES

Amounts due to Pierce Transit for year ended December 31, 2006 and 2005 (net of uncollectible) are detailed as follows:

UNRESTRICTED RECEIVABLES

	<u>2006</u>	<u>2005</u>
Accounts Receivable	\$ 248,759	\$ 4,565,711
Interest Receivable	220,502	121,013
Sales Tax Receivable	<u>13,541,527</u>	<u>12,724,096</u>
Total Receivables	<u>14,010,788</u>	<u>17,410,820</u>
Due from Other Governments:		
FTA Operating Grants	1,132,225	930,759
Other Operating Partnerships	96,784	493,261
Fuel Tax Refund	79,839	-
Regional Transit Service Revenues	<u>5,284,840</u>	<u>34,937</u>
Total Due from Other Governments	<u>6,593,688</u>	<u>1,458,957</u>
Total Unrestricted Receivables	<u>20,604,476</u>	<u>18,869,777</u>

RESTRICTED RECEIVABLES

Accounts Receivable	386,715	71,517
Interest Receivable	<u>165,407</u>	<u>268,889</u>
Total Receivables	<u>552,122</u>	<u>340,406</u>
Due from Other Governments:		
Capital Grants	3,727,237	-
Other Capital Partnerships	576,201	-
Regional Transit Service Revenues	<u>562,306</u>	<u>124,868</u>
Total Restricted Due from Other Governments	<u>4,865,744</u>	<u>124,868</u>
Total Restricted Receivables	<u>5,417,866</u>	<u>465,274</u>
Total Receivables	<u>\$26,022,342</u>	<u>\$19,335,051</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

4. BONDS PAYABLE

In 1999, Pierce Transit issued \$3,795,000 of limited sales tax general obligation bonds. This debt has been rated Aaa by Moody's Investors Service and is insured by Financial Guaranty Insurance Company (FGIC). These bonds were issued to advance refund bonds issued in 1992 with maturity dates between 2003 and 2011 (see Note 9). Bond payments are made from sales tax revenues. On December 31, 2006 the total outstanding debt was \$2,145,000 of which \$395,000 in recorded as a current liability and \$1,750,000 in recorded as a non-current bond payable liability.

The schedule of future debt service requirements is as follows:

Year Ended Dec 31	1999 Bonds Principal	1999 Bonds Interest	Total Limited Obligation Debt Service
2007	\$ 395,000	\$ 88,722	\$ 483,722
2008	415,000	72,923	487,923
2009	430,000	56,322	486,322
2010	445,000	38,693	483,693
2011	460,000	19,780	479,780
Total	\$ 2,145,000	\$ 276,440	\$ 2,421,440

5. RESERVED AND DESIGNATED NET ASSETS

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

A. DESIGNATED FOR CAPITAL - Net assets designated for capital were \$43,438,373 for 2006 and \$45,501,165 for 2005.

B. DESIGNATED FOR INSURANCE - Pierce Transit's Board of Commissioners established a self-insurance fund in 1982 (See Note 8). Net assets designated for unemployment, liability self-insurance, and workers compensation for the period ending December 31, 2006 and 2005 were \$5,573,358 and \$5,585,483, respectively.

C. RESTRICTED FOR DEBT SERVICE - Cash, investments, and receivables restricted for debt service total \$115,803 for 2006 and \$92,460 for 2005. Current liabilities payable from these assets as of December 31, 2006 and 2005, were \$607,380 and \$584,986, respectively, leaving (\$491,577) and (\$492,526) current net assets restricted for debt service. The net asset balance is negative because bond covenants provide that debt service may be funded monthly such that total funds available equal the debt service payment on the due date; however, the current portion of the debt service payment is recorded in one lump sum.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

6. EMPLOYEE BENEFITS

A. RETIREMENT - Pierce Transit contributes monthly to two separate retirement systems. Both systems are cost sharing multi-employer public employee retirement systems. The Agency contributions, as well as employee contributions, are based on the gross pay of an employee. Tacoma Transit employees electing to retain Tacoma Employees' Retirement System (TERS) when Pierce Transit took over the operations of Tacoma Transit in 1980 are covered by TERS. The Public Employees Retirement System (PERS) covers all other employees. Pierce Transit participates in PERS Plan 1, PERS Plan 2, and PERS Plan 3. The PERS system is comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Employees joining PERS after 10/1/77 are members of Plan 2 or Plan 3. As of September 1, 2002 employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. This option must be exercised within 90 days of employment. An employee is enrolled in Plan 2 until a choice is made. Employees who fail to make a choice within 90 days of employment default to PERS Plan 3. PERS is mandatory for all regular employees except for personnel working less than 70 hours per month in five months in a calendar year.

Information regarding the Public Employees Retirement System (PERS) is presented in the State Department of Retirement Systems Annual Financial Report. A copy of the report may be obtained by contacting the Department of Retirement Systems, 6825 Capital Boulevard, P.O. Box 48380, Olympia, WA 98504-8389. Information regarding the Tacoma Employees' Retirement System can be found in its annual report and may be obtained by writing to the Tacoma Employees' Retirement System, 747 Market Street, and Room 1544, Tacoma, WA 98402. Ten year historical trend information showing the retirement systems' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS and TERS Comprehensive Annual Financial Report of June 30, 2006 and December 31, 2006 respectively.

The payroll for Pierce Transit employees covered by these retirement systems was \$46,192,385 for the year ended December 31, 2006; Pierce Transit's total payroll for 2006, was \$48,398,319. Payroll for Pierce Transit employees covered by retirement systems as of December 31, 2005 was \$44,254,845, with a total payroll of \$45,917,105. Employees covered by the Tacoma Employees Retirement Systems (TERS) are required by State statute and City ordinance to contribute 6.44% of gross wages to the plan; employees covered by the Public Employees Retirement System (PERS) are required by State statute to contribute 6% of gross wages for Plan 1 participants. Pierce Transit is required by the same authority to contribute the remaining amounts necessary to pay benefits when due. Plan 2 participants were required to contribute 2.25% of gross wages through June 30, 2006, increasing to 3.50% through December 31, 2006. PERS Plan 3 employees can contribute 5% to 15% of their gross wages. Pierce Transit does not provide any benefits for early retirement, post-retirement, or either voluntary or involuntary terminations.

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

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

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

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

During 2004, 2005, and 2006, Pierce Transit and its employees made the required contributions. Contribution amounts and rates expressed as a percentage of the covered payroll for the three years ended December 31 are as follows:

	PERS Plan 1		PERS Plan 2		PERS Plan 3		TERS	
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
Employee	6.00%	\$ 94,289	1.18%	\$ 430,388	5-15%	\$ 119,869	6.44%	\$ 67,288
Employer	1.40%	22,575	1.40%	508,030	1.40%	27,090	7.56%	80,549
Total 2004		<u>\$116,864</u>		<u>\$ 938,418</u>		<u>\$ 146,959</u>		<u>\$ 147,837</u>
Employee	6.00%	\$ 96,238	2.25%	\$ 677,661	5-15%	\$ 146,828	6.44%	\$ 65,695
Employer	2.44%	30,695	2.44%	754,594	2.44%	47,253	7.56%	77,716
Total 2005		<u>\$126,933</u>		<u>\$ 1,432,255</u>		<u>\$ 194,081</u>		<u>\$ 143,411</u>
Employee	6.00%	\$ 101,401	3.50%	\$ 1,173,658	5-15%	\$ 142,682	6.44%	\$ 52,713
Employer	3.69%	51,622	3.69%	1,252,112	3.69%	71,170	7.56%	61,646
Total 2006		<u>\$153,023</u>		<u>\$ 2,425,770</u>		<u>\$ 213,852</u>		<u>\$ 114,359</u>

B. DEFERRED COMPENSATION PLAN - Pierce Transit offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Pierce Transit contributes from 1% to 5.5% of the annual salary of all participating employees. In 2006, Pierce Transit contributed \$1,046,621. Pierce Transit contributed \$761,097 to this plan in 2005. 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.

7. CONTINGENT LIABILITIES

On September 12, 2006, a former employee filed a \$10 million claim for wrongful discharge pursuant to Chapter 4.96 RCW. The Agency denied the claim and no lawsuit has been filed as of the date of the financial statements. Therefore, no reasonable estimate of any potential settlement can be determined.

A claim was filed on September 5, 2006 in the amount of \$500,000 by a pedestrian who was involved in an injury accident with a Sound Transit bus operated by Pierce Transit. A trial is set for January 2008. Pierce Transit will be reimbursed by Sound Transit for any settlement awarded in this case.

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

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

8. INSURANCE

On July 1, 2001, Pierce Transit became an associate member of the Washington State Transit Insurance Pool (WSTIP) that includes 16 other State Transit Agencies and the Ohio State Transit Insurance Pool. By becoming a member of WSTIP, the agency is able to take advantage of WSTIP's competitive insurance rates for excess general liability. In addition, WSTIP membership includes access to a comprehensive claims database and other risk management services. As of January 1, 2006, Pierce Transit's self-insurance retention was \$1,000,000 with an excess insurance policy of \$16,000,000.

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

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

On December 31, 2006, the self-insurance assets totaled \$7,237,709, of which a liability of \$1,491,050 is recorded as liability for all accident and workers compensation claims for which it may be ultimately liable, including a provision for claims incurred but not yet reported. As of December 31, 2005 Pierce Transit's self-insurance assets totaled \$7,008,965 of which a liability of \$1,317,416 was recorded as a provision for liability claims. These liabilities are Pierce Transit's best estimate of claims based upon available information. No outstanding liabilities have been removed from the balance sheet due to the purchase of annuity contracts from third parties in the name of claimants.

A reconciliation of claims liabilities follows:

	<u>2006</u>	<u>2005</u>
Balance beginning of year	\$ 1,317,416	\$ 1,262,359
Provision for incurred claims	2,193,732	2,119,490
Payments made for claims	(2,020,098)	(2,064,433)
Claims liabilities year ended	<u>\$ 1,491,050</u>	<u>\$ 1,317,416</u>

Pierce Transit
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

9. DEBT

In 1999, Pierce Transit issued \$3,795,000 of limited sales tax general obligation bonds dated February 1, 1999. These bonds carry interest rates between 3.0% and 4.3% and were used to advance refund \$3,415,000 of Pierce Transit's limited sales tax general obligation bonds maturing on December 1 in years 2003 through 2011. The net proceeds of \$4,763,430 were deposited in an irrevocable trust with an escrow agent to be held to their call date of December 1, 2002, at which time they were called at par.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. The unamortized bond refunding gain as of December 31, 2006 and 2005 was \$201,875 and \$242,250, respectively. This difference is being amortized through the year 2011. The Agency completed the advance refunding to reduce its total debt service payments over the next 11 years.

Pierce Transit did not have any short-term debt as of December 31, 2006.

End of Notes

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

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

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

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

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Financial Trends
Net Assets by Component
1997 - 2006**

	Invested in		
	Capital Assets	Unrestricted	Total
1997	\$ 79,237,626	\$ 51,693,249	\$ 130,930,875
1998	88,788,997	51,080,434	139,869,431
1999	92,723,710	56,615,781	149,339,491
2000	113,698,531	64,880,857	178,579,388
2001	106,704,681	45,275,117	151,979,798
2002 *	105,264,761	45,517,812	150,782,573
2003	97,750,689	63,775,883	161,526,572
2004	106,752,212	75,701,262	182,453,474
2005	115,927,548	89,543,932	205,471,480
2006	116,669,627	107,790,306	224,459,933

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

**Financial Trends
Expense Comparisons by Type
1997 – 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Personnel	\$33,596,071	\$36,176,231	\$39,874,327	\$37,874,327	\$41,180,072	\$44,656,262	\$49,732,380	\$53,276,898	\$57,785,602	\$60,736,927
Fuel & Lubricants	1,597,050	1,201,878	1,594,940	2,409,896	2,132,899	2,243,299	3,166,655	3,731,581	5,386,453	5,917,776
Supplies & Materials	2,676,007	3,228,496	3,017,864	2,663,933	3,572,809	3,625,479	4,050,431	4,944,439	4,851,849	4,636,806
Contracts & Services	8,722,246	9,691,496	11,627,076	9,775,987	9,859,752	12,326,267	11,606,002	13,770,279	13,925,196	15,974,894
Depreciation & Amortization	8,853,231	8,985,096	11,125,833	9,050,003	12,474,363	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147
Capital Acquisition	15,684,475	18,506,882	19,751,030	30,026,065	5,480,620	12,351,346	5,897,918	21,187,250	21,717,527	14,426,046
Loss on Disposal of Assets	-	2,317	-	-	425	-	-	-	-	-
Debt Service										
Principal	755,000	780,000	315,000	305,000	305,000	325,000	340,000	355,000	365,000	380,000
Lease										
Principal	506,277	325,029	109,252	-	-	-	-	-	-	-
Interest										
Expense	587,355	524,584	418,226	286,939	269,729	251,279	142,788	130,548	117,413	103,543
Previously Deferred										
Items	-	478	-	-	16,174	464,330	15,209	1,277	61,865	50,590
Grant										
Exchange Fund									1,714,333	711,191
Total	\$72,977,712	\$79,422,487	\$87,491,053	\$92,392,150	\$75,291,842	\$89,591,000	\$88,437,217	\$109,672,134	\$118,492,362	\$116,618,920

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

Changes in Net Assets 1997 - 2006										
Expenses	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fixed Route	\$ 35,347,984	\$37,661,695	\$ 41,775,717	\$39,845,967	\$ 44,305,283	\$49,498,514	\$54,828,986	\$ 60,018,905	\$66,764,882	\$70,476,920
Demand Response	10,387,158	10,931,415	11,960,172	11,078,774	10,646,108	11,184,461	11,164,370	12,772,330	12,359,269	13,856,252
Vanpool	856,232	1,704,990	2,035,823	1,799,402	1,794,139	2,168,332	2,562,112	2,931,961	2,824,949	2,933,231
Depreciation & Amortization	8,853,231	8,985,095	11,125,833	9,050,003	12,474,363	13,347,738	13,485,834	12,274,862	12,567,124	13,681,147
Expense of deferred items	-	478	-	-	16,174	464,330	15,209	1,277	61,865	50,590
Interest Expense	587,355	524,587	418,226	286,939	269,729	251,279	142,788	130,548	117,413	103,543
Grant Exchange Fund	-	-	-	-	-	-	-	-	1,714,333	711,191
	\$ 56,031,960	\$59,808,260	\$ 67,315,771	\$62,061,085	\$ 69,505,796	\$76,914,654	\$82,199,299	\$ 88,129,883	\$96,409,835	\$101,812,874
Revenues										
Passenger Fares	\$ 7,973,901	\$ 8,878,331	\$ 9,576,682	\$6,960,413	\$ 7,837,840	\$ 8,505,024	\$ 8,937,797	\$ 9,368,453	\$ 9,096,278	\$11,515,007
Advertising	718,927	1,049,250	657,322	990,828	838,843	466,549	673,295	442,378	851,602	1,094,081
Regional Transit Service	-	610,810	2,626,172	8,458,643	10,475,947	11,246,071	12,977,977	13,540,481	4,839,566	15,091,604
Sales Tax	20,257,447	22,550,155	24,218,060	25,788,866	26,677,899	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386
MVET	20,918,074	23,099,360	22,609,654	296,941	-	-	-	-	-	-
Operating Grants	2,209,018	984,069	620,713	16,833,392	9,190,891	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817
Investment Income	1,542,748	1,704,390	1,693,506	2,498,545	1,754,036	760,368	685,934	1,218,453	2,393,870	4,161,786
Miscellaneous Income	328,030	84,192	419,886	52,412	711,483	704,771	779,793	947,521	1,005,346	969,860
Gain(Loss)on disposal of asset	507	(2,317)	602,547	366,356	(425)	65,597	89,504	91,584	350,686	816,663
	\$ 53,948,652	\$58,958,240	\$ 63,024,542	\$62,246,396	\$ 57,486,514	\$68,426,788	\$90,357,877	\$ 92,086,471	\$105,119,442	\$115,271,204
Net Expense	\$ (2,083,308)	\$ (850,020)	\$ (4,291,229)	\$ 185,311	\$(12,019,282)	\$(8,487,866)	\$ 8,158,578	\$ 3,956,588	\$ 8,709,607	\$13,458,330
Capital Grants	14,025,433	16,329,270	16,366,706	24,357,497	4,711,290	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123
Change in Net Assets	\$ 11,942,125	\$15,479,250	\$ 12,075,477	\$24,542,808	\$(7,307,992)	\$(1,197,225)	\$10,743,999	\$ 20,926,902	\$23,018,006	\$18,988,453

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Revenue Capacity
Revenue and Subsidies Comparisons
1997 - 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Passenger Fares	\$7,749,236	\$8,830,046	\$9,576,682	\$6,960,413	\$7,837,840	\$8,505,024	\$8,937,797	\$9,368,453	\$9,096,278	\$11,515,007
School Service	224,665	48,286	-	-	-	-	-	-	-	-
Regional										
Transit Fares	-	610,810	2,626,172	8,458,643	10,475,947	11,246,071	12,977,977	13,540,481	14,839,566	15,091,604
Advertising	718,927	1,049,250	657,322	990,828	838,843	466,549	673,295	442,379	851,602	1,094,081
Interest Income	1,542,748	1,704,390	1,693,506	2,498,545	1,754,036	760,368	685,934	1,218,453	2,393,870	4,161,786
Sales Tax	20,257,447	22,550,155	24,218,060	25,788,866	26,677,899	41,138,256	58,189,718	61,770,952	69,126,119	74,593,386
MVET	20,918,074	23,099,360	22,609,654	296,941	-	-	-	-	-	-
Operating										
Subsidy	2,209,018	984,069	620,713	16,833,392	9,190,891	5,540,152	8,023,859	4,706,649	7,455,975	7,028,817
Capital Grants	14,025,433	16,329,270	16,366,706	24,357,497	4,711,290	7,290,641	2,585,421	16,970,314	14,308,399	5,530,123
Gain on										
Disposal of										
Assets	507	-	602,547	366,356	-	65,597	89,504	91,584	350,686	816,663
Miscellaneous	328,030	84,192	419,886	52,412	711,483	704,771	779,793	947,521	1,005,345	969,860
Total	\$67,974,085	\$75,289,828	\$79,391,248	\$86,603,893	\$62,198,229	\$75,717,429	\$92,943,298	\$109,056,786	\$119,427,840	\$120,801,327

**Revenue Capacity
Fixed Route Farebox Recovery
1997 - 2006**

Year	Farebox Recovery
1996	0.20
1998	0.21
1999	0.22
2000	0.18
2001	0.18
2002	0.19
2003	0.18
2004	0.16
2005	0.14
2006	0.17

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Revenue Capacity
Fare History
1997 - 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Cash Fares										
Adult	\$ 0.90	\$ 0.90	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.25	\$ 1.50
Student/Seniors	0.90	0.90	1.00	1.00	1.00	1.25	1.25	1.25	1.25	1.50
Shuttle	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Seattle Express	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Olympia Express	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Passes										
Adult Pass	34.00	34.00	36.00	36.00	36.00	45.00	45.00	45.00	45.00	54.00
Senior/Disabled Pass	15.00	15.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	27.00
Olympia Express	50.00	50.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00	72.00
Seattle Express	75.00	75.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	108.00
Transfers	Free									

**Revenue Capacity
2006 Taxable Sales for Pierce County**

	TAXABLE SALES	SALES TAX
Retail Trade	\$ 5,960,238,413	\$ 36,578,705
Services	1,817,423,582	11,153,749
Contracting	2,355,221,044	14,454,277
Manufacturing	353,008,778	2,166,458
Trans/Comm. Utilities	48,605,014	298,295
Wholesaling	723,534,434	4,440,419
Finance/Ins./Real Estate	893,659,945	5,484,499
Other Business	2,767,449	16,984
TOTAL	\$12,154,458,659	\$ 74,593,386

This table shows the sales tax subsidy received by Pierce Transit and the estimated taxable sales for Pierce County based on the Quarterly Business Review published by the Department of Revenue, State of Washington.

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Debt Capacity
Legal Debt Margin
2006**

	Non-voted	Maximum Debt Capacity*
Assessed Valuation	\$35,336,989,565	\$35,132,730,463
Debt Limitation (%)*	.375%	1.250%
Debt Limitation (\$)	\$ 132,513,711	\$ 439,159,131
Less: Outstanding Debt	2,145,000	2,145,000
Debt Margin	\$ 130,368,711	\$ 437,014,131

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

**Debt Capacity
Ratio of general Bonded Debt to Assessed Value and Net Bonded Debt per Capita
1997 - 2006**

December 31	Population	Assessed Value (In Thousands)	General Bonded Debt	% Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
1997	616,285	19,362,430	9,025,000	.05	14.64
1998	622,875	20,186,728	8,255,000	.04	13.25
1999	635,290	21,667,412	4,505,000	.02	7.09
2000	643,290	23,550,341	4,215,000	.02	6.55
2001	658,475	25,533,759	3,910,000	.02	6.07
2002	670,820	26,350,592	3,585,000	.02	5.35
2003	679,815	27,778,725	3,245,000	.02	4.78
2004	702,060	29,619,949	2,890,000	.01	4.11
2005	705,018	29,619,949	2,525,000	.01	3.58
2006	721,445	35,336,989	2,145,000	.01	2.97

**Debt Capacity
Computation of Direct and Overlapping Debt
2006**

	Net Bonded Debt Outstanding	Percentage Applicable*	Authority Share
Pierce Transit	\$ 2,145,000	100.00%	\$ 2,145,000
City of Tacoma	150,370,000	30.54%	45,922,998
Pierce County	131,874,538	42.27%	55,743,367
			\$ 103,881,365
PTBA Population			721,445
Direct and Overlapping Debt per Capita			\$ 47.76

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

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Demographic and Economic Information
Pierce Transit Employee by Function
1997 - 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operations	468	516	521	508	534	608	605	589	701	746
Maintenance	111	121	125	124	127	136	156	149	157	154
Administration	98	105	98	98	103	125	128	127	145	153

*Contracted Employees not included in totals prior to 2005

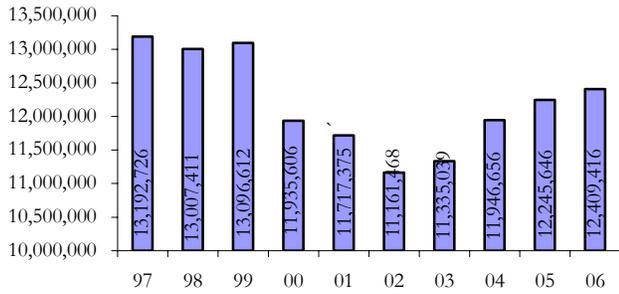
**Demographic and Economic Information
Major Pierce County Employers
2006**

<u>Top 10 Pierce County Employers</u>	<u>Employees</u>
U.S. Army Fort Lewis	38,143
Local Public School Districts	13,393
U.S. Air Force McChord	11,765
Washington State Employees	8,007
MultiCare Health System	5,567
Franciscan Health System	4,059
Madigan Army Medical Center	3,647
Pierce County Government	3,231
Washington State Higher Education	2,789
Safeway Stores	2,650

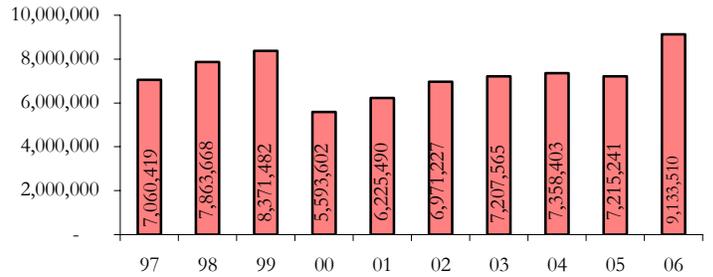
**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Operating Information
Fixed Route Statistics
1997 - 2006**

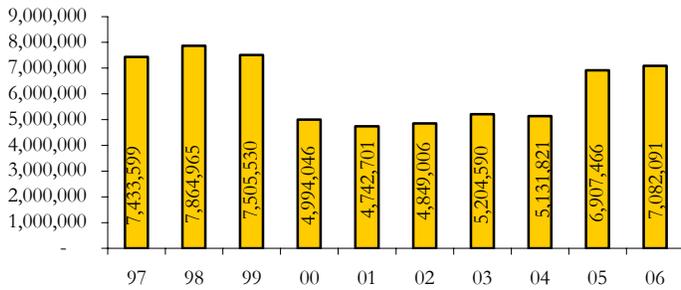
Annual Boardings



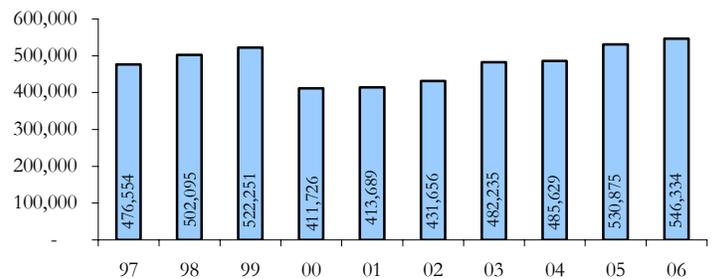
Annual Passenger Fare Revenues



Revenue Miles



Revenue Hours

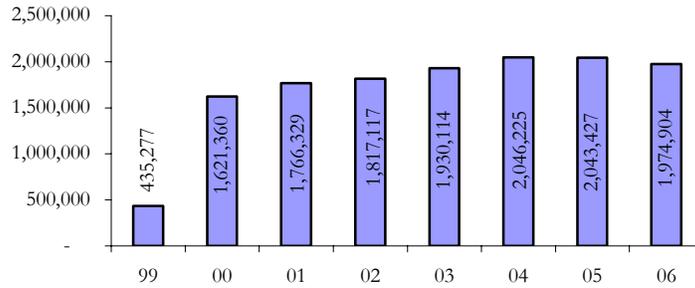


Source: National Transit Database (NTD)
Sound Transit Seattle Express service began September 1999.

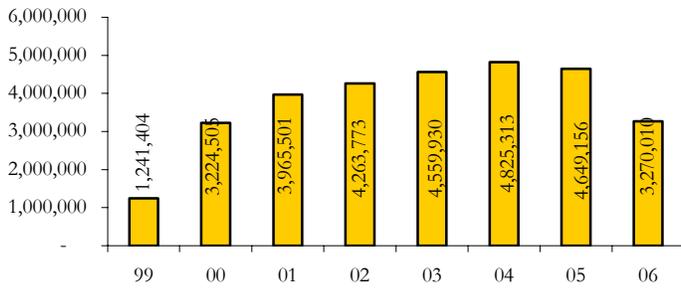
Pierce Transit
Statistical Section
Year ended December 31, 2006

Operating Information
Sound Transit
Fixed Route Statistics
1999 - 2006

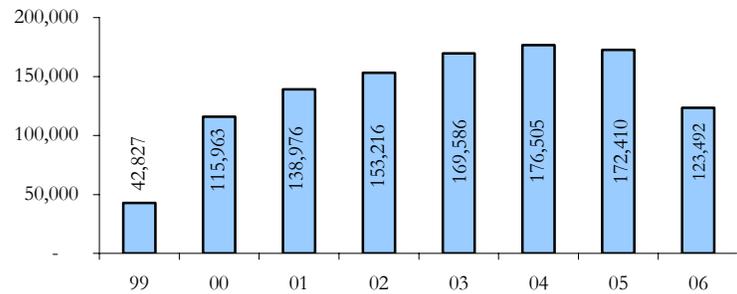
Annual Boardings



Revenue Miles



Revenue Hours

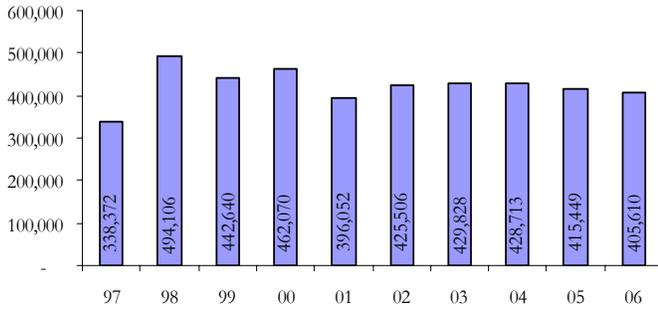


Fare revenue is returned to Sound Transit.
Sound Transit Seattle Express service began in September 1999.

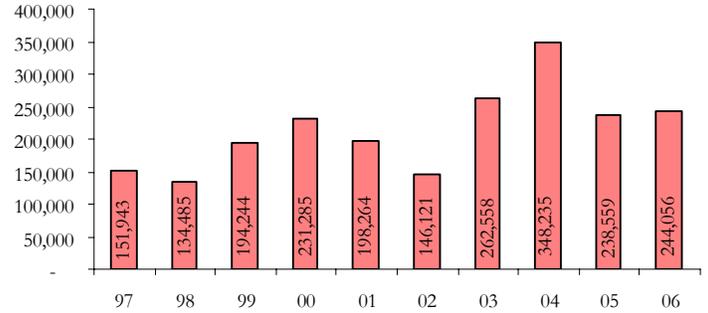
Pierce Transit
Statistical Section
Year ended December 31, 2006

Operating Information
Specialized Transportation (SHUTTLE)
1997 - 2006

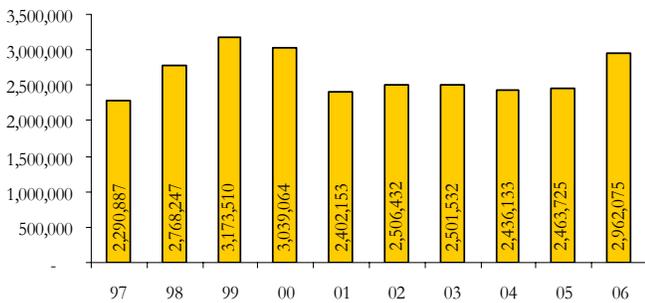
Annual Boardings



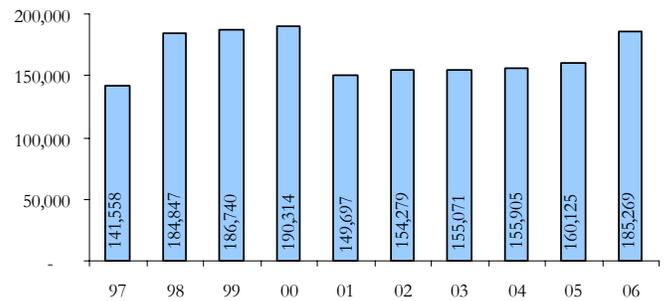
Annual Passenger Fare Revenues



Revenue Miles



Revenue Hours

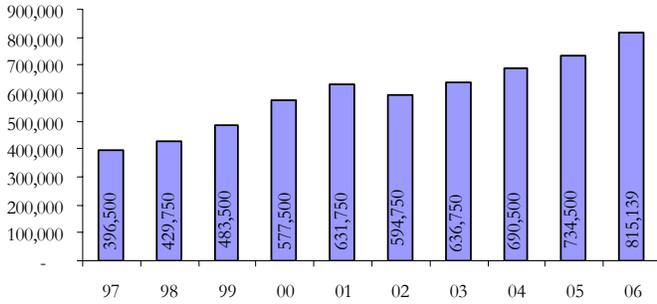


Includes directly operated and purchased transportation services.

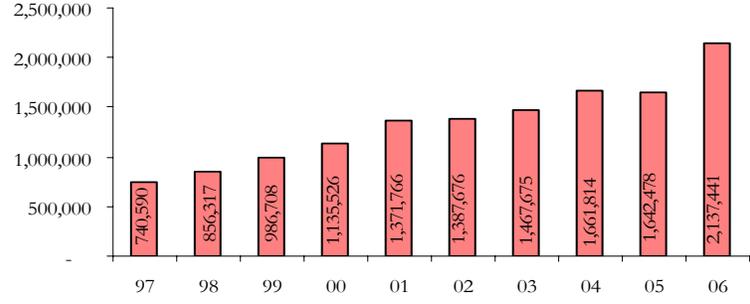
Pierce Transit
Statistical Section
Year ended December 31, 2006

Operating Information
Vanpool Statistics
1997 - 2006

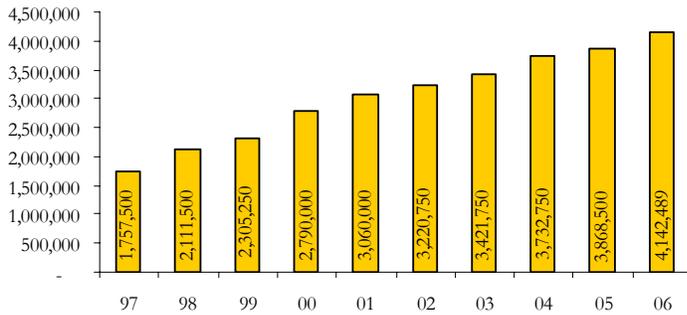
Annual Boardings



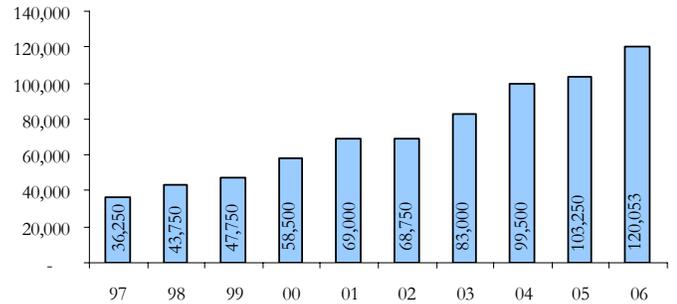
Annual Passenger Fare Revenues



Revenue Miles



Revenue Hours



**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Operating Information
Key Performance Measures
1997 – 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):										
Annual Boardings	13,192,726	13,007,411	13,096,612	11,935,606	11,717,375	11,161,468	11,335,039	11,946,656	12,245,646	12,409,416
Cost per Service Hour	\$ 73.45	\$ 74.50	\$ 71.80	\$ 75.59	\$ 84.46	\$ 86.38	\$ 83.37	\$ 94.56	\$ 94.85	\$ 99.51
Farebox Recovery	20%	21%	22%	18%	18%	19%	18%	16%	14%	17%
Service Hours per Capita	0.77	0.81	0.82	0.64	0.63	0.64	0.71	0.69	0.75	0.76
SHUTTLE:										
Annual Boardings	338,372	494,106	442,640	462,070	396,052	425,506	429,828	428,713	415,449	405,610
Cost per Service Hour	\$ 73.38	\$ 59.14	\$ 64.05	\$ 58.21	\$ 71.12	\$ 72.50	\$ 72.00	\$ 81.81	\$ 76.99	\$ 74.94
Farebox Recovery	1%	1%	2%	2%	2%	1%	2%	3%	2%	2%
Service Hours per Capita	0.23	0.30	0.29	0.30	0.23	0.23	0.23	0.22	0.23	0.26
VANPOOL:										
Annual Boardings	396,500	429,750	483,500	577,500	631,750	594,750	636,750	690,500	734,500	815,139
Cost per Service Hour	\$ 23.62	\$ 38.97	\$ 42.64	\$ 30.76	\$ 26.00	\$ 31.54	\$ 30.87	\$ 29.34	\$ 27.19	\$ 25.21
Farebox Recovery	86%	50%	48%	63%	76%	64%	57%	57%	59%	71%
Service Hours per Capita	0.06	0.07	0.08	0.09	0.10	0.10	0.12	0.14	0.15	0.17

Service Hours and Miles are defined as the hours and miles a vehicle is on the road (including revenue, recovery and deadhead)

**Operating Information
1997 - 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Date of Incorporation:	1-1-80									
Form of Government:	Board of Commissioners									
Service Area Population	616,285	622,875	635,290	643,690	658,475	670,820	679,815	702,060	705,018	721,445
Service Area (Sq. Miles)	450	450	450	450	450	450	450	450	414	414
PIERCE TRANSIT FIXED ROUTE (excluding Sound Transit):										
Passenger Per Revenue Hour	27.7	25.9	25.1	29.0	28.3	25.9	23.5	24.6	23.1	22.7
Cost Per Boarding	\$ 2.65	\$ 2.88	\$ 2.86	\$ 2.61	\$ 2.98	\$ 3.34	\$ 3.55	\$ 3.84	\$ 4.11	\$ 4.38
Cost Revenue Mile	\$ 4.71	\$ 4.76	\$ 5.00	\$ 6.23	\$ 7.37	\$ 7.69	\$ 7.72	\$ 8.95	\$ 7.29	\$ 7.68
SHUTTLE: *										
Passenger Per Revenue Hour	2.4	2.7	2.4	2.4	2.6	2.8	2.8	2.8	2.6	2.2
Cost Per Passenger	\$ 30.70	\$ 22.12	\$ 27.02	\$ 23.98	\$ 26.88	\$ 26.29	\$ 25.97	\$ 29.73	\$ 29.67	\$ 34.23
Cost Revenue Mile	\$ 4.53	\$ 3.95	\$ 3.77	\$ 3.65	\$ 4.43	\$ 4.46	\$ 4.46	\$ 5.23	\$ 5.00	\$ 4.69
VANPOOL:										
Passenger Per Revenue Hour	10.9	9.8	10.1	9.9	9.2	8.7	7.7	6.9	7.1	6.8
Cost Per Passenger	\$ 2.16	\$ 3.97	\$ 4.21	\$ 3.12	\$ 2.84	\$ 3.65	\$ 4.02	\$ 4.23	\$ 3.82	\$ 3.71
Cost Revenue Mile	\$ 0.49	\$ 0.81	\$ 0.88	\$ 0.64	\$ 0.59	\$ 0.67	\$ 0.75	\$ 0.78	\$ 0.73	\$ 0.73

Revenue Hours and Miles are defined as the number of hours and miles a vehicle travels while in revenue service (excluding deadhead time but including layover time)

Source: National Transit Database (NTD)

*Includes directly operated and purchased transportation services.

**Pierce Transit
Statistical Section
Year ended December 31, 2006**

**Operating Information
Vehicles Available for Maximum Service
1997 – 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pierce Transit Buses	193	218	169	149	164	166	168	208	193	176
SHUTTLE Vans *	135	123	174	151	157	144	166	154	100	118
Vanpool Vans	149	180	197	218	249	250	270	284	293	300

**Grant Information
Capital Grant History
1997 – 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
FTA GRANTS										
Section 3	\$ 3,891,968	\$ 1,510,707	\$ 1,369,963	\$ 5,699,938	\$ 1,151,973	\$ 1,132,955	\$ 157,643	\$ 2,131,762	\$ 2,774,048	\$ 343,103
Section 8	-	-	13,404	6,726	(6,647)	36,715	610	-	-	-
Section 9	8,652,481	13,992,479	9,187,104	12,104,446	1,814,148	6,056,583	2,278,019	14,921,797	10,261,877	4,687,911
Section 4	-	-	-	-	-	132	454	-	-	-
WA STATE										
Grants	1,471,206	826,084	1,840,637	(251,801)	1,378,994	-	114,274	(99,912)	215,807	344,798
MUNICIPAL/LOCAL										
Partnerships	9,778	-	3,955,598	6,798,188	372,822	64,256	34,421	16,667	1,056,667	154,311
TOTALS	\$ 14,025,433	\$ 16,329,270	\$ 16,366,706	\$ 24,357,497	\$ 4,711,290	\$ 7,290,641	\$ 2,585,421	\$ 16,970,314	\$ 14,308,399	\$ 5,530,123

