ANNUAL FINANCIAL REPORT

THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY NORTHEASTERN ILLINOIS

For the Year Ended December 31, 2011

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Pace, the Suburban Bus Division of the
Regional Transportation Authority
Arlington Heights, Illinois

We have audited the accompanying financial statements of Pace, the Suburban Bus Division of the Regional Transportation Authority ("Pace"), as of and for the year ended December 31, 2011. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from Pace's 2010 financial statements and, in our report dated May 17, 2011, we expressed an unqualified opinion on the respective financial statements.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Pace as of December 31, 2011, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2012 on our consideration of Pace's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 1 and 51 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Pace's financial statements. The Supplementary Exhibits are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Supplementary Exhibits, except the information noted as unaudited, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Exhibits, except the information noted as unaudited, are fairly stated in all material respects in relation to the financial statements as a whole. The information noted as unaudited in Supplementary Exhibits 1 and 2 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
May 23, 2012

PACE SUBURBAN BUS SERVICE

Management's Discussion and Analysis

Our discussion and analysis of Pace Suburban Bus Service's ("Pace") financial performance provides an overview of the agency's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 14.

Using This Report

This annual report consists of a series of financial statements. The *Statement of Net Assets*, the *Statement of Revenues, Expenses and Changes in Net Assets* and the *Statement of Cash Flows* (on pages 14 - 19) provide information about the activities of Pace as a whole and present a long term view of the agency's finances. Since Pace operates as a single governmental program in two enterprise funds, fund financial statements are not required.

Reporting on the Agency as a Whole

Our analysis of Pace as a whole – which consists of two enterprise funds – begins on page 2. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* can be used to determine whether Pace as a whole is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the agency's net assets and changes in them. The net assets, the difference between assets and liabilities, is one way to measure Pace's financial health or financial position. Over time, increases or decreases in Pace's net assets are one indicator of whether its financial health is improving or deteriorating. Other financial factors should be considered as well, such as, the level of public funding received from the RTA, sales tax revenue and working cash balances. Based on Pace's current year financial and operating performance, the agency's overall financial position improved during 2011 primarily due to increased ridership and favorable sales tax revenues.

Financial Highlights

- **Net Assets decreased by $7.3 million** to $214.4 million at the end of 2011. Net Assets represents Total Assets minus Total Liabilities.

- **Total Operating Revenues for 2011 were $68.9 million** which represented a 11.0% increase from 2011.

- **Non-Operating Revenues decreased $7.8 million** (or 2.7%) to $276.0 million in 2011.

- **Total Operating Expenses increased by $19.1 million** (or 5.7%) to $352.1 million during 2011.

- **Pace met the RTA mandated recovery ratio of 36.0%** for Suburban Services during 2011. The recovery ratio included credits for expenses incurred by Not-For-Profit Providers from the VIP Advantage program, credit for Capital Cost of Contracting funds and credit for lost revenue from the Seniors Ride Free program.

- **Pace met the 10% recovery ratio requirement** for Regional ADA Paratransit Services in 2011.

Ridership

Pace had an increase in ridership for 2011. Higher gas prices, improved service and better on time performance contributed to the increase. Some of the highlights are as follows:

Highlights:

- **Pace served 37.3 million passengers** in 2011 which reflected a 6.2% increase over the 2010 ridership total of 35.1 million. Average weekday ridership was 128,416 in 2011 compared to 120,975 in 2010.

- **In 2011, Pace added one new route,** Saturday service to one route, a new express service and two new Call-n-Ride services as well as restructured five routes, reduced service on three routes, discontinued service on five routes and discontinued Saturday service on one route.

- **In November 2011, Pace also implemented the Bus on Shoulders Project** for an express route running from Plainfield to University of Illinois Chicago and another express route running from Plainfield to the East Loop in Chicago.

- **ADA Paratransit ridership increased 22.1% in 2011** with ridership of 2,748,377 for the Chicago service and 1,791,888 for Suburban service for a total of 4,540,265. In 2011, Pace began including ADA companions in the ridership totals which added 627,099 rides in 2011. Without companion rides, ADA Paratransit ridership still increased by 5.2%.

- **Vanpool ridership increased 1.7% in 2011** to 2,008,410. The total number of vans at the end of 2011 was 718 compared to 690 at the end of 2010.

- **In 2011, Governor Quinn signed legislation** which resulted in changes to the Seniors Ride Free Program. The new legislation created two programs: The Seniors Circuit Ride Free program and the Seniors Reduced Fare program. As of September 1, 2011 only low income Illinois residents enrolled in the Department on Aging's Circuit Breaker program are eligible to ride free. All other seniors qualify to ride at a reduced fare.

The Agency as a Whole

	2011	2010	Change
ASSETS			
Total Current Assets	$ 131,163,249	$ 106,473,676	$ 24,689,573
Total Noncurrent Assets	272,854,514	287,824,960	(14,970,446)
Total Assets	404,017,763	394,298,636	9,719,127
LIABILITIES			
Total Current Liabilities	56,122,155	47,354,499	8,767,656
Total Other Liabilities	133,448,522	125,196,902	8,251,620
Total Liabilities	189,570,677	172,551,401	17,019,276
NET ASSETS			
Invested in Capital Assets	171,290,055	192,311,668	(21,021,613)
Unrestricted Net Assets	43,157,031	29,435,567	13,721,464
Total Net Assets	$ 214,447,086	$ 221,747,235	$ (7,300,149)

Assets and Liabilities

Net Assets at December 31, 2011 decreased to $214.4 million from $221.7 million in 2010 due to a $21.0 million decrease in Invested in Capital Assets and an $13.7 million increase in Unrestricted Net Assets. The decrease in Invested in Capital Assets is comprised of $22.5 million in capital grants reimbursements and $.9 million in Pace funded capital projects less $44.4 million in depreciation.

Total Assets increased $9.7 million in 2011 to $404.0 million. The $24.7 million increase in Current Assets is attributed to a $22.6 million increase in cash, a $ 1.9 million increase in accounts receivable and a $.2 million increase in other current assets. Noncurrent Assets decreased $15.0 million due to a $.4 million decrease in capital projects in progress, a $1.8 million decrease in capital assets acquisitions, a $6.1 million increase in assets restricted for repayment of leasing commitments – noncurrent less an $18.9 million increase in accumulated depreciation.

Current Liabilities increased $8.8 million in 2011 primarily due to a $1.5 million decrease in accounts payable, a $11.0 million increase in accrued expenses, a $.2 million increase in deferred revenue and a $.9 million decrease in current insurance reserves.

Other Liabilities increased $8.3 million as of the end of 2011. The increase was comprised of a $2.1 million increase in the non-current insurance reserves, a $.3 million increase in net pension obligation, a $.6 million increase in other post employment benefits obligation, a $.2 million increase in other liabilities, a $1.0 million decrease in the long term portion of a loan from the RTA and a $6.1 million increase in long term capital lease obligation.

Capital Assets

Pace received $22.5 million in capital grant reimbursements in 2011 including:

- $19.8 million from the Federal Transit Administration (FTA),
- $1.2 million from the Illinois Department of Transportation and
- $1.5 million from the Regional Transportation Authority (RTA).

In addition, Pace used $.9 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

Equipment:

- $13.9 million in capital parts and maintenance,
- $4.4 million in paratransit vehicles,
- $1.9 million in vanpool vehicles,
- $1.5 million in computer equipment and software,
- $.5 million in building and improvements, and
- $.3 million in community transit vehicles

Pace purchased 60 paratransit buses totaling $4.4 million, 54 vanpool vehicles totaling $1.9 million, and 4 community transit vehicles for $.3 million.

Information regarding capital asset activity for 2011 can be found in the notes to the financial statements on page 28 through 29 and page 50 and Exhibit 9.

Long Term Debt

Pace incurred a large liability claim in 2006 and borrowed $4,750,000 from the RTA Loss Financing Plan (LFP) to pay for amounts due under a 2007 settlement agreement. Pace is required to make annual payments equal to the minimum of the amount borrowed plus interest or $1,000,000 whichever is less. The interest is based on the effective rate earned by the assets in Joint Self Insurance Fund and is adjusted each year. Information regarding long term debt activity for 2011 can be found in the notes to the financial statements on page 34.

OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31

	2011	2010	Change	%
Operating Revenue				
Pace-Owned Service Revenue	$ 28,191,535	$ 26,162,982	$ 2,028,553	7.8%
CMAQ/JARC Services	40,292	10,209	30,083	294.7%
Fixed Route Carrier Revenue	3,692,221	4,066,649	(374,428)	-9.2%
Paratransit Revenue	19,978,787	17,979,188	1,999,599	11.1%
Vanpool Revenue	3,675,781	3,578,691	97,090	2.7%
Reduced Fare Reimbursement	2,571,462	2,415,786	155,676	6.4%
Advertising Revenue	4,355,475	3,930,876	424,599	10.8%
Miscellaneous	6,348,239	3,864,154	2,484,085	64.3%
Total Operating Revenue	68,853,792	62,008,535	6,845,257	11.0%
Operating Expenses:				
Pace-Owned Service Expenses	74,311,676	73,273,066	1,038,610	1.4%
CMAQ/JARC Expenses	290,232	198,665	91,567	46.1%
Contract Payments:				
Fixed Route Carriers	10,584,807	11,639,829	(1,055,022)	-9.1%
Paratransit Carriers	133,160,676	121,511,022	11,649,654	9.6%
Vanpool Expenses	4,529,570	3,655,554	874,016	23.9%
Centralized Operations	58,509,532	55,886,171	2,623,361	4.7%
Administrative Expenses	26,404,823	25,125,710	1,279,113	5.1%
Depreciation	44,356,587	41,712,329	2,644,258	6.3%
Total Operating Expenses	352,147,903	333,002,346	19,145,557	5.7%
Operating Income (Loss)	(283,294,111)	(270,993,811)	(12,300,300)	4.5%
Non-Operating Revenue (Expenses)				
Retailers' occupation and use tax from RTA (85% Formula)	76,085,053	73,053,667	3,031,386	4.1%
RTA Sales Tax/PTF (PA 95-0708)	31,449,703	29,784,991	1,664,712	5.6%
Regional ADA Paratransit Fund	99,298,087	94,796,109	4,501,978	4.7%
RTA Discretionary Funding	535,000	-	535,000	-
Suburban Community Mobility Fund (SCMF)	19,859,618	18,959,222	900,396	4.7%
South Cook County Job Access Fund	7,500,000	7,500,000	-	0.0%
ADA State Funding	8,500,000	8,500,000	-	0.0%
Innovation Coordination and Enhancement Fund (ICE)	6,586,687	1,431,706	5,154,981	360.1%
Federal Operating Grants	3,596,665	5,037,856	(1,441,191)	-28.6%
Capital Grants Reimbursements	22,460,735	44,641,565	(22,180,830)	-49.7%
Interest on Investments	129,548	111,382	18,166	16.3%
Interest Expense	(7,134)	(21,570)	14,436	-66.9%
Interest Revenue from Leasing Transaction	6,051,167	5,780,382	270,785	4.7%
Interest Expense on Leasing Transaction	(6,051,167)	(5,780,382)	(270,785)	4.7%
Total Non-Operating Revenue (Expenses)	275,993,962	283,794,928	(7,800,966)	-2.7%
Net Change in Net Assets	(7,300,149)	12,801,117	(20,101,266)	-157.0%
Beginning Net Assets	221,747,235	208,946,118	12,801,117	6.1%
Ending Net Assets	$ 214,447,086	$ 221,747,235	$ (7,300,149)	-3.3%

Comparison of Results: FY2011 vs. FY2010

Operating Revenue

Total Operating Revenues increased 11.0% or $6.8 million in 2011. Specific changes in operating revenue are noted as follows:

- **Pace-Owned Service Revenue** – The $2.0 million increase is due to an increase in ridership as well as a number of routes being transferred from contracted carriers to Pace operating divisions.
- **Fixed Route Carrier Revenue** – The 9.2% decrease in revenue is attributed to a number of routes being transferred from contracted carriers to Pace operating divisions.
- **Paratransit Revenue** – The $2.0 million increase is primarily due to the increase in ridership in 2011.
- **Miscellaneous Income** – The $2.5 million increase is attributed to the receipt of reimbursement for ADA related medical trips that are eligible under the Medicaid program.

Operating Expenses

Total Operating Expenses increased by $19.1 million (or 5.7%) in 2011 which is comprised of the following changes:

- **Pace-Owned Service Expenses** – The $1.0 million increase in expense is primarily due to an increase in operator wages and other salaries.
- **Fixed Route Carriers Expenses** – The $1.1 million decrease in contract payments to fixed route carriers is the result of a number of routes being transferred from contracted carriers to Pace operating divisions.
- **Paratransit Carrier Expenses** – The $11.7 million increase in expense is primarily attributed to increased usage of the Chicago ADA program.
- **Vanpool Expenses** – The $.9 million increase in expense is mainly due to rising fuel costs.
- **Centralized Operations** – The $2.6 million increase in expense is due to rising fuel costs and increased medical and dental insurance expenses offset by a decrease in liability and workers compensation claims expense.
- **Administrative Expenses** – The $1.3 million increase in expenses is comprised of increases in salaries expense, data processing software maintenance and a decrease in the salary credit for project administration costs.
- **Depreciation Expense** – The $2.6 million increase in expense is due to new assets put in service in 2011.

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Non-Operating Revenue

Non-Operating Revenues decreased $7.8 million or 2.7% to $276.0 million in 2011. Specific factors contributing to the decrease are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased $3.0 million in 2011.

- **RTA Sales Tax/PTF (PA 95-0708)** – RTA Sales Tax/PTF funding outlined in PA 95-0708 increased $1.7 million in 2011.

- **ADA Regional ADA Paratransit Fund** – Funding from the Regional ADA Paratransit Fund increased $4.5 million in 2011.

- **RTA Discretionary Funding** – The RTA provided $.5 million in Discretionary Funding in 2011 which accounted for the increase.

- **Suburban Community Mobility Fund** – Funding increased by $.9 million in 2011.

- **South Cook County Job Access Fund** – Pace received $7.5 million in funding from the RTA for services in South Suburban Cook County in 2011.

- **ADA State Funding** – Pace received $8.5 million from the State to fund ADA service in 2011.

- **Innovation Coordination and Enhancement Fund (ICE)** – Funding increased $5.2 million in 2011.

- **Federal Operating Grants** – The $1.4 million decrease is due to a decrease in the Capital Cost of Contracting funds as well as a decrease in CMAQ and New Freedom Funding.

Economic Trends

RTA Sales Tax

The RTA Sales Tax is the primary source of revenue for Pace. The tax is authorized by Illinois statute, imposed by the RTA in the six-county area, and collected by the state. Historically, the Service Board statutory share is 85% of RTA Sales Tax and is apportioned to the three Service Boards: Pace, Metra and CTA. Pace receives 15% of the Service Board statutory share of sales tax collected in Suburban Cook County, and 30% of the share collected in the collar counties of DuPage, Kane, Lake, McHenry and Will. Pace received $76.1 million in RTA Sales Tax under the 85% Formula.

On January 17, 2008, Public Act (PA) 95-0708 was signed into law. The legislative action amended the RTA Act by establishing key RTA reforms and providing additional funding for the RTA and its three Service Boards. A new sales tax and PTF was established that identified funding for the following:

- *ADA Paratransit Fund* - The ADA Paratransit Fund started at $100 million in 2008 and adjusts annually based on regional sales tax performance. For 2011, the RTA provided $99.3 million in funding from the ADA Paratransit Fund.

- *Suburban Community Mobility Fund (SCMF)* - The fund is intended to support new and existing non-traditional service activities such as demand response, vanpool, reverse commute and others. The SCMF started at $20 million in 2008 and adjusts annually based on the regional sales tax performance. For 2011, the RTA provided $19.9 million in funding.

- *Innovation Coordination and Enhancement Fund (ICE)* – The fund was established for projects intended to improve or enhance ridership or customer service, for transit improvements intended to promote transfers, increase ridership and for transit-oriented land development. The ICE Fund started at $10 million for 2008 and adjusts annually based on regional sales tax performance. For 2011, the RTA provided $6.5 million in funding for the Regional ADA Paratransit program and $38,307 in funding for the Suburban Services Fund.

- *New Sales Tax and Public Transportation Funds (PTF)* – After all monies are allocated to the above funds, the remaining amount is distributed as a New Sales Tax and PTF to the three Service Boards. Pace's allocation of the New Sales Tax and PTF is equal to 13% of the remaining amount. For 2011, Pace received $31.4 million in New Sales Tax and PTF funding.

In addition to the above, the 2008 legislation also provided funding for the South Cook Job Access program which is directed to pay for transit services in South Cook County that support employment opportunities. For 2011, the RTA provided $7.5 million in funding for the South Cook County Job Access program.

The RTA also provided $535,000 in Discretionary Funding in 2011.

The allocation of the funds established for 2011 and 2010 is as follows:

RTA OPERATING FUNDING (000's)

	2011	2010
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	$ 76,085	$ 73,054
RTA Sales Tax/PTF (PA 95-0708)	31,450	29,785
RTA Discretionary Funding	535	-
Suburban Community Mobility Fund	19,860	18,959
South Cook Job Access Fund	7,500	7,500
Innovation Coordination & Enhancement	38	207
Total Suburban Services Funding	$135,468	$129,505
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	$ 99,298	$ 94,796
Innovation Coordination & Enhancement	6,548	1,225
Total Regional ADA Paratransit Funding	$105,846	$ 96,021
Total RTA Funding	$241,314	$225,526

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Contacting Pace's Financial Management

If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Pace Suburban Bus Service, 550 West Algonquin Road, Arlington Heights, IL 60005.

STATEMENT 1

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010

ASSETS

	2011	2010
Current Assets:		
Cash and Investments		
Unrestricted	$ 41,501,107	$ 20,292,861
Restricted-Claims	27,967,746	26,571,529
Total Cash and Investments	69,468,853	46,864,390
Accounts Receivable:		
Regional Transportation Authority	47,153,612	44,657,355
Capital Grant Projects-FTA & IDOT	308,186	181,097
Other	7,889,991	8,581,734
Total Accounts Receivable	55,351,789	53,420,186
Other Current Assets:		
Prepaid Expenses	1,643,970	1,331,403
Inventory - Spare Parts	4,698,637	4,857,697
Total Other Current Assets	6,342,607	6,189,100
Total Current Assets	131,163,249	106,473,676
Noncurrent Assets		
Capital Assets not Being Depreciated		
Land	16,014,533	16,010,544
Capital Projects in Progress	2,921,309	3,325,807
Total Capital Assets not Being Depreciated	18,935,842	19,336,351
Capital Assets Being Depreciated, Net		
Equipment	312,608,045	315,319,832
Building and Improvements	156,255,997	155,360,586
Less Accumulated Depreciation	(316,509,829)	(297,705,101)
Total Capital Assets Being Depreciated, Net	152,354,213	172,975,317
Assets Restricted for Repayment of Leasing Commitments - Noncurrent	101,564,459	95,513,292
Total Noncurrent Assets	272,854,514	287,824,960
Total Assets	$ 404,017,763	$ 394,298,636

See accompanying notes to the Financial Statements.

STATEMENT 1

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010

LIABILITIES	**2011**	**2010**
Current Liabilities:		
Accounts Payable:		
Operating	$ 174,247	$ 193,695
Capital	725,570	2,295,974
Accrued Payroll Expenses	6,717,429	6,274,069
Other Accrued Expenses	29,926,419	19,369,468
Deferred Revenue	1,206,535	988,276
Interest Payable	7,134	21,570
Due to the Regional Transportation Authority	992,866	978,430
Current Portion of Insurance Reserves	16,371,955	17,233,017
Total Current Liabilities	56,122,155	47,354,499
Other Liabilities:		
Insurance Reserve, Non-Current Portion	16,899,939	14,807,793
Net Pension Obligation	1,377,230	1,098,068
Net Other Post Employment Benefits (OPEB) Obligation	2,843,294	2,254,389
Advance From State	8,620,227	8,529,377
Due to Regional Transportation Authority	195,641	1,188,507
Capital Lease Obligation, Less Current Portion	101,564,459	95,513,292
Other Liabilities	1,947,732	1,805,476
Total Other Liabilities	133,448,522	125,196,902
Total Liabilities	189,570,677	172,551,401
NET ASSETS		
Invested in Capital Assets	171,290,055	192,311,668
Unrestricted Net Assets	43,157,031	29,435,567
Total Net Assets	$ 214,447,086	$ 221,747,235

See accompanying notes to the Financial Statements.

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMEBER 31, 2010

	2011	2010
Operating Revenue		
Pace-Owned Service Revenue	$ 28,191,535	$ 26,162,982
CMAQ/JARC Services	40,292	10,209
Fixed Route Carrier Revenue	3,692,221	4,066,649
Paratransit Revenue	19,978,787	17,979,188
Vanpool Revenue	3,675,781	3,578,691
Reduced Fare Reimbursement	2,571,462	2,415,786
Advertising Revenue	4,355,475	3,930,876
Miscellaneous	6,348,239	3,864,154
Total Operating Revenue	68,853,792	62,008,535
Operating Expenses:		
Pace-Owned Service Expenses	74,311,676	73,273,066
CMAQ/JARC Expenses	290,232	198,665
Contract Payments:		
Fixed Route Carriers	10,584,807	11,639,829
Paratransit Carriers	133,160,676	121,511,022
Vanpool Expenses	4,529,570	3,655,554
Centralized Operations	58,509,532	55,886,171
Administrative Expenses	26,404,823	25,125,710
Depreciation	44,356,587	41,712,329
Total Operating Expenses	352,147,903	333,002,346
Operating Income (Loss)	(283,294,111)	(270,993,811)
Non-Operating Revenue (Expenses)		
Retailers' occupation and use tax from RTA (85% Formula)	76,085,053	73,053,667
RTA Sales Tax/PTF (PA 95-0708)	31,449,703	29,784,991
Regional ADA Paratransit Fund	99,298,087	94,796,109
RTA Discretionary Funding	535,000	-
Suburban Community Mobility Fund (SCMF)	19,859,618	18,959,222
South Cook County Job Access Fund	7,500,000	7,500,000
ADA State Funding	8,500,000	8,500,000
Innovation Coordination and Enhancement Fund (ICE)	6,586,687	1,431,706
Federal Operating Grants	3,596,665	5,037,856
Capital Grants Reimbursements	22,460,735	44,641,565
Interest on Investments	129,548	111,382
Interest Expense	(7,134)	(21,570)
Interest Revenue from Leasing Transaction	6,051,167	5,780,382
Interest Expense on Leasing Transaction	(6,051,167)	(5,780,382)
Total Non-Operating Revenue (Expenses)	275,993,962	283,794,928
Net Change in Net Assets	(7,300,149)	12,801,117
Beginning Net Assets	221,747,235	208,946,118
Ending Net Assets	$ 214,447,086	$ 221,747,235

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

Increase (Decrease) in cash and temporary investments	**2011**	**2010**
Cash flows from operating activities:		
Cash received from fares	$ 59,095,821	$ 62,300,533
Cash received from other operating items	10,296,767	6,524,984
Cash payments to and on behalf of employees for services	(110,154,735)	(108,135,192)
Cash payment to contractual service providers and suppliers	(184,876,689)	(182,149,551)
Net cash used for operating activities	(225,638,836)	(221,459,226)
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	73,849,761	72,519,334
Cash received from RTA Sales Tax/PTF (New)	31,449,703	29,784,991
Cash received from Suburban Community Funding	19,859,618	19,367,294
Cash received from South Cook Job Access	8,303,904	6,601,986
Cash received from Innovation Coordination and Enhancement	6,586,687	1,431,706
Payment of interest	(21,570)	(58,461)
ADA Regional Paratransit Funding from RTA	106,865,688	106,076,189
Cash received from Federal Funding	4,131,665	5,037,855
Net cash payments on loan from RTA	(978,430)	(3,941,539)
Cash Advance on Sales Tax	90,846	62,783
Net cash provided by non-capital financing activities	250,137,872	236,882,138
Cash flows from capital and related financing activities:		
Capital contributed from capital grants	22,589,316	45,004,208
Acquisition and construction of capital assets	(24,613,437)	(46,223,586)
Net cash provided by capital and related financing activities	(2,024,121)	(1,219,378)
Cash flows from investing activities:		
Cash received from interest on short-term investments	129,548	111,382
Net cash provided by investing activities	129,548	111,382
Net increase (decrease) in cash and short-term investments	22,604,463	14,314,916
Cash and short-term investments at beginning of year	46,864,390	32,549,474
Cash and short-term investments at end of year	$ 69,468,853	$ 46,864,390

See the accompanying notes to the Financial Statements.

STATEMENT 3
(Continued)

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011	2010
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	($283,294,111)	($270,993,811)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	44,356,587	41,712,329
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	284,795	6,845,149
(Increase) decrease in inventory	159,060	1,027,394
(Increase) decrease in prepaid expenses	(255,728)	78,983
(Increase) decrease in other assets	(56,838)	27,152
Increase (decrease) in accounts payable	(19,447)	(437,590)
Increase (decrease) in accrued payroll	443,360	347,641
Increase (decrease) in self insurance liability	1,231,084	1,385,408
Increase (decrease) in other liabilities	11,512,402	(1,451,881)
Total adjustments	57,655,275	49,534,585
Net cash used by operating activities	($225,638,836)	($221,459,226)

See the accompanying notes to the Financial Statements.

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PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. AUTHORIZING LEGISLATION AND NATURE OF OPERATIONS

The Regional Transportation Authority Act, as amended effective November 9, 1983, established a Suburban Bus Division Board empowered to operate bus service serving suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will.

On July 29, 2005, the governor signed House Bill 1663 making Pace Suburban Bus the sole provider of all ADA (American with Disabilities Act) services in the City of Chicago and the surrounding six counties. The Bill states that Pace becomes the official operator of CTA's (Chicago Transit Authority) ADA services on July 1, 2006.

The Suburban Bus Division Board consisted of twelve directors from suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will. For the collar counties, each of the Directors is appointed by the Chairman of the County Board in which his or her municipality is located. In Cook County, each of the directors is appointed by the Suburban members of the Cook County Board. The Chairman of the Board is appointed by a majority of suburban Cook County Board Members and Chairmen of the Collar County Boards. In August 2008, Senate Bill 1920 was passed which called for the appointment of the City of Chicago's Commissioner of the Mayor's Office for People with Disabilities to serve on the Pace Board as its thirteenth director. Each director must be a chief executive officer, or former chief executive officer, of a municipality within the county, or portion of the county, that appointed him or her. This restriction does not apply to the appointed Chairman or the City of Chicago's Commissioner of the Mayor's Office for People with Disabilities. Each Board Member serves a four year term.

The Suburban Bus Board determines the level, nature and kind of public bus transportation services that should be provided in the suburban region. Independent operations of the Suburban Bus Division (Pace) commenced July 1, 1984 and after June 30, 2006 for ADA service in the entire RTA region. In January 2008, Public Act 95-0708 was passed which addressed the financial crisis for transit and provided additional funding for both Suburban and ADA services.

Pace operates suburban bus services in Northeastern Illinois using stock and structures and equipment purchased through capital grants funded by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA) and Pace's own funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pace maintains its accounting records and prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies:

a. Reporting Entity

As defined by Governmental Accounting Standard Board (GASB) Statement No. 14 – "The Financial Reporting Entity," the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Under the RTA Act, the RTA Board has no control over the selection or the appointment of any of Pace's directors or management. Further, directors of Pace are excluded from serving on the Board of Directors of the RTA.

In addition, Pace maintains separate management, exercises control over all operations (including the passenger fare structure), and is accountable for fiscal matters including: ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance, and the preparation of the operating budget. Pace is also responsible for the purchase of services and approval of contracts relating to its operation.

Applying the aforementioned criteria used to determine financial accountability, management does not consider Pace to be a component unit of the RTA. Pace is a separate legal entity from the RTA.

Based on this criteria Pace has defined its reporting entity as set forth below. The basic financial statements include the accounts of Pace's wholly-owned operating divisions. This includes a total of nine operating divisions: Pace North, Waukegan; Pace South, Markham; Pace Southwest, Bridgeview; Pace West, Melrose Park; Pace Fox Valley, North Aurora; Pace Heritage, Joliet; Pace Northwest, Des Plaines; Pace River, Elgin and Pace North Shore, Evanston. Pace also has an acceptance facility in South Holland, a paratransit garage in McHenry and an administrative office in Chicago.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles

In March 2009, GASB released Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" and in December 2009 issued Statement No. 58 "Accounting and Financial Reporting for Chapter 9 Bankruptcies" both of which are effective for periods beginning after June 15, 2010. The implementation of these two Statements did not have a material impact on Pace.

In June 2010, GASB issued Statement No. 59, "Financial Instruments Omnibus". This Statement is effective for accounting periods beginning after June 15, 2010. This objective of this Statement is to improve existing standards regarding financial reporting and disclosure requirements for certain financial instruments and external investment pools. The Statement provides for amendments to a number of accounting statements and pronouncements. The implementation of this Statement did not have a material impact on Pace.

In December 2009, GASB released Statement No. 57 "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement is effective for accounting periods beginning after June 15, 2011. The Statement amends Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" to permit an agent employer with fewer than 100 total plan members to use the alternative method for the valuation regardless of the number of total plan members in the agent multiple-employer OPEB plan. The implementation of this Statement is not anticipated to have a material impact on Pace.

In November 2010, GASB released Statement No. 60 "Accounting and Financial Reporting for Service Concession Arrangements". This Statement is effective for accounting periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements which are a type of public-private or public-public partnership. The implementation of this Statement is not anticipated to have a material impact on Pace.

In November 2010, GASB released Statement No. 61 "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34". This Statement is effective for accounting periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. Statement No. 14, "The Financial Reporting Entity", and the Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", were both amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement will be reviewed to determine if any changes need to be made to reporting based on what is outlined in the pronouncement and if applicable, the Statement will be implemented for fiscal year ending December 31, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (continued)

In December 2010, GASB released Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This Statement is effective for accounting periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989. This Statement will be implemented for fiscal year ending December 31, 2012. The adoption of this standard will not have a material impact on Pace.

In June 2011, GASB released Statement No. 63 "Financial Reporting of Outflows of Resources, Deferred Inflows of Resources, and Net Position". This Statement is effective for accounting periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net position and renaming that measure as net position rather than net assets. This Statement will be implemented for fiscal year ending December 31, 2012. The adoption of this standard will not have a material impact on Pace.

In June 2011, GASB release Statement No. 64 "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53". This Statement is effective for accounting periods beginning after June 15, 2011. The implementation of this Statement is not anticipated to have a material impact on Pace.

c. Basis of Accounting

The financial activities of Pace are organized on a basis of an individual fund which is an accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The financial activities of Pace accounted for in the accompanying financial statements have been classified into the following fund type:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting (continued)

Proprietary Fund Type

Pace operates as an Enterprise Fund, a type of Proprietary Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Net Assets is segregated into Invested in Capital Assets and Unrestricted. Revenues and expenses of the proprietary fund types are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

Pace's operating revenues are made up of fare box revenue, local subsidies, state fare subsidies, advertising revenue and miscellaneous revenue. Operating expenses for Pace include the costs of operating the transit system, administrative expenses and depreciation of capital assets. All other revenues and expenses are reported as non-operating.

Pace segregates activities into two separate enterprise funds, Suburban Services Fund and Regional ADA Paratransit Services Fund. The Suburban Services Enterprise Fund includes revenues and expenses generated from its Fixed Route, Dial-A-Ride and Vanpool Services. The Regional ADA Paratransit Services Enterprise Fund includes revenues and expenses related to the ADA services provided in the City of Chicago and the six county region. Separate activity for each Enterprise Fund is presented in the supplementary exhibits presented on pages 52 – 59.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, Pace applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Public Funding

Public funding for Pace's operations is provided by Sales and Use Taxes, payments from the State's Public Transportation Fund (PTF), Federal Operating Assistance under the Transit Act (FTA), Suburban Community Mobility Funding, South Cook Job Access Program Funding and a dedicated source of funding from the RTA for the Regional ADA Paratransit Program.

Sales and use taxes are collected by retailers in the six-county area and remitted to the State of Illinois. The State remits these tax collections to the RTA in the second month following collection by the retailers. The RTA then distributes the taxes to Pace and the other Service Boards based on a formula set by statute. Pace accrues its share of the sales and use taxes based on the budget amounts for these funds and then reconciles amounts actually received with the budget figure at the end of the year.

Revenues provided to Pace under the FTA are recognized by Pace in the fiscal years to which they apply. Pace also recognizes in the fiscal years to which they apply distributions from the RTA which are made from other funds over which the RTA has discretionary authority.

The Service Boards are collectively entitled to a distribution by the RTA of the PTF revenues which the RTA receives from the State. The portion of these revenues which is allocated by the RTA to Pace is recognized by Pace in the fiscal year to which the distribution applies.

On July 29, 2005, the Illinois General Assembly amended the RTA Act with regard to ADA Paratransit service. Based on the amendment, the RTA is responsible for the funding of all ADA Paratransit services within the RTA region.

In January 2008, Public Act 95-0708 was passed which established an increase of .25% in regional sales tax throughout the six county region along with a new PTF grant from the State equal to 5% of total sales tax collections. The funds from this additional sales tax and PTF is first allocated to the Regional ADA Paratransit Program, Suburban Community Mobility Fund, and Innovation Coordination and Enhancement Fund. The remaining balance is allocated to the Service Boards under a new distribution in which Pace receives 13%. In addition to this funding, the RTA is also required to provide additional funding to Pace for the South Cook Job Access Program.

e. Reimbursement of Public Contract Carriers Expense

Pace had agreements with certain municipal carriers to provide transportation in return for their budgeted expense reimbursement, which confirmed Pace ownership of collected revenue. Agreements between Pace and the particular transportation carriers defined the allowed expense reimbursement. Pace's financial statements recognize the ownership of these revenues and the reimbursement of their budgeted expenses.

f. Contract Payments to Private Transportation Carriers

Contract carriers expense is recognized as the purchased service is provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Compensated Absences

Vacation benefits have been accounted for in conformity with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16. GASB Statement No. 16 provides that employee vacation, sick and other leave benefits that vest and accumulate and it is probable the employer will compensate, must be recognized as expenses and liabilities in the year in which the benefits are earned rather than in the year in which they are paid. Statement No. 16 also requires additional amounts to be accrued for certain salary-related payments associated with the payment of compensated absences, for example, the employer's share of social security and medicare taxes. Accrued vacation and the associated employer's share of social security and medicare taxes are presented in current liabilities.

Effective in 2009, Pace implemented a policy that allows for the conversion of sick time to a 401k account upon voluntary termination of employment. The provisions of the policy require that the employee have a minimum of 10 years of credited service as defined by the RTA Pension Plan. An employee who leaves Pace employment with 10 years of credited service but is not retirement eligible under the RTA Pension Plan receives 60% of the value of their accrued sick time as a contribution to their 401k account. Employees that leave Pace with 10 years of credited service and are retirement eligible will receive 100% of the value of the accrued sick time as a contribution to their 401k account. The maximum total sick time that can be accrued by an employee is 72 days. The compensated absences for sick pay are presented in current and long term liabilities.

h. Restricted Cash for Insurance Reserves

Pace maintains restricted cash balances to fund the general liability, automobile liability, and workers compensation from Pace's self insurance program. Please see Note 5 on pages 32 and 33 for more information.

i. Restricted Assets

Pace entered into two leasing transactions in 2003. These agreements, which provide certain cash and tax benefits to the third party, also provide for Pace to lease the related capital assets to an equity investor trust, which would then lease the capital assets back to Pace under a separate lease. Pace received certain funds as prepayment by the equity investor trust. These funds have been deposited in designated investment accounts sufficient to meet the payments required under the leases and are recorded as assets restricted for repayment of leasing commitments. These funds are held in custodian accounts or with a payment undertaker and Pace does not have any direct control over these funds.

j. Inventories - Spare Parts

Inventories are valued at the lower of cost or market with cost determined on the first-in, first-out method. The inventories are located at the suburban bus system's operating divisions and public contract transportation agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Property and Equipment and Accumulated Depreciation

Property and equipment are recorded at historical cost. Pace capitalizes assets with a useful life of one year or more that is either (a) capital equipment, (b) operation equipment with a unit cost of $5,000 or more, (c) costs incurred to extend an asset's useful life as part of a fleet enhancement or major rebuild/rehabilitation program, or (d) an item determined to be highly susceptible to theft. Most of the assets have been acquired through capital grant projects funded by FTA, IDOT and the RTA. Costs funded by capital grants are recorded as capital items and are included in capital assets. Lease agreements generally require transportation agencies to use property and equipment only for public transportation and to maintain them. The asset costs include indirect costs based upon a rate approved by FTA.

The depreciation expense recorded on Pace's statement of revenues, expenses and changes in net assets represents depreciation on assets purchased by Pace through the use of operating funds and capital grant funds. As required by GASB, depreciation expense has been classified as an operating expense for all depreciable capital assets, including those acquired through capital grants. Depreciation is computed on a straight-line basis using estimated useful lives listed below. Accumulated depreciation includes depreciation recorded by the RTA prior to the transfer of assets to Pace on December 31, 1984.

The estimated useful lives are as follows:

Buildings	20 - 30 years
Improvements	7 - 20 years
Equipment	3 – 12 years

Pace records intangible assets that meet the cost threshold of $100,000 or greater. The amortization period for intangible assets ranges from 5 years to 20 years and is computed on a straight-line basis. Pace has elected not to retroactively record development costs related to internally generated software that were incurred prior to January 1, 2010.

l. Capital Projects in Progress

Capital projects in progress represents ongoing capital grant projects in various stages of completion. Capital projects in progress totaled $2,921,309 at December 31, 2011 and $3,325,807 at December 31, 2010. The balance at December 31, 2011 represents the following projects in process: Oracle EAM fit/gap study totaling $914,051, new shelter installations totaling $979,609, and costs associated with acquisition of a new site for our Northwest garage totaling $62,260. The remaining balance consists of 19 vans totaling $698,361, 2 community vans totaling $135,852, and 2 transit buses totaling $131,176. In 2011, Pace had contracts in place with Donlen Corp. for $8,199,952 to purchase vans, Central States Bus Sales for $1,689,700 to purchase Community vans, and Midwest Transit for $13,737,771 to purchase paratransit buses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Capital Grants

Pace receives capital grants for asset acquisition, rehabilitation and construction of public transportation facilities and equipment, under Sections 5307 and 5309 of the Federal Transit Act. As for local capital, in 2005 both the IDOT bond and RTA bond programs, which match the Federal programs, expired. Therefore, Pace heavily relied on the Federal programs to meet their capital needs. The Illinois Department of Transportation continues to contribute capital grant funding from past years' appropriations in addition to the RTA for the acquisition of certain capital assets. Pace may fund from its own accumulated resources a portion of a capital grant project when federal, state, and RTA grants are not sufficient or eligible for the total cost of the project. Pace funded $874,239 and $1,374,656 for capital projects from its positive budget variance account, in 2011 and 2010, respectively.

n. Centralized Operations

Pace incurs costs of operations such as fuel, insurance, maintenance, etc. which, to the extent that they may be specifically identified, are allocated to funded carriers and considered additional assistance.

o. Deposits and Investments

Permitted Deposits and Investments Statutes authorize Pace to make deposits and investments in insured/collateralized commercial banks, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, interest bearing bonds of municipal corporations rated within the 4 highest classifications established by a nationally recognized rating service and The Illinois Funds.

Deposits and Investments are recorded at fair value in accordance with GASB 31 and for purposes of cash flow are considered highly liquid. Fair value for the Illinois Funds is the same as the value of the pool shares. State statutes require this fund to comply with the Illinois Public Funds Investment Act (30ILCS 235).

p. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Pace's financial position and operations. However, comparative data has not been presented in all exhibits because their inclusion would make certain exhibits unduly complex.

q. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. The reclassifications did not affect the change in net assets or total net assets.

3. DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was $64,769,236 at December 31, 2011, while the bank balances were $66,589,593. At December 31, 2011, Pace's petty cash fund totaled $5,120. All account balances were either insured by the Federal Deposit Insurance Corporation (FDIC) or are held in a third party institution in the name of Pace. Bank deposits over FDIC insurable limits are secured by collateral to protect deposits in a single financial institution if it were to default. Collateral will have a market value equivalent to at least 105% of deposits at that particular institution. The collateral shall be marked to market and adjusted on at least a monthly basis.

b. Certificates of Deposit

Certificates of Deposit amounted to $735,000 at December 31, 2011. All Certificates of Deposit were insured by the Federal Deposit Insurance Corporation (FDIC).

c. Investments (excluding Pension Funds)

Investments are governed by 30 ILCS 235, Public Funds Investment Act. The Board of Directors maintains a formal Investment Policy which addresses the governing provisions of the state law as well as specifying additional guidelines for the investment process. The allowable investments per Pace's policy mirror those specified in the State statute. In general, these investments include instruments issued by the U.S. Government, federal agencies, high grade commercial paper, bank deposits, investment pools created under the State Treasurer's Act, and selected money market mutual funds.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for Pace's investments at December 31, 2011.

		Investment Maturities (in years)			Quality Rating
Investment Type	Fair Value	Less Than 1	1-2	3-5	
State Investment Pool	$3,959,497	$3,959,497	$ -	$ -	AAA
Total	$3,959,497	$3,959,497	$ -	$ -	

Interest Rate Risk. As a means of limiting its exposure to fair market value losses arising from rising interest rates, investments of Pace shall be limited to instruments maturing no longer than five years from the time of purchase.

3. DEPOSITS AND INVESTMENTS (Continued)

c. Investments (continued)

Credit Risk. Pace's Investment Policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. Pace's Investment Policy limits investments in short term obligations of corporations organized in the United States with assets exceeding $500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations.

Concentration of Credit Risk. Pace places no limit on the amount that may be invested in any one issuer. As of December 31, 2011, all Pace's investments are in the State Investment Pool which represents roughly 6% of Pace's total cash and investments.

Pace has outstanding lease/leaseback obligations. When Pace entered into these transactions it received advance payments. Pace deposited a portion of the advance payment with a trustee, who was to purchase direct obligations of the U.S. government and other securities that would mature on the dates and in the amounts required to pay lease payments and the respective purchase option price. These investments are held by the trustee in the name of Pace and are invested in U.S. Treasury strips, U.S. government obligations, or guaranteed investment contracts. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts they are not recorded at fair value but are recorded at amortized cost on the Statement of Net Assets.

4. RELATIONSHIP WITH REGIONAL TRANSPORTATION AUTHORITY

Transactions with the RTA include receipt of Pace's portion of sales tax revenues, state operating and federal operating assistance grants and funding for the ADA program. Pace also receives reimbursements from the RTA for amounts expended by Pace on behalf of the RTA.

	2011	2010
Amounts due from RTA:		
Sales tax and public funding	$36,428,603	$34,996,915
Operating and capital grants	84,444	358,922
Reduced fare reimbursement	3,114,665	2,544,725
Regional ADA funding	7,492,388	6,559,989
Other	33,512	196,804
	$47,153,612	$44,657,355

5. RISK MANAGEMENT

Pace's basic risk financing policy is to retain a portion of the financial risk of loss for its General Liability, Automobile Liability, and Workers Compensation exposures. Pace does purchase aggregate insurance coverage in excess of specific self-insured retentions for each of the liability exposures highlighted below. Pace also purchases conventional insurance for its property, environmental, crime, and employment practice liability exposures. The basic premise of Pace's Risk Management program is to make risk control and risk financing decisions that minimize the adverse effects that accidental losses have on our organization. The employee health plan and workers' compensation programs are administered primarily by third-party administrators that provide claims management services in exchange for a service fee.

Pace's specific self insured retentions for general liability, pollution legal liability automobile liability, workers compensation, property, and employment practice liability coverage as of December 31, 2011 are structured as follows:

General Liability	$250,000 Each Occurrence
Pollution Legal Liability	$25,000 Each Occurrence
Automobile Liability	$3,000,000 Each Occurrence
Excess Workers Compensation	$750,000 Each Occurrence
Property	$25,000 Per Occurrence Deductible
Employment Practice Liability	$100,000 Each Occurrence $250,000 Mass Tort

Prior to December 15, 2005, there was no excess coverage for the general liability and automobile liability insurance layers between $10 million and $15 million. Excess insurance was purchased on December 15, 2005 to cover this gap. Prior to October 15, 2007, the excess workers' compensation self-insured retention was $1,000,000 per each occurrence with statutory limits for coverage A and a $1,000,000 employers' liability coverage limit.

Pace also has assumed the financial risk for its employee health and welfare coverage. The stop loss coverage at December 31 is as follows:

	Specific Stop Loss		Aggregate Stop Loss	
	2011	2010	2011	2010
Corporate and all Divisions	$ 150,000	$ 150,000	$4,975,747	$4,744,925

5. RISK MANAGEMENT (Continued)

Claim reserves (liabilities) for general liability, automobile liability, and workers' compensation are established based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and for claims that have been incurred but not reported (IBNR). For general and automobile liability, case reserves are established by the claim adjuster at the time the claim file is established and are modified throughout the life cycle of the claim.

The reserves on larger cases, particularly those in litigation, are reviewed with the Risk Manager and/or legal staff. Reserves are reviewed regularly by the Risk Manager and Pace General Counsel and adjusted on an as needed basis.

General liability, automobile liability, and workers' compensation claim reserves reflect the ultimate settlement value of the claim. For workers' compensation claims, reserves for temporary total disability (TTD), permanent partial disability, permanent total disability and medical expenses are established in accordance with the benefit structure outlined in the Illinois Workers Compensation Act. If permanency is involved on the case, the reserves will be increased to reflect the appropriate amount as determined by previous cases settled at the Illinois Workers Compensation Commission. Reserves are updated as necessary and reflect the ultimate settlement value of the claim.

General liability, automobile liability, and workers' compensation claim liabilities for incurred losses to be settled by a lump-sum payment or other agreement, represent their present value using an expected future investment yield of 5 percent per year. Reserves for employee health and welfare coverage are established based on historical claim experience. The ultimate liability for general liability, automobile liability, workers' compensation, and the employee health and welfare plan is approximately $33,271,894 and $32,040,810 as of December 31, 2011 and 2010, respectively. Cash is reserved for general liability, automobile liability, and workers' compensation at a present value of $27,967,746 and $26,571,529 for this liability at December 31, 2011 and 2010, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Balance at beginning of year	$ 32,040,810	$ 30,655,401
Current year claims and changes in estimates	22,371,442	25,709,577
Claim payments	(21,140,358)	(24,324,168)
	$ 33,271,894	$ 32,040,810
Current portion of insurance reserves	$ 16,371,955	$ 17,233,017
Non-current portion of insurance reserves	16,899,939	14,807,793
Total insurance reserves	$ 33,271,894	$ 32,040,810

6. LONG TERM DEBT

In March 2007, Pace borrowed $4,750,000 from the RTA Loss Financing Plan (LFP) to pay for amounts expended and due under a settlement agreement. Repayment to the LFP occurs annually with Pace paying a minimum of the amount borrowed plus applicable interest or $1,000,000 whichever is less. The interest shown below is based on a 0.51% rate which represents an average of the 2011 interest rates. The rate will be calculated each year based on the effective interest rate earned by the assets of the Joint Self Insurance Fund.

2009	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
Loan from LFP	$2,166,937	$ -	$ 978,430	$ 1,188,507	$ 7,134	$ 992,866

Long Term Debt Schedule:

Year	Interest	Principal	Total
2011	$ 7,134	$ 992,866	$1,000,000
2012	1,017	195,641	196,658
Total	$ 8,151	$1,188,507	$1,196,658

7. LEASING TRANSACTIONS

In 2003, Pace entered into two lease and leaseback agreements and realized a gain of $2.4 million from the proceeds. The transactions allowed Pace to earn an up-front economic cash benefit for transferring ownership (not legal title) of a group of assets to a taxpayer that could take advantage of the benefits of tax ownership.

The first lease and leaseback agreement with a third party pertained to certain buses (lot 1, 2, and 3) having an original cost of $62.3 million less accumulated depreciation of $52.4 million for a net book value of $9.9 million at December 31, 2011. Under the bus lease agreements, Pace entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $72.2 million and is reflected in the accompanying December 31, 2011 statement of net assets as the total of the current and long term portions of the Capital Lease Obligation.

7. LEASING TRANSACTIONS (Continued)

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) having an original cost of $29.0 million less accumulated depreciation of $21.2 million for a net book value of $ 7.8 million at December 31, 2011. Under the bus lease agreements, Pace entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $29.4 million and is reflected in the accompanying December 31, 2011 statement of net assets as the total of the current and long term portions of the Capital Lease Obligation.

2010	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	$ 67,923,367	$ 4,229,254	$ -	$ 72,152,621	$ 4,229,254	$ -
2003 (Buses)	$ 27,589,925	$ 1,821,913	$ -	$ 29,411,838	$ 1,821,913	$ -
Total	$ 95,513,292	$ 6,051,167	$ -	$ 101,564,459	$ 6,051,167	$ -

As described above, Pace entered into two lease financing agreements with a third party in 2003.

	Capital Leases
2012	$ -
2013	-
2014	-
2015	-
2016	124,399,915
Total minimum lease payments	124,399,915
Less interest	22,835,456
Present value of minimum lease payments	$ 101,564,459
A reconciliation of the Statement of Net Assets to amount presented above:	
Capital Lease Obligation, less current portion	$ 101,564,459
Capital Lease Obligation, current portion	-
Total	$ 101,564,459

8. OTHER LONG-TERM LIABILITIES

Pace receives a one month advance from the Illinois Department of Revenue to compensate for the delay in the processing of sales tax payments. The advance is forwarded to the Regional Transportation Authority and is then allocated among the three Service Boards. Pace reported a liability of $8,620,227 and $8,529,377, respectively, for this advance for the year ended December 31, 2011 and December 31, 2010.

9. COMMITMENTS AND CONTINGENCIES

a. Agreements with Pace's paratransit public funded carriers generally provide that Pace will reimburse the lesser of the approved budget, $3.00 per ride, or up to 75% of defined operating deficits incurred, within defined service guidelines, in the provision of specified demand response public transportation services.

b. Grant agreements with Pace's public contract carriers provide that Pace reimburse defined operating expenses, limited to their approved budget level, incurred in providing public transportation services.

c. Pace receives significant financial assistance from federally assisted programs, principal of which is FTA. These programs are subject to audit under the requirements of *OMB Circular A-133* for which a separate report is issued.

10. NET ASSETS

a. Designated Net Assets

While net assets represent residual equity in addition to investments in capital assets, it is important to note that management has designated a portion of this balance for future commitments. These obligations are not legal restrictions on net assets and therefore are not segregated on the statement of net assets, but are for future consideration. Refer to Exhibit 9 for the detail of these designations. The figures below reflect the Unrestricted Net Assets for Suburban Services only.

	December 31	
	2011	2010
Unrestricted Net Assets	$ 48,293,992	$ 34,572,528
Less: Management Designated Net Assets	6,258,321	6,546,840
Undesignated Unrestricted Net Assets	$ 42,035,671	$ 28,025,688

b. Working Cash

In order to provide sufficient working cash balances to allow payment of Pace's obligations in a timely manner, in August 2004 the Board of Directors ordained that the amount of Unrestricted Net Assets to be retained for working cash purposes shall be set at 8% of annual budgeted operating expenses from the Suburban Services Fund.

Controls have been implemented to ensure that the working cash balance is not expended without further approval. Before that approval is granted, staff will reexamine both the project and Pace's cash position in order to make a recommendation to the Board as to how to proceed.

	December 31	
	2011	2010
Net Assets	$ 48,293,992	$ 34,572,528
Less: Earnings Retained for Working Cash Purposes	(14,665,600)	(14,613,022)
Less: Management Designated Net Assets	(6,258,321)	(6,546,840)
Available Unrestricted Net Assets	$ 27,370,071	$ 13,412,666

11. RETIREMENT PLANS

DEFINED BENEFIT PLANS

a. RTA Plan

(1) Plan Description

The Regional Transportation Authority Pension Plan is a cost-sharing multiple employer non-contributory defined benefit pension plan, whose benefit provisions are established under the authority of RTA, that provides retirement, disability and death benefits to plan members and beneficiaries. The RTA plan is comprised of employees from the RTA, Pace and Metra.

All full-time Pace employees who are not covered by a Collective Bargaining Agreement where retirement benefits are a subject of bargaining are eligible to participate. The plan provides normal and early retirement and disability benefits determined as a percentage of a participants average annual compensation in the three completed plan years of highest compensation. Benefits fully vest upon attaining five years of credited service. Normal retirement age is 65 or when the total years of credited service plus the participant's age equals 85. Upon reaching normal retirement age, a participant is entitled to 100% of his vested benefits. An employee may retire at age 55 with 10 years of credited service and receive reduced benefits. The RTA pension plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 550 West Algonquin Road, Arlington Heights, Illinois 60005-4412 or by calling (847) 364-8130.

(2) Funding Policy

As mentioned above, employee contributions are neither required nor allowed by the plan. The employer is required to contribute at an actuarially determined rate. Pace made a pension contribution of $3,929,333 in 2011. The employer contribution requirements are established and may be amended by the RTA Pension Plan Board of Trustees.

(3) Schedule of Required Contributions

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Contributed By Employer	Net Pension Obligation
2011	4,210,000	100%	$0
2010	4,038,000	100%	0
2009	3,466,041	100%	0

11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

a. RTA Plan (Continued)

(4) Funded Status and Funded Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability was $185,373,843 and the actuarial value of assets was $127,343,037 resulting in an unfunded actuarial accrued liability (UAAL) of $58,030,806. The 2011 covered payroll (annual payroll of active employees covered by the plan) was $66,490,058 and the ratio of the UAAL to the covered payroll was 87.28%.

Information regarding the Schedule of Funding Progress can be found on page 51.

(5) Actuarial Assumptions

The information presented above and in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	1/1/11
Actuarial cost method	Projected unit credit
Amortization method	Straight-line
Remaining amortization period	30
Amortization method	Open Basis
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	Age-Based
Inflation rate	2.5%

11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

b. Pace West Division Plan

(1) Plan Description

The Retirement Plan for Pace West Division Employees is a contributory single employer defined benefit pension plan, whose benefit provisions are established through the Collective Bargaining Agreement between Pace West Division and Local 241 of the Amalgamated Transit Union that provides retirement, disability and death benefits to plan members and beneficiaries. All full-time Pace employees who are covered by the Collective Bargaining Agreement are eligible to participate. The plan provides normal and early retirement and disability benefits determined as a percentage of a participant's career earnings. Benefits fully vest upon attaining 10 years of service or at age 57 with three years of credited service. Normal retirement age is 65 or after 25 years of credited service at any age and entitles an employee to 100% of his vested benefits. An employee may retire at age 57 with 3 years of credited service and receive reduced benefits. The plan issues a financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 550 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130.

(2) Funding Policy

Employee and employer contributions are required by the plan. Effective January 1, 2005, Pace's contribution to the plan increased from 2.5% to 3.5% of compensation and the employee's post-tax contribution rate increased from 4.2% to 5.4%. The employer and employee contribution requirements are established and may be amended through the Collective Bargaining Agreement.

(3) Annual Net Pension Cost and Net Pension Obligation

The annual net pension cost and net pension obligation are as follows:

Annual required contribution	$ 934,685
Interest on net pension obligation	57,637
Adjustment to the annual required contribution	(110,698)
Annual pension cost	881,624
Employer contributions	(582,368)
Increase in the net pension obligation	299,256
Net pension obligation at 12/31/09	1,345,916
Net pension obligation at 12/31/10	$ 1,645,172

11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

b. Pace West Division Plan (Continued)

(3) Annual Net Pension Cost and Net Pension Obligation (Continued)

Schedule of Employer Contributions

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage Contributed By Employer	Net Pension Obligation
2010	$881,624	66.1%	$1,645,172
2009	839,914	50.1%	1,345,916
2008	371,753	112.7%	927,120

(4) Funded Status and Funded Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability was $25,521,570 and the actuarial value of assets was $16,365,933 resulting in an unfunded actuarial accrued liability (UAAL) of $9,155,637. The 2011 covered payroll (annual payroll of active employees covered by the plan) was $11,467,539 and the ratio of the UAAL to the covered payroll was 79.84%. In 2011, Pace, as the employer, paid contributions of $181,360 for 2009. Per the requirements of Illinois Statute 40 ILCS 5/22-103, Pace accrued $287,070 for the 2010 contribution and $248,739 for the 2011 contribution.

Information regarding the Schedule of Funding Progress can be found on page 51.

(5) Actuarial Assumptions

The information presented above and in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Straight-line
Remaining amortization period	20
Amortization method	Open Basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	3.5%

11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

c. Pace North Division Plan

(1) Plan Description

Until October 1, 1999, the Amalgamated Transit Union Local 900 Pension Plan was a non-contributory defined benefit plan for employees of the North Division. Under the new Collective Bargaining Agreement, plan participants are required to contribute 4% of their compensation. Such employee contribution is treated as a pick up contribution (pretax) under the Internal Revenue Code. Pace also contributes 4% of compensation under the new Collective Bargaining Agreement; previously, Pace contributed 3.75% of compensation. All Pace employees who are covered by the Collective Bargaining Agreement are eligible to participate. The plan provides normal and early retirement and disability benefits based upon years of credited service and hours of service credited to the participant during each year of service. Benefits fully vest upon attaining 5 years of service. Normal retirement age is 65 and entitles an employee to 100% of their vested benefits. An employee may retire at age 55 with 10 years of service and receive reduced benefits. The plan also pays one-half of medical insurance premiums for certain early retirees age 62 until the retiree reaches age 65. The plan issues a financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 550 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130.

(2) Funding Policy

The employer was required to contribute 3.75% of compensation until October 1, 1999, when the contribution was increased to 4% of compensation. Prior to October 1, 1999, employee contributions were neither required nor allowed. After October 1, 1999, the employee is required to contribute 4% of compensation. The employer contribution requirements are established and may be amended through the Collective Bargaining Agreement.

(3) Annual Net Pension Cost and Net Pension Obligation

The annual net pension cost and net pension obligation are as follows:

Annual required contribution	$ 92,894
Interest on net pension obligation	(9,958)
Adjustment to the annual required contribution	19,521
Annual pension cost	102,457
Actual contributions	(122,551)
Decrease in the net pension obligation	(20,094)
Net pension obligation at 12/31/09	(247,848)
Net pension obligation at 12/31/10	$ (267,942)

11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

c. Pace North Division Plan (continued)

(3) Annual Net Pension Cost and Net Pension Obligation (continued)

Schedule of Employer Contributions

Plan Year Ending	Annual Pension Cost (APC)	Percentage Contributed APC Contributed	Net Pension Obligation
12/31/2010	$102,457	119.61%	$(267,942)
12/31/2009	112,740	111.72%	(247,848)
12/31/2008	51,799	231.79%	(234,633)

(4) Funded Status and Funded Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability was $3,522,640 and the actuarial value of assets was $3,109,830 resulting in an unfunded actuarial accrued liability (UAAL) of $412,810. The 2011 covered payroll (annual payroll of active employees covered by the plan) was $3,063,755 and the ratio of the UAAL to the covered payroll was 13.47%.

Information regarding the Schedule of Funding Progress can be found on page 51.

(5) Actuarial Assumptions

The information presented above and in the supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Straight-line
Remaining amortization period	20
Amortization method	Open Basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0%

11. RETIREMENT PLANS (Continued)

DEFINED CONTRIBUTION PLANS

a. Plan Description

The Operating Divisions of the Pace Suburban Bus Division have established 401K plans and defined contribution plans through their respective Collective Bargaining Agreements with the bargained for employees at the Division. The Division contributes a percentage of compensation for each participant as provided in the Collective Bargaining Agreement. In some cases, there is a required employee 401K contribution pursuant to the Collective Bargaining Agreement. Each 401K plan allows the employee participant to elect to contribute a percentage of the participant's compensation up to a maximum percentage. The defined contribution plans provide only for an employer contribution at the percentage of compensation specified in the Collective Bargaining Agreement. The plans can be amended by the Collective Bargaining Agreement or in writing by the parties to the Collective Bargaining Agreement.

b. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

The plans are all self directed by the participant from a selection of mutual funds. All assets of the plan are valued at fair value.

11. RETIREMENT PLANS (Continued)

DEFINED CONTRIBUTION PLANS (Continued)

b. Summary of Significant Accounting Polices (Continued)

The following table provides additional information regarding these defined contribution plans:

Plan Name	Type of Plan	Number of Covered Employees	Employer Contribution Requirement	Employee Contribution Requirement	Employer Contribution Amount	Employee Contribution Amount
Pace Fox Valley Division	401k	55	4% of Compensation*	None	$88,117	$73,630
Pace Fox Valley Division	Defined Contribution	3	4% of Compensation	4% of Compensation	$7,029	$7,029
Pace Heritage Division	401k	40	4% of Compensation	4% of Compensation	$62,551	$103,831
Pace North Shore Division	401k	49	4% of Compensation	None	$82,243	$110,141
Pace Northwest Division	401k	212	4% of Compensation	4% of Compensation	$409,395	$592,454
Pace River Division	401k	55	4% of Compensation**	None	$92,439	$104,774
Pace River Division	Defined Contribution	10	4% of Compensation	4% of Compensation	$18,897	$18,897
Pace South Division	401k	212	4% of Compensation	4% of Compensation	$366,445	$476,197
Pace Southwest Division	401k	112	4% of Compensation	4% of Compensation	$169,439	$177,271

For 2011, the maximum employee pre-tax 401(k) contribution was $16,500. For 2011, participants age 50 or older can contribute an additional $5,500 as a catch-up 401(k) contribution.

* For participants who were employed as of November 1, 1989, Pace will contribute up to 4% of compensation as a matching contribution. For participants who were employed after this date, there are no matching contributions.

** For participants who were employed as of December 31, 1991, Pace will contribute up to 4% of compensation as a matching contribution. For participants who were employed after the date, there are no matching contributions.

Pace Administrative Plan

In addition to the RTA Defined Benefit Plan, all Pace employees who are not covered by a retirement plan which is the subject of a Collective Bargaining Agreement, are eligible to participate in a voluntary 401(K) Plan. Employees are eligible to participate after 60 days of service. A participant is fully vested in his/her account immediately. Contributions to the plan are voluntary for each participant. The Internal Revenue Code places limits on the amounts which employees may elect to contribute. There is no employer obligation to contribute. Plan provisions and contribution requirements are established and may be amended by the Administrative Plan Committee. For 2011, Pace contributed $167,570 and the participants contributed $1,260,036 which includes $28,667 contributed to the Roth 401(K).

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. West Plan

(1) Plan Description

Pace administers a single-employer defined benefit healthcare plan for its West Division employees ("West Plan"). The plan provides HMO coverage to employees hired on or before the ratification of the Collective Bargaining Agreement and former employees age 57 or older on or before the ratification of the Collective Bargaining Agreement that also qualify as a deferred vested pensioner under the Retirement Plan for Pace West Division are eligible for retiree health and life insurance coverage subject to the terms of the agreement. Retiree health coverage consists of enrollment in Pace' HMO plan or payment of a single coverage cash equivalent ("stipend") as outlined in the Collective Bargaining Agreement. Retirees also qualify for a $2,000 life insurance benefit. Retirees can maintain family coverage provided the retiree pays 50% of the difference between single and family coverage. Family coverage is available until the retiree reaches age 65. The West Plan does not issue a stand alone financial report.

(2) Funding Policy

The contractual obligation to contribute to the West Plan is under the Collective Bargaining Agreement with Pace West Division and Local 241, Amalgamated Transit Union. Effective January 1, 2004, Pace contributes 2.5% of earnings to cover the costs of retiree's health coverage per the Collective Bargaining Agreement. In addition, Pace contributed an additional $90,000 in 2004 for 2004 and $90,000 in 2005 for 2005. No contributions were made in the subsequent years. In the event such amount is insufficient to pay the cost of retirees' health coverage, Pace will advance the funds. If the insufficiency is $10,000 or less, Pace agrees to pay. If the insufficiency is greater, then Pace and Local 241 Amalgamated Transit Union will resolve the insufficiency.

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. West Plan

(3) Annual Other Post Employment Benefits(OPEB) Cost and Net OPEB Obligation

The West Plan's other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the West Plan's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

Annual required contribution	$ 868,393
Interest on net OPEB obligation	90,176
Adjustment to annual required contribution	(86,146)
Annual OPEB cost	872,423
Contributions made	(283,518)
Increase in net OPEB obligation	588,905
Net OPEB obligation - beginning of year	2,254,389
Net OPEB obligation - end of year	$2,843,294

The West Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 through 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	$872,423	30.7%	$2,843,294
12/31/2010	972,069	43.1%	2,254,389
12/31/2009	972,069	60.2%	1,568,755

(4) Funded Status and Funded Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability was $12,642,476 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $12,642,476. The 2011 covered payroll (annual payroll of active employees covered by the plan) was $11,467,539 and the ratio of the UAAL to the covered payroll was 110.2%.

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

(4) Funded Status and Funded Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since 2007 was the first year that an actuarial valuation was performed, the schedule of funding progress reflects only the last five years of data.

(5) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a discount rate of 4% and a 30 year amortization period. Other assumptions are as follows:

Health Care Trend Rate - The expected rate of increase was based on historical costs and were estimated as follows:

Retirees Under Age 65	10.0%
Retirees Over Age 65	8.5%

Mortality – Life expectancies were based on RP-2000 Combined Healthy Mortality Table for Males and Females and were projected to 2011 using Scale AA.

Withdrawal - The rate of withdrawal was based on the same assumptions used for valuation of the Pace West Division Defined Benefit Plan.

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

(5) Actuarial Methods and Assumptions

Retirement Rates – The rate of retirement was based on the same assumptions used for the valuation of the Pace West Division Defined Benefit Plan.

Marital Status – The marriage assumption at retirement assumed that 80% of retirees are assumed to be married with husbands three years older than wives. This was based on the actual spouse data for the current retirees.

Annual Per Capita Claims – The annual per capita claims were based on the implicit HMO premiums. An assumption was made that the stipend amount would increase by $120 per year and that 50% of retirees are assumed to elect the stipend.

13. CHANGES IN CAPITAL ASSETS

Type	12/31/2010 Balance	Additions	Transfers	Disposals	12/31/2011 Balance
Capital Assets not Being Depreciated					
Land	$ 16,010,544	$ 3,989	$ -	$ -	$ 16,014,533
Capital Projects in Progress	3,325,807	2,921,309	(3,325,807)	-	2,921,309
Total Capital Assets not Being Depreciated	19,336,351	2,925,298	(3,325,807)	-	18,935,842
Capital Assets Being Depreciated					
Equipment	315,319,832	19,474,724	3,325,807	(25,512,318)	312,608,045
Buildings and Improvements	155,360,586	934,953	-	(39,542)	156,255,997
Total Capital Assets Being Depreciated	470,680,418	20,409,677	3,325,807	(25,551,860)	468,864,042
Accumulated Depreciation					
Equipment	(206,083,768)	(44,356,588)	-	25,512,318	(224,928,038)
Buildings and Improvements	(91,621,333)	-	-	39,542	(91,581,791)
Total Accumulated Depreciation	(297,705,101)	(44,356,588)	-	25,551,860	(316,509,829)
Total Capital Assets Being Depreciated, Net	172,975,317	(23,946,911)	3,325,807	-	152,354,213
Net Capital Assets	$ 192,311,668	$ (21,021,613)	$ -	$ -	$ 171,290,055

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Regional Transportation Authority Pension Plan						
01/01/11	$ 127,343,037	$ 185,373,843	$ 58,030,806	68.70%	$ 66,490,058	87.28%
01/01/10	118,805,281	166,663,123	47,857,842	71.28%	68,389,409	69.98%
01/01/09	106,021,198	153,284,576	47,263,378	69.17%	66,010,613	71.60%
01/01/08	114,031,540	146,417,404	32,385,864	77.88%	61,364,198	52.78%
01/01/07	102,523,735	133,905,851	31,382,116	76.56%	61,357,214	51.15%
01/01/06	94,697,937	124,521,129	29,823,192	76.05%	58,883,678	50.65%
Pace West Division Pension Plan						
01/01/11	$ 16,365,933	$ 25,521,570	$ 9,155,637	64.13%	$ 11,467,539	79.84%
01/01/10	15,391,195	24,327,270	8,936,075	63.27%	12,187,546	73.32%
01/01/09	14,646,163	23,227,827	8,581,664	63.05%	11,349,851	75.61%
01/01/08	18,138,936	22,085,776	3,946,840	82.13%	9,701,566	40.68%
01/01/07	17,349,364	20,763,172	3,413,808	83.56%	9,848,381	34.66%
01/01/06	16,446,172	19,475,477	3,029,305	84.45%	9,899,891	30.60%
Pace North Division Pension Plan						
01/01/11	$ 3,109,830	$ 3,522,640	$ 412,810	88.28%	$ 3,063,755	13.47%
01/01/10	2,683,394	3,213,280	529,886	83.51%	3,064,019	17.29%
01/01/09	2,064,461	2,912,728	848,267	70.88%	3,126,297	27.13%
01/01/08	2,288,183	2,680,717	392,534	85.36%	2,988,024	13.14%
01/01/07	1,904,645	2,445,660	541,015	77.88%	2,817,416	19.20%
01/01/06	1,702,399	2,236,991	534,592	76.10%	2,603,345	20.53%
Pace West Division Health Plan						
01/01/11	$ -	$ 12,642,476	$ 12,642,476	0.00%	$ 11,467,539	110.25%
01/01/10	-	13,695,661	13,695,661	0.00%	12,187,546	112.37%
01/01/09	-	13,695,661	13,695,661	0.00%	11,349,851	120.67%
01/01/08	-	11,308,886	11,308,886	0.00%	9,701,566	116.57%
01/01/07	-	11,308,886	11,308,886	0.00%	9,848,381	114.83%

PACE
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANPORTATION AUTHORITY
STATEMENT OF NET ASSETS BY FUND
DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR DECEMEBER 31, 2010

ASSETS	Suburban Services Fund 2011	Regional ADA Paratransit Services Fund 2011	Total 2011	Unaudited Total 2010
Current Assets:				
Cash and Investments				
Unrestricted	$ 30,606,392	$ 10,894,715	$ 41,501,107	$ 20,292,861
Restricted-Claims	27,967,746	-	27,967,746	26,571,529
Total Cash and Investments	58,574,138	10,894,715	69,468,853	46,864,390
Accounts Receivable:				
Regional Transportation Authority	39,661,224	7,492,388	47,153,612	44,657,355
Interfund Receivable	4,450,014	-	4,450,014	4,717,025
Capital Grant Projects-FTA & IDOT	308,186	-	308,186	181,097
Other	7,476,361	413,630	7,889,991	8,581,734
Total Accounts Receivable	51,895,785	7,906,018	59,801,803	58,137,211
Other Current Assets				
Prepaid Expenses	1,373,168	270,802	1,643,970	1,331,403
Inventory-Spare Parts	4,698,637	-	4,698,637	4,857,697
Total Other Current Assets	6,071,805	270,802	6,342,607	6,189,100
Total Current Assets	116,541,728	19,071,535	135,613,263	111,190,701
Noncurrent Assets				
Capital Assets not Being Depreciated				
Land	16,014,533	-	16,014,533	16,010,544
Capital Projects in Progress	2,921,309	-	2,921,309	3,325,807
Total Capital Assets not Being Depreciated	18,935,842	-	18,935,842	19,336,351
Capital Assets Being Depreciated, Net				
Equipment	291,130,173	21,477,872	312,608,045	315,319,832
Building and Improvements	156,255,997	-	156,255,997	155,360,586
Less Accumulated Depreciation	(297,106,175)	(19,403,654)	(316,509,829)	(297,705,101)
Total Capital Assets Being Depreciated, Net	150,279,995	2,074,218	152,354,213	172,975,317
Assets restricted for repayment of leasing commitments - Noncurrent	101,564,459	-	101,564,459	95,513,292
Total Noncurrent Assets	270,780,296	2,074,218	272,854,514	287,824,960
Total Assets	$ 387,322,024	$ 21,145,753	$ 408,467,777	$ 399,015,661

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANPORTATION AUTHORITY
STATEMENT OF NET ASSETS BY FUND
DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR DECEMEBER 31, 2010

LIABILITIES	Suburban Services Fund 2011	Regional ADA Paratransit Services Fund 2011	Total 2011	Unaudited Total 2010
Current Liabilities:				
Accounts Payable:				
Operating	$ 96,576	$ 77,671	$ 174,247	$ 193,695
Capital	725,570	-	725,570	2,295,974
Accrued Payroll Expenses	6,602,702	114,727	6,717,429	6,274,069
Other Accrued Expenses	11,013,289	18,913,130	29,926,419	19,369,468
Deferred Revenue	727,966	478,569	1,206,535	988,276
Interfund Payable	-	4,450,014	4,450,014	4,717,025
Interest Payable	7,134	-	7,134	21,570
Due To Regional Transportation Authority	992,866	-	992,866	978,430
Current Portion of Insurance Reserves	16,202,922	169,033	16,371,955	17,233,017
Current Portion of Capital Lease obligation	-	-	-	-
Total Current Liabilities	36,369,025	24,203,144	60,572,169	52,071,524
Other Liabilities:				
Insurance Reserve, Non-Current Portion	16,899,939	-	16,899,939	14,807,793
Net Pension Obligation	1,377,230	-	1,377,230	1,098,068
Net Other Post Employment Benefits (OPEB) Obligation	2,843,294	-	2,843,294	2,254,389
Advance From State	8,620,227	-	8,620,227	8,529,377
Due to Regional Transportation Authority	195,641	-	195,641	1,188,507
Capital Lease Obligation, Less Current Portion	101,564,459	-	101,564,459	95,513,292
Other Liabilities	1,942,380	5,352	1,947,732	1,805,476
Total Other Liabilities	133,443,170	5,352	133,448,522	125,196,902
Total Liabilities	169,812,195	24,208,496	194,020,691	177,268,426
NET ASSETS				
Invested in Capital Assets	169,215,837	2,074,218	171,290,055	192,311,667
Unrestricted Net Assets	48,293,992	(5,136,961)	43,157,031	29,435,568
Total Net Assets	$ 217,509,829	$ (3,062,743)	$ 214,447,086	$ 221,747,235

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS BY FUND FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

	Suburban Services Fund 2011	Regional ADA Paratransit Services Fund 2011	Total 2011	Unaudited Total 2010
Operating Revenue				
Pace-owned service revenue	$ 28,191,535	$ -	$ 28,191,535	$ 26,162,982
CMAQ/JARC Services	40,292	-	40,292	10,209
Fixed route carrier revenue	3,692,221	-	3,692,221	4,066,649
Paratransit revenue	11,084,010	8,894,777	19,978,787	17,979,188
Vanpool revenue	3,675,781	-	3,675,781	3,578,691
Reduced fare reimbursement	2,571,462	-	2,571,462	2,415,786
Advertising revenue	4,355,475	-	4,355,475	3,930,876
Miscellaneous	1,480,866	4,867,373	6,348,239	3,864,154
Total Operating Revenue	55,091,642	13,762,150	68,853,792	62,008,535
Operating expenses:				
Pace-owned service expenses	74,311,676	-	74,311,676	73,273,066
CMAQ/JARC expenses	290,232	-	290,232	198,665
Contract Payments:				
Fixed route carriers	10,584,807	-	10,584,807	11,639,829
Paratransit carriers	17,495,055	115,665,621	133,160,676	121,511,022
Vanpool expenses	4,529,570	-	4,529,570	3,655,554
Centralized operations	55,148,870	3,360,662	58,509,532	55,886,171
Administrative expenses	21,138,134	5,266,689	26,404,823	25,125,710
Depreciation	40,413,367	3,943,220	44,356,587	41,712,329
Indirect overhead allocation	(3,815,645)	3,815,645	-	-
Total Operating Expenses	220,096,066	132,051,837	352,147,903	333,002,346
Operating Income (Loss)	(165,004,424)	(118,289,687)	(283,294,111)	(270,993,811)
Non-Operating Revenue (Expenses)				
Retailers' occupation and use tax from RTA (85% Formula)	76,085,053	-	76,085,053	73,053,667
RTA Sales Tax/PTF (PA 95-0708)	31,449,703	-	31,449,703	29,784,991
Regional ADA Paratransit Fund	-	99,298,087	99,298,087	94,796,109
RTA Discretionary Funding	535,000	-	535,000	-
ADA State Funding		8,500,000	8,500,000	8,500,000
Suburban Community Mobility Fund (SCMF)	19,859,618	-	19,859,618	18,959,222
South Cook Job Access Fund	7,500,000	-	7,500,000	7,500,000
Innovation Coordination and Enhancement Fund (ICE)	38,307	6,548,380	6,586,687	1,431,706
Federal Operating Grants	3,596,665	-	3,596,665	5,037,856
Capital Grants Reimbursements	22,460,735	-	22,460,735	44,641,565
Interfund Asset Allocation	1,209,926	(1,209,926)	-	-
Interest on Investments	129,548	-	129,548	111,382
Interest Expense	(7,134)	-	(7,134)	(21,570)
Interest Revenue from Leasing Transaction	6,051,167	-	6,051,167	5,780,382
Interest Expense on Leasing Transaction	(6,051,167)	-	(6,051,167)	(5,780,382)
Total Non-Operating Revenue (Expenses)	162,857,421	113,136,541	275,993,962	283,794,928
Net Change in Net Assets	(2,147,003)	(5,153,146)	(7,300,149)	12,801,117
Beginning Net Assets	219,656,835	2,090,400	221,747,235	208,946,118
Ending Net Assets	$ 217,509,832	$ (3,062,746)	$ 214,447,086	$ 221,747,235

PACE
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUE	
Pace-Owned Service Revenue	$ 28,191,535
CMAQ/JARC Passenger Revenue	40,292
Fixed Route Carrier Revenue	3,692,221
Paratransit Revenue	11,084,010
Van Pool Revenue	3,675,781
Reduced Fare Reimbursement	2,571,462
Advertising Revenue	4,355,475
Interest on Investments	129,548
Miscellaneous	1,480,866
* Senior's Ride Free	2,110,000
** Not-For-Profit Service Providers Revenue	8,358,582
*** Capital Cost of Contracting	2,000,000
Total System Generated Revenue	$ 67,689,772
OPERATING EXPENSES	
Pace-Owned Service Expenses	$ 74,311,676
CMAQ/JARC Expenses	290,232
Contract Payments:	
Fixed Route Carriers	10,584,807
Paratransit Carriers	17,495,055
Van Pool Expenses	4,529,570
Centralized Operations	55,148,870
Administrative Expenses	21,138,134
Indirect Overhead Allocation	(3,815,645)
Interest Expense	7,134
** Not-For-Profit Service Providers Expense	8,358,582
Total Operating Expenses	$ 188,048,415
FAREBOX RECOVERY RATIO	36.0%

* In 2011, Governor Quinn signed legislation which resulted in changes to the Seniors Ride Free Program. The new legislation created the Seniors Circuit Ride Free program and the Seniors Reduced Fare program. As of September 1, 2011 only low income Illinois residents enrolled in the Department on Aging's Circuit Breaker program are eligible to ride free. All other seniors qualify to ride at a reduced fare. Due to the revenue lost from these free and reduced fare rides, the RTA has allowed Pace to reflect the uncollected fares in its Recovery Ratio calculation.

** Pace has a relationship with entities involved in the Advantage Program in which Pace leases a vehicle to that entity in order to provide public transportation. Consistent with the opinion of the RTA, revenues and expenses incurred by such entities can be included in computing the percentage of costs covered by revenues ("recovery ratio"). For 2011, Pace has included $8,358,582 of revenues and expenses incurred by these entities in providing public transportation.

*** Based on an opinion from the RTA, Capital Cost of Contracting funding represents revenue in the computation of the recovery ratio. In 2011, $2,000,000 of Capital Cost of Contracting funding is included in the recovery ratio calculation.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUE		
ADA Services Revenue	$	8,894,777
Miscellaneous		4,867,373
Total System Generated Revenue	$	13,762,150
OPERATING EXPENSES		
ADA Services Expenses	$	115,665,621
Centralized Operations		3,360,662
Administrative Expenses		5,266,689
Indirect Overhead Allocation		3,815,645
Total Operating Expenses	$	128,108,617
FAREBOX RECOVERY RATIO		10.7%

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Actual	Budget	Variance
Operating Revenue			
Pace-Owned Service Revenue	$ 28,191,535	$ 25,709,451	$ 2,482,084
CMAQ/JARC Passenger Revenue	40,292	-	40,292
Fixed Route Carrier Revenue	3,692,221	4,203,497	(511,276)
Paratransit Revenue	11,084,010	9,944,840	1,139,170
Vanpool Revenue	3,675,781	3,826,694	(150,913)
Reduced Fare Reimbursement	2,571,462	2,000,000	571,462
Advertising Revenue	4,355,475	2,316,000	2,039,475
Interest on Investments	129,548	63,400	66,148
Miscellaneous/Other Revenue	1,480,866	1,738,710	(257,844)
Total Operating Revenue	55,221,190	49,802,592	5,418,598
Operating Expenses			
Pace-Owned Service Expenses	74,311,676	74,516,497	204,821
CMAQ/JARC Expenses	290,232	-	(290,232)
Contract Payments:			
Fixed Route Carriers	10,584,807	12,003,628	1,418,821
Paratransit Carriers	17,495,055	17,760,340	265,285
Vanpool Expenses	4,529,570	3,634,577	(894,993)
Centralized Operations	55,148,870	57,494,382	2,345,512
Indirect Overhead Allocation	(3,815,645)	(4,144,757)	(329,112)
Interest Expense	7,134	-	(7,134)
Administrative Expenses	21,138,134	22,056,065	917,931
Total Operating Expenses	179,689,833	183,320,732	3,630,899
Operating Income (Loss)	(124,468,643)	(133,518,140)	9,049,497
Non-Operating Revenue			
Retailers' occupation and use tax from RTA (85% Formula)	76,085,053	72,617,000	3,468,053
RTA Sales Tax/PTF (PA 95-0708)	31,449,703	29,617,000	1,832,703
RTA Discretionary Funding	535,000	535,000	-
Suburban Community Mobility Fund (SCMF)	19,859,618	18,585,000	1,274,618
South Cook Job Access Fund	7,500,000	7,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	38,307	-	38,307
Pace Funds	-	493,140	(493,140)
Federal Operating Grants - Suburban Services	3,596,665	4,171,000	(574,335)
Total Non-Operating Revenue	139,064,346	133,518,140	5,546,206
Increase (Decrease) in Net Assets	$ 14,595,703	$ -	$ 14,595,703

Reconciliation of Budgetary Basis to GAAP Basis:

Provision for Depreciation	(40,413,367)
Capital Grants Non-Operating Revenue	22,460,735
Interfund Asset Allocation	1,209,926
Increase (Decrease) in Net Assets - GAAP Basis	$ (2,147,003)

PACE
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Actual	Budget	Variance
Operating Revenue			
ADA Service Revenue	$ 8,894,777	$ 8,772,560	$ 122,217
Miscellaneous/Other Revenue	4,867,373	1,221,181	3,646,192
Total Operating Revenue	13,762,150	9,993,741	3,768,409
Operating Expenses			
ADA Service Expenses	115,665,621	107,511,350	(8,154,271)
Centralized Operations	3,360,662	2,952,879	(407,783)
Indirect Overhead Allocation	3,815,645	4,144,757	329,112
Administrative Expenses	5,266,689	6,046,755	780,066
Total Operating Expenses	128,108,617	120,655,741	(7,452,876)
Operating Income (Loss)	(114,346,467)	(110,662,000)	(3,684,467)
Non-Operating Revenue			
Regional ADA Paratransit Funding from RTA	99,298,087	92,921,000	6,377,087
ADA State Funding	8,500,000	8,500,000	-
Innovation Coordination and Enhancement Funding	6,548,380	9,241,000	(2,692,620)
Total Non-Operating Revenue	114,346,467	110,662,000	3,684,467
Increase (Decrease) in Net Assets	$ -	$ -	$ -

Reconciliation of Budgetary Basis to GAAP Basis:

Provision for Depreciation	(3,943,220)
Interfund Asset Allocation	(1,209,926)
Increase (Decrease) in Net Assets - GAAP Basis	$ (5,153,146)

EXHIBIT 5

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF FIXED ROUTE CARRIER FINANCIAL
RESULTS - PUBLIC FUNDED CARRIERS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Direct Expense	Total Centralized Expense	PACE Funding	Net Passenger Revenue	Public Funding
City of Highland Park	$ 1,250,925	$ 248,782	$ 1,499,707	$ 555,826	$ 943,881
Village of Downers Grove	272,600	-	272,600	223,199	49,401
Village of Niles	1,625,097	176,974	1,802,071	568,348	1,233,723
Village of Schaumburg	307,611	1,996	309,607	259,943	49,664
TOTAL	$ 3,456,233	$ 427,752	$ 3,883,985	$ 1,607,316	$ 2,276,669

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF FIXED ROUTE CARRIER
FINANCIAL RESULTS - PRIVATE CONTRACT CARRIERS
FOR THE YEAR ENDED DECEMBER 31, 2011

Regular Fixed Route	Operating Expenses	Passenger Revenue	Net Expenses
Academy Coach Lines	$ 624,719	$ 199,950	$ 424,769
First Student	3,750,653	1,539,541	2,211,112
First Transit	536,678	32,854	503,824
Keeshin - Coach USA	943,898	129,024	814,874
MV Transportation	1,272,626	183,539	1,089,087
TOTALS	$ 7,128,574	$ 2,084,908	$ 5,043,666

PACE
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF PARATRANSIT MUNICIPAL - CARRIER EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2011

CARRIER	TOTAL REVENUE	TOTAL EXPENSE	OPERATING DEFICIT	PACE ASSISTANCE	NON-PACE ASSISTANCE
Bensenville	$ 13,534	$ 276,334	$ 262,800	$ 44,250	$ 218,550
Bloom	20,672	343,377	322,705	58,527	264,178
Crestwood	5,904	87,455	81,551	17,229	64,322
Ela	12,245	148,449	136,204	28,665	107,539
Forest Park	22,045	99,263	77,218	55,200	22,018
Fox Lake/Grant	1,951	5,789	3,838	2,250	1,588
Frankfort	16,129	135,586	119,457	30,900	88,557
Harvard	3,199	22,206	19,007	7,506	11,501
Lemont	6,145	77,953	71,808	16,944	54,864
Lyons	14,211	329,875	315,664	39,687	275,977
Norridge	9,613	91,990	82,377	27,561	54,816
Oak Park	41,136	394,897	353,761	120,000	233,761
Orland Park	23,931	258,451	234,520	35,850	198,670
Palatine	19,389	193,760	174,371	29,553	144,818
Palos Hills	8,566	76,352	67,786	15,603	52,183
Park Forest	23,406	116,298	92,892	56,193	36,699
Rich Township	34,309	570,545	536,236	65,028	471,208
Schaumburg	88,095	1,109,257	1,021,162	213,696	807,466
Stickney	17,574	310,592	293,018	50,931	242,087
Tinley Park	9,309	75,865	66,556	26,238	40,318
Vernon Township	4,262	141,772	137,510	11,697	125,813
Worth	11,107	185,964	174,857	22,227	152,630
Total	$ 406,732	$ 5,052,030	$ 4,645,298	$ 975,735	$ 3,669,563

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF PARATRANSIT CARRIER FINANCIAL
RESULTS - PRIVATE CONTRACT CARRIERS - NON -ADA SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2011

Project	Contract Expense	Passenger Revenue	Non - Pace Assistance	Net Contract Cost
Barrington	$ 84,351	$ 203	$ 44,044	$ 40,104
Bloomingdale Township	312,701	28,310	81,897	202,494
Central Lake	114,830	9,342	30,828	74,660
Central Will	743,789	75,669	195,467	472,653
Community Service Transit	65,119	97,681	-	(32,562)
Downers Grove	84,458	19,715	19,300	45,443
DuPage County	16,352	3,625	-	12,727
DuPage Township	175,998	9,380	48,013	118,605
Elk Grove	313,229	23,388	237,958	51,883
Frankfort Call Center	13,996	-	-	13,996
Freemont Township	9,666	763	2,547	6,356
Hampshire Township	17,873	1,291	4,146	12,436
Hanover Township	31,001	-	19,817	11,184
Hometown	28,130	715	26,869	546
Joliet Call in and Ride	155,437	10,821	-	144,616
Northwest Suburban Cook	251,942	29,044	4,080	218,818
Lake - Call in and Ride	148,458	7,776	-	140,682
Leyden Township	168,270	17,469	125,474	25,327
Marengo	101,270	2,874	-	98,396
McHenry County	1,189,649	60,869	633,797	494,983
Milton Township	286,603	48,105	8,554	229,944
Naperville/Lisle	849,745	147,193	481,979	220,573
North Suburban Cook	71,413	1,823	-	69,590
Northeast Lake-Warren	392,119	20,356	20,463	351,300
Northeast Lake-Zion	58,712	3,286	9,526	45,900
Northwest Lake	316,411	21,107	-	295,304
Northwest Lake Demo	309,544	26,409	242,746	40,389
Pioneer Center	306,475	11,824	-	294,651
Ride DuPage	1,479,046	168,295	936,225	374,526
Ride In Kane	3,388,210	397,670	1,911,715	1,078,825
Ride McHenry	421,437	31,518	344,631	45,288
South Cook	427	45	-	382
Southwest Lake-Wauconda	32,422	3,386	7,786	21,250
Southwest Will	27,670	2,090	8,684	16,896
Village of Bloomingdale	12,115	1,019	10,081	1,015
Village of Skokie/West Cook	187,094	-	175,947	11,147
Wayne Township	70,125	5,204	18,664	46,257
Wheaton Call in Ride	7,180	526	-	6,654
Woodstock	199,761	17,311	50,379	132,071
TOTAL	$ 12,443,028	$ 1,306,102	$ 5,701,617	$ 5,435,309

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF PARATRANSIT CARRIER FINANCIAL
RESULTS - PRIVATE CONTRACT CARRIERS - ADA SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2011

	ADA SERVICES		
Project	Contract Expense	Passenger Revenue	Net Contract Cost
South Cook	$ 8,576,904	$ 692,818	$ 7,884,086
North Suburban Cook	6,976,852	605,672	6,371,180
West Cook (Suburban)	2,084,028	237,249	1,846,779
North Lake	1,049,168	125,179	923,989
Kane County	465,737	47,878	417,859
Southwest/Central Will	426,346	44,559	381,787
DuPage County	1,067,294	106,519	960,775
Chicago ADA	95,019,292	7,034,903	87,984,389
Total	$ 115,665,621	$ 8,894,777	$ 106,770,844

PACE
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED FROM UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2001

The Unrestricted Net Assets detailed in footnote 10 on page 36 is comprised of the unexpended portion of the accumulated positive budget variance.

	2011	2010
Group I: Approved and Completed	$ 2,885,004	$ 1,554,674
Group II: Approved and in Progress		
Headquarters Facility	$ 191,034	$ 191,034
Bus Stop Signs/poles/Signals	-	6,987
Computer Equipment	50,000	50,000
Computer Equipment	133,216	133,216
Computer Equipment	384,347	325,000
Software for Insurance System	30,000	30,000
DuPage Co Paratr Computer Sys	200,000	200,000
Facilities Environmental Cleanup	475,762	475,762
Service Restructuring Study	180,013	180,013
Retrofit 50 Diesel Engines	-	1,137,020
Hastus Project	-	238,823
Project Administration - Multiple Grants	219,948	-
Related Capital Projects/Support Services	107,567	107,567
Office Equipment/Furniture	-	27,000
Associated Capital - Multiple Years	334,600	306,528
Purchase 5 Paratransit Buses	-	80,000
Unanticipated Capital - Multiple Years	1,113,015	863,015
Totals Approved and in Progress	3,419,502	4,351,965
Group III: Approved But Not Yet Started		
Associated Capital	75,654	-
Regional Call Center - Hardware phase 3	34,310	-
Contingencies	2,766	2,766
Replace Northwest Division Garage - Land Acquisition	4,500,000	4,500,000
Unanticipated Capital - 2011	250,000	250,000
Improvements to Garages	294,035	294,035
Totals Approved But Not Yet Started	5,156,765	5,046,801
Total Commitments	11,461,271	10,953,440
Previously Recognized Expenditures	(5,202,950)	(4,406,600)
Net Commitments	$ 6,258,321	$ 6,546,840