ANNUAL FINANCIAL REPORT

THE SUBURBAN BUS DIVISION OF
THE REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

For the Year Ended December 31, 2012

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pace, the Suburban Bus Division of the Regional Transportation Authority ("Pace"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Pace's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the respective position of the business-type activities of Pace, as of December, 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in June 2011, the GASB issued GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Statement 63 is effective for the Pace's fiscal year ending December 31, 2012. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in March 2012, the GASB issued GASB Statement 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for Pace's fiscal year ended December 31, 2013, with earlier application being encouraged. Pace has implemented this Statement for the year ended December 31, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Pace's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pace's financial statements. The Supplementary Exhibits are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Exhibits are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for the information noted as unaudited, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 2, and 9 have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated May 20, 2013 on our consideration of Pace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pace's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
May 20, 2013

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, 2012. 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 Position*, the *Statement of Revenues, Expenses and Changes in Net Position* 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 Position* and *Statement of Revenues, Expenses and Changes in Net Position* 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and changes in them. The net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure Pace's financial health or financial position. Over time, increases or decreases in Pace's net position 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 2012 primarily due to increased ridership and favorable sales tax revenues.

Financial Highlights

- **Net** Position **increased by $3.2 million** to $217.6 million at the end of 2012. Net Position represents Total Assets and Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows of Resources.

- **Total Operating Revenues for 2012 were $69.1 million** which represented a slight increase from 2011.

- **Non-Operating Revenues increased $33.1 million** (or 12.0%) to $309.1 million in 2012.

- **Total Operating Expenses increased by $23.0 million** (or 6.5%) to $375.1 million during 2012.

- **Pace met the RTA mandated recovery ratio of 30.0%** for Suburban Services during 2012. The recovery ratio included credits for expenses incurred by Not-For-Profit Providers from the VIP Advantage program.

- **Pace met the 10% recovery ratio requirement** for Regional ADA Paratransit Services in 2012.

Ridership

Pace had an increase in ridership for 2012. Higher gas prices, improved service and better on time performance contributed to the increase. Some of the highlights are as follows:

Highlights:

- **Pace served 39.2 million passengers** in 2012 which reflected a 5.2% increase over the 2011 ridership total of 37.2 million. Average weekday ridership was 134,432 in 2012 compared to 128,415 in 2011.

- **Pace expanded the Bus on Shoulders Project** in 2012. For Route 755 from Plainfield to University of Illinois Chicago, morning and afternoon trips were extended to Union Station in Chicago. One new morning and afternoon peak trip was added to Route 855 running from Plainfield to the East Loop in Chicago. Ridership on both of these routes continues to increase and additional service expansion is being considered for 2013.

- **Two new Call-n-Ride services were implemented in 2012** for the Vernon Hill/Mundelein and Arlington Heights/Rolling Meadows areas. Pace now has a total of six Call-n-Rides in operation.

- **Pace worked with CTA to implement service changes** in 2012 as a result of ongoing coordination meetings between the planning staff at both agencies. Pace took on additional service for three CTA routes and restructured two other routes that previously overlapped with CTA service.

- **ADA Paratransit ridership increased 5.7% in 2012** with ridership of 2,957,148 for the Chicago service and 1,841,501 for Suburban service for a total of 4,798,649.

- **Vanpool ridership increased 8.9% in 2012** to 2,187,283. The total number of active vans at the end of 2012 was 763 compared to 718 at the end of 2011.

The Agency as a Whole

	2012	2011	Change
ASSETS			
Current Assets	$ 159,966,848	$ 131,163,249	$ 28,803,599
Noncurrent Assets	273,449,854	272,854,514	595,340
Total Assets	$ 433,416,702	$ 404,017,763	$ 29,398,939
LIABILITIES			
Current Liabilities	74,722,937	56,122,155	18,600,782
Other Liabilities	131,954,371	124,828,295	7,126,076
Total Liabilities	206,677,308	180,950,450	25,726,858
DEFERRED INFLOWS OF RESOURCES			
Advance from State	9,131,707	8,620,227	511,480
Total Deferred Inflows of Resources	9,131,707	8,620,227	511,480
NET POSITION			
Invested in Capital Assets	165,446,453	171,290,055	(5,843,602)
Unrestricted	52,161,234	43,157,031	9,004,203
Total Net Position	$ 217,607,687	$ 214,447,086	$ 3,160,601

Assets, Liabilities and Deferred Inflows of Resources

Net Position at December 31, 2012 increased to $217.6 million from $214.4 million in 2011 due to a $5.8 million decrease in Invested in Capital Assets and a $9.0 million increase in Unrestricted Net Position. The decrease in Invested in Capital Assets is comprised of $41.0 million in capital grants reimbursements and $.9 million in Pace funded capital projects less $47.7 million in depreciation.

Total Assets increased $29.4 million in 2012 to $433.4 million. The $28.8 million increase in Current Assets is attributed to a $29.3 million increase in cash, a $ 1.2 million decrease in accounts receivable and a $.7 million increase in other current assets. Noncurrent Assets increased $.6 million due to a $3.9 million increase in capital projects in progress, a $21.9 million increase in capital assets acquisitions, a $6.4 million increase in assets restricted for repayment of leasing commitments – noncurrent less a $31.6 million increase in accumulated depreciation.

Current Liabilities increased $18.6 million in 2012 primarily due to a $3.6 million increase in accounts payable, a $14.2 million increase in accrued expenses, a $.2 million increase in unearned revenue, a $1.0 million decrease in current portion of a loan from the RTA and a $1.6 million increase in current insurance reserves.

Other Liabilities increased $7.1 million as of the end of 2012. The increase was comprised of a $.2 million increase in the non-current insurance reserves, a $.1 million increase in net pension obligation, a $.4 million increase in other post employment benefits obligation, a $.1 million increase in other liabilities, a $.2 million decrease in the long term portion of a loan from the RTA and a $6.5 million increase in long term capital lease obligation.

Deferred Inflows of Resources increased $.5 million due to a sales tax advance provided by the State.

Capital Assets

Pace received $41.0 million in capital grant reimbursements in 2012 including:

- $30.5 million from the Federal Transit Administration (FTA),
- $8.3 million from the Regional Transportation Authority (RTA)
- $2.0 million from the Federal Emergency Management Agency (FEMA) and
- $.2 million from the Illinois Department of Transportation (IDOT).

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

These grant reimbursements were primarily used for:

Equipment:

- $8.9 million in capital parts and maintenance,
- $7.7 million in fixed route buses,
- $7.2 million in radio systems,
- $6.0 million in vanpool vehicles,
- $4.7 million in computer equipment and software,
- $2.7 million in shelter removal and installation,
- $2.2 million in building and improvements,
- $.8 million in project administration
- $.7 million in community transit vehicles, and
- $.1 million in paratransit vehicles.

Pace purchased 30 fixed route buses totaling $7.7 million, 2 paratransit buses totaling $.1 million, 136 vanpool vehicles totaling $6.0 million, and 10 community transit vehicles for $.7 million.

Information regarding capital asset activity for 2012 can be found in the notes to the financial statements on page 29 through 30 and page 51 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

	2012	2011	Change	%
Operating Revenue				
Pace-Owned Service Revenue	$ 28,725,933	$ 28,191,535	$ 534,398	1.9%
CMAQ/JARC Services	86,473	40,292	46,181	114.6%
Fixed Route Carrier Revenue	3,014,050	3,692,221	(678,171)	-18.4%
Paratransit Revenue	21,761,056	19,978,787	1,782,269	8.9%
Vanpool Revenue	3,926,622	3,675,781	250,841	6.8%
Reduced Fare Reimbursement	2,628,912	2,571,462	57,450	2.2%
Advertising Revenue	4,483,746	4,355,475	128,271	2.9%
Miscellaneous	4,510,678	6,348,239	(1,837,561)	-28.9%
Total Operating Revenue	69,137,470	68,853,792	283,678	0.4%
Operating Expenses:				
Pace-Owned Service Expenses	78,277,509	74,311,676	3,965,833	5.3%
CMAQ/JARC Expenses	911,980	290,232	621,748	214.2%
Contract Payments:				
Fixed Route Carriers	9,060,737	10,584,807	(1,524,070)	-14.4%
Paratransit Carriers	142,641,448	133,160,676	9,480,772	7.1%
Vanpool Expenses	4,745,135	4,529,570	215,565	4.8%
Centralized Operations	61,788,712	58,509,532	3,279,180	5.6%
Administrative Expenses	29,908,725	26,404,823	3,503,902	13.3%
Depreciation	47,778,646	44,356,587	3,422,059	7.7%
Total Operating Expenses	375,112,892	352,147,903	22,964,989	6.5%
Operating Income (Loss)	(305,975,422)	(283,294,111)	(22,681,311)	8.0%
Non-Operating Revenue (Expenses)				
Retailers' Occupation and Use Tax from RTA (85% Formula)	79,326,746	76,085,053	3,241,693	4.3%
RTA Sales Tax/PTF (PA 95-0708)	31,429,206	31,449,703	(20,497)	-0.1%
Regional ADA Paratransit Fund	113,232,896	99,298,087	13,934,809	14.0%
RTA Discretionary Funding	5,440,000	535,000	4,905,000	916.8%
Suburban Community Mobility Fund (SCMF)	20,796,258	19,859,618	936,640	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	(6,586,687)	-100.0%
Federal Operating Grants	1,703,169	3,596,665	(1,893,496)	-52.6%
Capital Grants Reimbursements	41,020,364	22,460,735	18,559,629	82.6%
Interest on Investments	187,728	129,548	58,180	44.9%
Interest Expense	(344)	(7,134)	6,790	-95.2%
Interest Revenue from Leasing Transaction	6,438,942	6,051,167	387,775	6.4%
Interest Expense on Leasing Transaction	(6,438,942)	(6,051,167)	(387,775)	6.4%
Total Non-Operating Revenue (Expenses)	309,136,023	275,993,962	33,142,061	12.0%
Change in Net Position	3,160,601	(7,300,149)	10,460,750	-143.3%
Beginning Net Position	214,447,086	221,747,235	(7,300,149)	-3.3%
Ending Net Position	$ 217,607,687	$ 214,447,086	$ 3,160,601	1.5%

Comparison of Results: FY2012 vs. FY2011

Operating Revenue

Total Operating Revenues increased slightly by .4% or $.3 million in 2012. Specific changes in operating revenue are noted as follows:

- **Pace-Owned Service Revenue –** The $.5 million increase primarily due to an increase in ridership.

- **Fixed Route Carrier Revenue –** The $.7 million decrease in revenue is attributed to several routes being transferred from contracted carriers to Pace operating divisions.

- **Paratransit Revenue –** The $1.8 million increase is primarily due to the increase in ridership in 2012.

- **Miscellaneous Income –** The $1.8 million decrease is due to less reimbursement of ADA related medical trips eligible under the Medicaid program.

Operating Expenses

Total Operating Expenses increased by $23.0 million (or 6.5%) in 2012 which is comprised of the following changes:

- **Pace-Owned Service Expenses –** The $4.0 million increase in expense is due to an increase in operator wages, other salaries and fringe benefits as a result of service transferred from contracted carriers to Pace-owned divisions.

- **Fixed Route Carriers Expenses –** The $1.5 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 $9.5 million increase in expense is attributed to increased usage of the Chicago ADA program.

- **Centralized Operations –** The $3.2 million increase in expense is due to increased medical and dental insurance expenses, pension costs, workers compensation claims expense, vehicle repairs and fuel costs offset by a decrease in liability claims expense.

- **Administrative Expenses –** The $3.5 million increase in expenses is comprised of increases in salaries expense, pension expense and consulting expense.

- **Depreciation Expense –** The $3.4 million increase in expense is due to new assets placed in service in 2012.

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Non-Operating Revenue

Non-Operating Revenues increased $33.1 million or 12.0% to $309.1 million in 2012. Specific factors contributing to the increase are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased $3.2 million in 2012.

- **RTA Sales Tax/PTF (PA 95-0708) –** Pace received $31.4 million in RTA Sales Tax/PTF funding as outlined in PA 95-0708 which was slightly lower than the amount received in 2011.

- **ADA Regional ADA Paratransit Fund –** Funding from the Regional ADA Paratransit Fund increased $13.9 million in 2012.

- **RTA Discretionary Funding –** The RTA Discretionary Funding increased $4.9 million in 2012.

- **Suburban Community Mobility Fund (SCMF) –** Funding increased by $.9 million in 2012.

- **South Cook County Job Access Fund –** Pace received $7.5 million in funding from the RTA for services in South Suburban Cook County in 2012.

- **ADA State Funding –** Pace received $8.5 million from the State to fund ADA service in 2012.

- **Innovation Coordination and Enhancement Fund (ICE) –** No funding was received in 2012 from the ICE Fund.

- **Federal Operating Grants** – The $1.9 million decrease is primarily due to the elimination of Capital Cost of Contracting funds in 2012.

- **Capital Grant Reimbursements –** The $18.6 million increase is due to an increase in the number of assets acquired in 2012.

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 $79.3 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 2012, the RTA provided $113.2 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 2012, the RTA provided $20.8 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 2012, there was no funding provided to Pace from the ICE 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 2012, 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 2012, the RTA provided $7.5 million in funding for the South Cook County Job Access program.

The RTA also provided $5.4 million in Discretionary Funding in 2012.

The allocation of the funds established for 2012 and 2011 is as follows:

RTA OPERATING FUNDING (000's)

	2012	2011
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	$ 79,327	$ 76,085
RTA Sales Tax/PTF (PA 95-0708)	31,429	31,450
RTA Discretionary Funding	5,440	535
Suburban Community Mobility Fund	20,796	19,860
South Cook Job Access Fund	7,500	7,500
Innovation Coordination & Enhancement	-	38
Total Suburban Services Funding	$144,492	$135,468
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	$113,232	$ 99,298
Innovation Coordination & Enhancement	-	6,587
Total Regional ADA Paratransit Funding	$113,232	$ 105,885
Total RTA Funding	$257,724	$241,853

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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 POSITION
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011

ASSETS

	2012	2011
Cash and Investments		
Unrestricted	$ 69,547,130	$ 41,501,107
Restricted-Claims	29,253,886	27,967,746
Total Cash and Investments	98,801,016	69,468,853
Accounts Receivable:		
Regional Transportation Authority	43,515,384	47,153,612
Capital Grant Projects-FTA & IDOT	959,958	308,186
Other	9,703,084	7,889,991
Total Accounts Receivable	54,178,426	55,351,789
Other Current Assets:		
Prepaid Expenses	2,559,168	1,643,970
Inventory - Spare Parts	4,428,238	4,698,637
Total Other Current Assets	6,987,406	6,342,607
Total Current Assets	159,966,848	131,163,249
Noncurrent Assets		
Capital Assets not Being Depreciated		
Land	16,015,891	16,014,533
Capital Projects in Progress	6,846,712	2,921,309
Total Capital Assets not Being Depreciated	22,862,603	18,935,842
Capital Assets Being Depreciated, Net		
Equipment	331,594,381	312,608,045
Building and Improvements	159,167,207	156,255,997
Less Accumulated Depreciation	(348,177,738)	(316,509,829)
Total Capital Assets Being Depreciated, Net	142,583,850	152,354,213
Assets Restricted for Repayment of Leasing Commitments - Noncurrent	108,003,401	101,564,459
Total Noncurrent Assets	273,449,854	272,854,514
Total Assets	$ 433,416,702	$ 404,017,763

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011

LIABILITIES	2012	2011
Current Liabilities:		
Accounts Payable:		
Operating	$ 1,212,699	$ 174,247
Capital	3,255,630	725,570
Accrued Payroll Expenses	7,579,940	6,717,429
Other Accrued Expenses	43,244,016	29,926,419
Unearned Revenue	1,381,931	1,206,535
Interest Payable	344	7,134
Due to the Regional Transportation Authority	-	992,866
Current Portion of Insurance Reserves	18,048,377	16,371,955
Total Current Liabilities	74,722,937	56,122,155
Other Liabilities:		
Insurance Reserve, Non-Current Portion	17,142,823	16,899,939
Net Pension Obligation	1,481,775	1,377,230
Net Other Post Employment Benefits (OPEB) Obligation	3,286,159	2,843,294
Due to Regional Transportation Authority	-	195,641
Capital Lease Obligation, Less Current Portion	108,003,401	101,564,459
Other Liabilities	2,040,213	1,947,732
Total Other Liabilities	131,954,371	124,828,295
Total Liabilities	206,677,308	180,950,450
DEFERRED INFLOWS OF RESOURCES		
Advance From State	9,131,707	8,620,227
Total Deferred Inflows of Resources	9,131,707	8,620,227
NET POSITION		
Net Invested in Capital Assets	165,446,453	171,290,055
Unrestricted	52,161,234	43,157,031
Total Net Position	$ 217,607,687	$ 214,447,086

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 POSITION FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMEBER 31, 2011

	2012	2011
Operating Revenue		
Pace-Owned Service Revenue	$ 28,725,933	$ 28,191,535
CMAQ/JARC Services	86,473	40,292
Fixed Route Carrier Revenue	3,014,050	3,692,221
Paratransit Revenue	21,761,056	19,978,787
Vanpool Revenue	3,926,622	3,675,781
Reduced Fare Reimbursement	2,628,912	2,571,462
Advertising Revenue	4,483,746	4,355,475
Miscellaneous	4,510,678	6,348,239
Total Operating Revenue	69,137,470	68,853,792
Operating Expenses:		
Pace-Owned Service Expenses	78,277,509	74,311,676
CMAQ/JARC Expenses	911,980	290,232
Contract Payments:		
Fixed Route Carriers	9,060,737	10,584,807
Paratransit Carriers	142,641,448	133,160,676
Vanpool Expenses	4,745,135	4,529,570
Centralized Operations	61,788,712	58,509,532
Administrative Expenses	29,908,725	26,404,823
Depreciation	47,778,646	44,356,587
Total Operating Expenses	375,112,892	352,147,903
Operating Income (Loss)	(305,975,422)	(283,294,111)
Non-Operating Revenue (Expenses)		
Retailers' Occupation and Use Tax from RTA (85% Formula)	79,326,746	76,085,053
RTA Sales Tax/PTF (PA 95-0708)	31,429,206	31,449,703
Regional ADA Paratransit Fund	113,232,896	99,298,087
RTA Discretionary Funding	5,440,000	535,000
Suburban Community Mobility Fund (SCMF)	20,796,258	19,859,618
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
Federal Operating Grants	1,703,169	3,596,665
Capital Grants Reimbursements	41,020,364	22,460,735
Interest on Investments	187,728	129,548
Interest Expense	(344)	(7,134)
Interest Revenue from Leasing Transaction	6,438,942	6,051,167
Interest Expense on Leasing Transaction	(6,438,942)	(6,051,167)
Total Non-Operating Revenue (Expenses)	309,136,023	275,993,962
Change in Net Position	3,160,601	(7,300,149)
Beginning Net Position	214,447,086	221,747,235
Ending Net Position	$ 217,607,687	$ 214,447,086

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011

Increase (Decrease) in cash and temporary investments	**2012**	**2011**
Cash flows from operating activities:		
Cash received from fares	$ 58,560,489	$ 59,095,821
Cash received from other operating items	9,528,566	10,296,767
Cash payments to and on behalf of employees for services	(119,641,264)	(110,154,735)
Cash payment to contractual service providers and suppliers	(190,636,410)	(184,876,689)
Net cash used for operating activities	(242,188,619)	(225,638,836)
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	77,504,441	73,849,761
Cash received from RTA Sales Tax/PTF (New)	31,429,206	31,449,703
Cash received from Suburban Community Funding	20,796,258	19,859,618
Cash received from South Cook Job Access	7,117,360	8,303,904
Cash received from Innovation Coordination and Enhancement	-	6,586,687
Payment of interest	(7,134)	(21,570)
ADA Regional Paratransit Funding from RTA	128,843,204	106,865,688
Cash received from Federal Funding	7,143,169	4,131,665
Net cash payments on loan from RTA	(1,188,507)	(978,430)
Cash advance on Sales Tax	511,483	90,846
Net cash provided by non-capital financing activities	272,149,480	250,137,872
Cash flows from capital and related financing activities:		
Proceeds restricted for repayment of leasing commitments	-	-
Payment of leasing obligation	-	-
Capital contributed from capital grants	38,567,314	22,589,316
Acquisition and construction of capital assets	(39,383,740)	(24,613,437)
Net cash used by capital and related financing activities	(816,426)	(2,024,121)
Cash flows from investing activities:		
Cash received from interest on short-term investments	187,728	129,548
Net cash provided by investing activities	187,728	129,548
Net increase (decrease) in cash and short-term investments	29,332,163	22,604,463
Cash and short-term investments at beginning of year	69,468,853	46,864,390
Cash and short-term investments at end of year	$ 98,801,016	$ 69,468,853

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012	2011
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	($305,975,422)	($283,294,111)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	47,778,646	44,356,587
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,278,950)	284,795
(Increase) decrease in inventory	270,398	159,060
(Increase) decrease in prepaid expenses	(1,057,214)	(255,728)
(Increase) decrease in other assets	142,016	(56,838)
Increase (decrease) in accounts payable	1,038,454	(19,447)
Increase (decrease) in accrued payroll	862,510	443,360
Increase (decrease) in self insurance liability	1,919,307	1,231,084
Increase (decrease) in other liabilities	14,111,636	11,512,402
Total adjustments	63,786,803	57,655,275
Net cash used by operating activities	($242,188,619)	($225,638,836)

See the accompanying notes to the Financial Statements.

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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 Standards Board (GASB) Statement No. 14 – "The Financial Reporting Entity," and amended by GASB Statement No. 61 – " The Financial Reporting Entity: Omnibus", 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. Under GASB Statement No. 14, financial accountability is defined as:

(a) Appointment of a voting majority of the component unit's board, and either (1) the ability to impose will by the primary government, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(b) Fiscal dependency on the primary government.

GASB Statement No. 61 amends GASB Statement No. 14 in regard to fiscal dependency by requiring that a financial benefit or burden relationship would have to be present with the primary government. A financial benefit exists when the primary government is either legally entitled to the assets of the potential component unit or effectively has access to them. A financial burden would exist if the primary government was legally obligated or assumed an obligation to finance deficits of a potential component unit.

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, issuance of debt, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

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.

b. Change in Accounting Principles

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 did not 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 did not 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. The Statement amends Statement 14 in regard to fiscal dependency by requiring that a financial benefit or burden relationship would have to be present with the primary government. The fiscal dependency criteria was considered and the disclosures in Note 2a., "Reporting Entity", were revised to include this criteria. The implementation of this Statement did not have a material impact on Pace.

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 for certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989. This Statement has been implemented for fiscal year ending December 31, 2012.

In June 2011, GASB released Statement No. 63 “Financial Reporting of Deferred 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 has been implemented for fiscal year ending December 31, 2012.

In June 2011, GASB released 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 did not have a material impact on Pace.

In March 2012, GASB released Statement No. 65 “Items Previously Reported as Assets and Liabilities”. This Statement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement did not have a material impact on Pace.

In March 2012, GASB released Statement No. 66 “Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62”. This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”, and No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. The implementation of this Statement did not have a material impact on Pace.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

In June 2012, GASB released Statement No. 67 "Financial Reporting for Pension Plans – an amendment of Statement No. 25". This Statement is effective for fiscal years beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The adoption of this standard will not have a material impact on Pace.

In June 2012, GASB released Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of Statement No. 27". This Statement is effective for fiscal years beginning after June 15, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pensions. This Statement will be implemented for fiscal year ended December 31, 2015.

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:

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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. Net Position 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting (Continued)

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 54 – 61.

In 2012, Pace adopted GASB Statement No. 62, "Codification of the Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This statement identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Prior to the issuance of Statement No. 62, Pace applied the standards and principles outlined in GASB Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting". GASB Statement No. 62, which supercedes Statement No. 20, is the primary resource for accounting guidance and principles.

In 2012, Pace implemented GASB Statement No. 63 which establishes the guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". Statement No. 63 incorporates deferred outflows of resources and deferred inflows of resources into the required components of financial reporting and the residual measure of all components is renamed from net assets to net position.

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 33 and 34 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 position 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 $6,846,712 at December 31, 2012 and $2,921,309 at December 31, 2011. The balance at December 31, 2012 represents the following projects in process: Oracle EAM fit/gap study and implementation totaling $1,361,595, new shelter installations totaling $2,043,719, and costs associated with acquisition of a new site for a Northwest Division garage totaling $62,260. The remaining balance consists of 21 vans totaling $2,803,876, six community vans totaling $438,624, and one transit buses totaling $136,638. In 2012, Pace had contracts in place with Donlen Corp. for $15,803,468 to purchase vans, Central States Bus Sales Inc. for $584,832 to purchase community vans, and Eldorado National (California) Inc. for $28,183,734 to purchase transit 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 $914,680 for capital projects from its positive budget variance account in 2012.

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 Statement No. 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 (30 ILCS 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 position or total net position.

3. DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was $86,507,528 at December 31, 2012, while the bank balances were $88,699,892. At December 31, 2012, Pace's petty cash fund totaled $4,177. 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 $11,435,566 at December 31, 2012. 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, 2012.

		Investment Maturities (in years)			Quality Rating
Investment Type	Fair Value	Less Than 1	1-2	3-5	
State Investment Pool	$ 853,745	$ 853,745	$ -	$ -	AAA
Total	$ 853,745	$ 853,745	$ -	$ -	

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, 2012, all Pace's investments are in the State Investment Pool which represents roughly 1% 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 Position.

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.

	2012
Amounts due from RTA:	
Sales tax and public funding	$38,633,548
Operating and capital grants	1,885,722
Reduced fare reimbursement	2,601,386
Regional ADA funding	382,080
Other	12,648
	$43,515,384

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, 2012 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

Pace also has assumed the financial risk for its employee health and welfare coverage. The stop loss coverage at December 31, 2012 is as follows:

	Specific Stop Loss	Aggregate Stop Loss
Corporate and all Divisions	$150,000	$4,307,066

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 3 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 $35,191,200 and $33,271,894 as of December 31, 2012 and 2011, respectively. Cash is reserved for general liability, automobile liability, and workers' compensation at a present value of $29,253,886 and $27,967,746 for this liability at December 31, 2012 and 2011, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	2012	2011
Balance at beginning of year	$ 33,271,894	$ 32,040,810
Current year claims and changes in estimates	24,597,256	22,371,442
Claim payments	(22,677,950)	(21,140,358)
	$ 35,191,200	$ 33,271,894

	2012	2011
Current portion of insurance reserves	$ 18,048,377	$ 16,371,955
Non-current portion of insurance reserves	17,142,823	16,899,939
Total insurance reserves	$ 35,191,200	$ 33,271,894

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 0.40% rate which represents an average of the 2012 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.

2012	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
Loan from LFP	$1,188,507	$ -	$1,188,507	$ 0	$ 344	$ 0

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 $57.4 million for a net book value of $4.9 million at December 31, 2012. 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 $76.6 million and is reflected in the accompanying December 31, 2012 Statement of Net Position 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 $23.6 million for a net book value of $ 5.4 million at December 31, 2012. 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 $31.4 million and is reflected in the accompanying December 31, 2012 Statement of Net Position as the total of the current and long term portions of the Capital Lease Obligation.

2012	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	$ 72,152,621	$ 4,495,517	$ -	$ 76,648,138	$ 4,495,517	$ -
2003 (Buses)	$ 29,411,838	$ 1,943,425	$ -	$ 31,355,263	$ 1,943,425	$ -
Total	$ 101,564,459	$ 6,438,942	$ -	$ 108,003,401	$ 6,438,942	$ -

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

	Capital Leases
2013	$ -
2014	-
2015	-
2016	124,399,915
Total minimum lease payments	124,399,915
Less interest	16,396,514
Present value of minimum lease payments	$ 108,003,401

A reconciliation of the Statement of Net Position to amount presented above:

Capital Lease Obligation, less current portion	$ 108,003,401
Capital Lease Obligation, current portion	-
Total	$ 108,003,401

8. DEFERRED INFLOWS OF RESOURCES

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 deferred inflows of resources of $9,131,707 and $8,620,227, respectively, for this advance for the year ended December 31, 2012 and December 31, 2011.

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 POSITION

a. Designated Net Position

While net position 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 position and therefore are not segregated on the statement of net position, but are for future consideration. Refer to Exhibit 9 for the detail of these designations. The figures below reflect the Unrestricted Net Position for Suburban Services only.

	December 31	
	2012	2011
Unrestricted Net Position	$ 57,298,198	$ 48,293,992
Less: Management Designated Net Position	(30,612,288)	(6,258,321)
Undesignated Unrestricted Net Position	$ 26,685,910	$ 42,035,671

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 Position (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	
	2012	2011
Net Position	$ 57,298,198	$ 48,293,992
Less: Earnings Retained for Working Cash Purposes	(15,601,360)	(14,665,600)
Less: Management Designated Net Position	(30,612,288)	(6,258,321)
Available Unrestricted Net Position	$ 11,084,550	$ 27,370,071

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 $7,256,452 in 2012. 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
2012	$4,605,000	100%	$0
2011	4,210,000	100%	0
2010	4,038,000	100%	0

11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

a. RTA Plan (Continued)

(4) Funded Status and Funded Progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability was $200,844,966 and the actuarial value of assets was $141,387,904 resulting in an unfunded actuarial accrued liability (UAAL) of $59,457,062. The covered payroll (annual payroll of active employees covered by the plan) was $67,176,064 and the ratio of the UAAL to the covered payroll was 88.51%.

Information regarding the Schedule of Funding Progress can be found on page 53.

(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	1/1/12
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	7.75%
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	$ 910,019
Interest on net pension obligation	70,453
Adjustment to the annual required contribution	(135,312)
Annual pension cost	845,160
Employer contributions	(683,995)
Increase in the net pension obligation	161,165
Net pension obligation at 01/01/11	1,645,172
Net pension obligation at 01/01/12	$ 1,806,337

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
2011	$845,160	80.9%	$1,806,337
2010	881,624	66.1%	1,645,172
2009	839,914	50.1%	1,345,916

(4) Funded Status and Funded Progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability was $26,673,720 and the actuarial value of assets was $17,095,989 resulting in an unfunded actuarial accrued liability (UAAL) of $9,577,731. The covered payroll (annual payroll of active employees covered by the plan) was $11,313,595 and the ratio of the UAAL to the covered payroll was 84.66%. Per the requirements of Illinois Statute 40 ILCS 5/22-103, Pace accrued $244,831 for the 2012 contribution, $248,739 for the 2011 contribution and $287,070 for the 2010 contribution.

Information regarding the Schedule of Funding Progress can be found on page 53.

(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	1/1/12
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	$ 67,776
Interest on net pension obligation	(20,096)
Adjustment to the annual required contribution	21,104
Annual pension cost	68,784
Actual contributions	(125,404)
Decrease in the net pension obligation	(56,620)
Net pension obligation at 01/01/11	(267,942)
Net pension obligation at 01/01/12	$ (324,562)

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
12/31/2011	68,784	182.31%	(324,562)
12/31/2010	102,457	119.61%	(267,942)
12/31/2009	112,740	111.72%	(247,848)

(4) Funded Status and Funded Progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability was $3,814,739 and the actuarial value of assets was $3,309,584 resulting in an unfunded actuarial accrued liability (UAAL) of $505,155. The covered payroll (annual payroll of active employees covered by the plan) was $3,165,576 and the ratio of the UAAL to the covered payroll was 15.96%.

Information regarding the Schedule of Funding Progress can be found on page 53.

(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	1/1/12
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	59	4% of Compensation*	None	$81,678	$61,532
Pace Fox Valley Division	Defined Contribution	3	4% of Compensation	4% of Compensation	$4,048	$4,048
Pace Heritage Division	401k	41	4% of Compensation	4% of Compensation	$64,978	$99,829
Pace North Shore Division	401k	46	4% of Compensation	None	$80,563	$104,483
Pace Northwest Division	401k	212	4.5% of Compensation	4% of Compensation	$483,504	$634,873
Pace River Division	401k	54	4% of Compensation**	None	$97,653	$109,966
Pace River Division	Defined Contribution	10	4% of Compensation	4% of Compensation	$18,525	$18,525
Pace South Division	401k	206	4% of Compensation	4% of Compensation	$393,892	$514,067
Pace Southwest Division	401k	113	4% of Compensation	2% of Compensation	$177,618	$184,719

For 2012, the maximum employee pre-tax 401(k) contribution was $17,000. For 2012, 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 2012, Pace contributed $142,184 and the participants contributed $1,345,207 which includes $13,342 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	$ 883,015
Interest on net OPEB obligation	113,472
Adjustment to annual required contribution	(108,402)
Annual OPEB cost	888,085
Contributions made	(445,220)
Increase in net OPEB obligation	442,865
Net OPEB obligation - beginning of year	2,843,294
Net OPEB obligation - end of year	$3,286,159

The West Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 through 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	$888,085	27.0%	$3,286,159
12/31/2011	872,423	30.7%	2,843,294
12/31/2010	972,069	43.1%	2,254,389

(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 covered payroll (annual payroll of active employees covered by the plan) was $11,313,595 and the ratio of the UAAL to the covered payroll was 111.75%.

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.

(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 January 1, 2011 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	12/31/2011 Balance	Additions	Transfers	Disposals	12/31/2012 Balance
Capital Assets not Being Depreciated					
Land	$ 16,014,533	$ 1,358	$ -	$ -	$ 16,015,891
Capital Projects in Progress	2,921,309	6,846,712	(2,921,309)	-	6,846,712
Total Capital Assets not Being Depreciated	18,935,842	6,848,070	(2,921,309)	-	22,862,603
Capital Assets Being Depreciated					
Equipment	312,608,045	32,175,764	2,921,309	(16,110,737)	331,594,381
Buildings and Improvements	156,255,997	2,911,210	-	-	159,167,207
Total Capital Assets Being Depreciated	468,864,042	35,086,974	2,921,309	(16,110,737)	490,761,588
Accumulated Depreciation					
Equipment	(224,928,038)	(47,778,646)	-	16,110,737	(256,595,947)
Buildings and Improvements	(91,581,791)	-	-	-	(91,581,791)
Total Accumulated Depreciation	(316,509,829)	(47,778,646)	-	16,110,737	(348,177,738)
Total Capital Assets Being Depreciated, Net	152,354,213	(12,691,672)	2,921,309	-	142,583,850
Net Capital Assets	$ 171,290,055	$ (5,843,602)	$ -	$ -	$ 165,446,453

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PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2012

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						
01/01/12	$ 141,387,904	$ 200,844,966	$ 59,457,062	70.40%	$ 67,176,064	88.51%
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%
Pace West Division Pension Plan						
01/01/12	$ 17,095,989	$ 26,673,720	$ 9,577,731	64.09%	$ 11,313,595	84.66%
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%
Pace North Division Pension Plan						
01/01/12	$ 3,309,584	$ 3,814,739	$ 505,155	86.76%	$ 3,165,576	15.96%
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%
Pace West Division Health Plan						
01/01/12	$ -	$ 12,642,476	$ 12,642,476	0.00%	$ 11,313,595	111.75%
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 POSITION BY FUND
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011

ASSETS	**Suburban Services Fund 2012**	**Regional ADA Paratransit Services Fund 2012**	**Total 2012**	**Unaudited Total 2011**
Current Assets:				
Cash and Investments				
Unrestricted	$ 35,481,944	$ 34,065,186	$ 69,547,130	$ 41,501,107
Restricted-Claims	29,253,886	-	29,253,886	27,967,746
Total Cash and Investments	64,735,830	34,065,186	98,801,016	69,468,853
Accounts Receivable:				
Regional Transportation Authority	43,133,304	382,080	43,515,384	47,153,612
Interfund Receivable	7,531,151		7,531,151	4,450,014
Capital Grant Projects-FTA & IDOT	959,958	-	959,958	308,186
Other	9,268,872	434,212	9,703,084	7,889,991
Total Accounts Receivable	60,893,285	816,292	61,709,577	59,801,803
Other Current Assets				
Prepaid Expenses	2,257,310	301,858	2,559,168	1,643,970
Inventory-Spare Parts	4,428,238	-	4,428,238	4,698,637
Total Other Current Assets	6,685,548	301,858	6,987,406	6,342,607
Total Current Assets	132,314,663	35,183,336	167,497,999	135,613,263
Noncurrent Assets				
Capital Assets not Being Depreciated				
Land	16,015,891	-	16,015,891	16,014,533
Capital Projects in Progress	6,846,712	-	6,846,712	2,921,309
Total Capital Assets not Being Depreciated	22,862,603	-	22,862,603	18,935,842
Capital Assets Being Depreciated, Net				
Equipment	308,731,420	22,862,961	331,594,381	312,608,045
Building and Improvements	159,167,207	-	159,167,207	156,255,997
Less Accumulated Depreciation	(329,615,064)	(18,562,674)	(348,177,738)	(316,509,829)
Total Capital Assets Being Depreciated, Net	138,283,563	4,300,287	142,583,850	152,354,213
Assets restricted for repayment of leasing commitments - Noncurren	108,003,401	-	108,003,401	101,564,459
Total Noncurrent Assets	269,149,567	4,300,287	273,449,854	272,854,514
Total Assets	$ 401,464,230	$ 39,483,623	$ 440,947,853	$ 408,467,777

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011

LIABILITIES	**Suburban Services Fund 2012**	**Regional ADA Paratransit Services Fund 2012**	**Total 2012**	**Unaudited Total 2011**
Current Liabilities:				
Accounts Payable:				
Operating	$ 939,784	$ 272,915	$ 1,212,699	$ 174,247
Capital	3,255,630	-	3,255,630	725,570
Accrued Payroll Expenses	7,456,537	123,403	7,579,940	6,717,429
Other Accrued Expenses	11,655,069	31,588,947	43,244,016	29,926,419
Unearned Revenue	834,335	547,596	1,381,931	1,206,535
Interfund Payable		7,531,151	7,531,151	4,450,014
Interest Payable	344	-	344	7,134
Due To Regional Transportation Authority	-	-	-	992,866
Current Portion of Insurance Reserves	17,813,474	234,903	18,048,377	16,371,955
Total Current Liabilities	41,955,173	40,298,915	82,254,088	60,572,169
Other Liabilities:				
Insurance Reserve, Non-Current Portion	17,142,823	-	17,142,823	16,899,939
Net Pension Obligation	1,481,775	-	1,481,775	1,377,230
Net Other Post Employment Benefits (OPEB) Obligation	3,286,159	-	3,286,159	2,843,294
Due to Regional Transportation Authority	-	-	-	195,641
Capital Lease Obligation, Less Current Portion	108,003,401	-	108,003,401	101,564,459
Other Liabilities	2,018,830	21,383	2,040,213	1,947,732
Total Other Liabilities	131,932,988	21,383	131,954,371	124,828,295
Total Liabilities	173,888,161	40,320,298	214,208,459	185,400,464
DEFERRED INFLOWS OF RESOURCES				
Advance From State	9,131,707	-	9,131,707	8,620,227
Total Deferred Inflows of Resources	9,131,707	-	9,131,707	8,620,227
NET POSITION				
Net Invested in Capital Assets	161,146,166	4,300,287	165,446,453	171,290,055
Unrestricted	57,298,196	(5,136,962)	52,161,234	43,157,031
Total Net Position	$ 218,444,362	$ (836,675)	$ 217,607,687	$ 214,447,086

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION BY FUND FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011

	Suburban Services Fund 2012	Regional ADA Paratransit Services Fund 2012	Total 2012	Unaudited Total 2011
Operating Revenue				
Pace-owned service revenue	$ 28,725,933	$ -	$ 28,725,933	$ 28,191,535
CMAQ/JARC Services	86,473	-	86,473	40,292
Fixed route carrier revenue	3,014,050	-	3,014,050	3,692,221
Paratransit revenue	12,450,090	9,310,966	21,761,056	19,978,787
Vanpool revenue	3,926,622	-	3,926,622	3,675,781
Reduced fare reimbursement	2,628,912	-	2,628,912	2,571,462
Advertising revenue	4,483,746	-	4,483,746	4,355,475
Miscellaneous	981,537	3,529,141	4,510,678	6,348,239
Total Operating Revenue	56,297,363	12,840,107	69,137,470	68,853,792
Operating expenses:				
Pace-owned service expenses	78,277,509	-	78,277,509	74,311,676
CMAQ/JARC expenses	911,980	-	911,980	290,232
Contract Payments:				
Fixed route carriers	9,060,737	-	9,060,737	10,584,807
Paratransit carriers	18,540,072	124,101,376	142,641,448	133,160,676
Vanpool expenses	4,745,135	-	4,745,135	4,529,570
Centralized operations	58,416,734	3,371,978	61,788,712	58,509,532
Administrative expenses	24,328,510	5,580,215	29,908,725	26,404,823
Depreciation	43,613,654	4,164,992	47,778,646	44,356,587
Indirect overhead allocation	(3,959,434)	3,959,434	-	-
Total Operating Expenses	233,934,897	141,177,995	375,112,892	352,147,903
Operating Income (Loss)	(177,637,534)	(128,337,888)	(305,975,422)	(283,294,111)
Non-Operating Revenue (Expenses)				
Retailers' occupation and use tax from RTA (85% Formula)	79,326,746	-	79,326,746	76,085,053
RTA Sales Tax/PTF (PA 95-0708)	31,429,206	-	31,429,206	31,449,703
Regional ADA Paratransit Fund	-	113,232,896	113,232,896	99,298,087
RTA Discretionary Funding	3,000,000	2,440,000	5,440,000	535,000
ADA State Funding		8,500,000	8,500,000	8,500,000
Suburban Community Mobility Fund (SCMF)	20,796,258	-	20,796,258	19,859,618
South Cook Job Access Fund	7,500,000	-	7,500,000	7,500,000
Innovation Coordination and Enhancement Fund (ICE)	-	-	-	6,586,687
Federal Operating Grants	1,703,169	-	1,703,169	3,596,665
Capital Grants Reimbursements	41,020,364	-	41,020,364	22,460,735
Interfund Asset Allocation	(6,391,060)	6,391,060	-	-
Interest on Investments	187,728	-	187,728	129,548
Interest Expense	(344)	-	(344)	(7,134)
Interest Revenue from Leasing Transaction	6,438,942	-	6,438,942	6,051,167
Interest Expense on Leasing Transaction	(6,438,942)	-	(6,438,942)	(6,051,167)
Total Non-Operating Revenue (Expenses)	178,572,067	130,563,956	309,136,023	275,993,962
Change in Net Position	934,533	2,226,068	3,160,601	(7,300,149)
Beginning Net Position	217,509,829	(3,062,743)	214,447,086	221,747,235
Ending Net Position	$ 218,444,362	$ (836,675)	$ 217,607,687	$ 214,447,086

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUE		
Pace-Owned Service Revenue	$	28,725,933
CMAQ/JARC Passenger Revenue		86,473
Fixed Route Carrier Revenue		3,014,050
Paratransit Revenue		12,450,090
Van Pool Revenue		3,926,622
Reduced Fare Reimbursement		2,628,912
Advertising Revenue		4,483,746
Interest on Investments		187,728
Miscellaneous		981,537
** Not-For-Profit Service Providers Revenue		860,000
Total System Generated Revenue		57,345,091
OPERATING EXPENSES		
Pace-Owned Service Expenses	$	78,277,509
CMAQ/JARC Expenses		911,980
Contract Payments:		
Fixed Route Carriers		9,060,737
Paratransit Carriers		18,540,072
Van Pool Expenses		4,745,135
Centralized Operations		58,416,734
Administrative Expenses		24,328,510
Indirect Overhead Allocation		(3,959,434)
Interest Expense		344
** Not-For-Profit Service Providers Expense		860,000
Total Operating Expenses	$	191,181,587
FAREBOX RECOVERY RATIO		30.0%

** 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 2012, Pace has included $860,000 of revenues and expenses incurred by these entities in providing public transportation.

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, 2012

REVENUE		
ADA Services Revenue	$	9,310,966
Miscellaneous		3,529,141
Total System Generated Revenue	$	12,840,107
OPERATING EXPENSES		
ADA Services Expenses	$	124,101,376
Centralized Operations		3,371,978
Administrative Expenses		5,580,215
Indirect Overhead Allocation		3,959,434
* Capital Cost Of Contracting		(8,612,487)
Total Operating Expenses	$	128,400,516
FAREBOX RECOVERY RATIO		10.0%

* Under a 2008 change in legislation, the ADA Paratransit recovery ratio calculation now includes an expense credit for costs incurred by ADA Partransit contractors for their capital expenses. In 2012, $8,612,487 of Capital Cost of Contracting funding is included in the recovery ratio calculation.

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, 2012

	Actual	Budget	Variance
Operating Revenue			
Pace-Owned Service Revenue	$ 28,725,933	$ 27,239,483	$ 1,486,450
CMAQ/JARC Passenger Revenue	86,473	45,000	41,473
Fixed Route Carrier Revenue	3,014,050	2,941,439	72,611
Paratransit Revenue	12,450,090	11,548,201	901,889
Vanpool Revenue	3,926,622	3,791,281	135,341
Reduced Fare Reimbursement	2,628,912	2,571,000	57,912
Advertising Revenue	4,483,746	4,417,304	66,442
Interest on Investments	187,728	83,507	104,221
Miscellaneous/Other Revenue	981,537	1,832,500	(850,963)
Total Operating Revenue	56,485,091	54,469,715	2,015,376
Operating Expenses			
Pace-Owned Service Expenses	78,277,509	79,619,723	1,342,214
CMAQ/JARC Expenses	911,980	905,000	(6,980)
Contract Payments:			
Fixed Route Carriers	9,060,737	9,312,583	251,846
Paratransit Carriers	18,540,072	19,025,702	485,630
Vanpool Expenses	4,745,135	4,834,178	89,043
Centralized Operations	58,416,734	61,628,256	3,211,522
Indirect Overhead Allocation	(3,959,434)	(3,991,705)	(32,271)
Interest Expense	344	-	(344)
Administrative Expenses	24,328,510	23,683,978	(644,532)
Total Operating Expenses	190,321,587	195,017,715	4,696,128
Operating Income (Loss)	(133,836,496)	(140,548,000)	6,711,504
Non-Operating Revenue			
Retailers' occupation and use tax from RTA (85% Formula)	79,326,746	78,234,000	1,092,746
RTA Sales Tax/PTF (PA 95-0708)	31,429,206	30,197,000	1,232,206
RTA Discretionary Funding	3,000,000	3,000,000	-
Suburban Community Mobility Fund (SCMF)	20,796,258	20,319,000	477,258
South Cook Job Access Fund	7,500,000	7,500,000	-
Federal Operating Grants - Suburban Services	1,703,169	1,298,000	405,169
Total Non-Operating Revenue	143,755,379	140,548,000	3,207,379
Increase (Decrease) in Net Position	$ 9,918,883	$ -	$ 9,918,883

Reconciliation of Budgetary Basis to GAAP Basis:

Provision for Depreciation	(43,613,654)
Capital Grants Non-Operating Revenue	41,020,364
Interfund Asset Allocation	(6,391,060)
Increase (Decrease) in Net Position - GAAP Basis	$ 934,533

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, 2012

	Actual	Budget	Variance
Operating Revenue			
ADA Service Revenue	$ 9,310,966	$ 9,208,880	$ 102,086
Miscellaneous/Other Revenue	3,529,141	2,367,304	1,161,837
Total Operating Revenue	12,840,107	11,576,184	1,263,923
Operating Expenses			
ADA Service Expenses	124,101,376	124,136,745	35,369
Centralized Operations	3,371,978	3,408,062	36,084
Indirect Overhead Allocation	3,959,434	3,991,705	32,271
Administrative Expenses	5,580,215	5,979,672	399,457
Total Operating Expenses	137,013,003	137,516,184	503,181
Operating Income (Loss)	(124,172,896)	(125,940,000)	1,767,104
Non-Operating Revenue			
Regional ADA Paratransit Funding from RTA	113,232,896	115,000,000	(1,767,104)
RTA Discretionary Funding	2,440,000	2,440,000	-
ADA State Funding	8,500,000	8,500,000	-
Innovation Coordination and Enhancement Funding			-
Total Non-Operating Revenue	124,172,896	125,940,000	(1,767,104)
Increase (Decrease) in Net Position	-	$ -	$ -
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(4,164,992)		
Interfund Asset Allocation	6,391,060		
Increase (Decrease) in Net Position - GAAP Basis	$ 2,226,068		

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, 2012

	Direct Expense	Total Centralized Expense	PACE Funding	Net Passenger Revenue	Public Funding
City of Highland Park	$ 1,316,322	$ 360,672	$ 1,676,994	$ 601,981	$ 1,075,013
Village of Downers Grove	253,265	6,779	260,044	107,204	152,840
Village of Niles	1,514,770	195,418	1,710,188	528,753	1,181,435
Village of Schaumburg	280,984	1,886	282,870	271,057	11,813
TOTAL	$ 3,365,341	$ 564,755	$ 3,930,096	$ 1,508,995	$ 2,421,101

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, 2012

Regular Fixed Route	Operating Expenses	Passenger Revenue	Net Expenses
First Student	$ 3,847,862	$ 1,227,088	$ 2,620,774
First Transit	541,435	30,390	511,045
MV Transportation	1,306,100	247,577	1,058,523
TOTALS	$ 5,695,397	$ 1,505,055	$ 4,190,342

PACE
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF PARATRANSIT MUNICIPAL - CARRIER EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2012

CARRIER	TOTAL REVENUE	TOTAL EXPENSE	OPERATING DEFICIT	PACE ASSISTANCE	NON-PACE ASSISTANCE
Bensenville	$ 18,978	$ 263,276	$ 244,298	$ 45,003	$ 199,295
Bloom	20,329	374,762	354,433	56,850	297,583
Crestwood	6,527	92,254	85,727	18,531	67,196
Ela	11,268	158,784	147,516	29,991	117,525
Forest Park	21,047	95,077	74,030	55,522	18,508
Fox Lake/Grant	1,889	5,664	3,775	1,953	1,822
Frankfort	7,355	98,143	90,788	19,684	71,104
Harvard	3,303	25,878	22,575	6,861	15,714
Lemont	6,301	79,094	72,793	16,611	56,182
Lyons	14,093	338,351	324,258	40,200	284,058
Norridge	8,899	98,342	89,443	24,897	64,546
Oak Park	40,250	389,299	349,049	72,930	276,119
Orland Park	22,757	260,815	238,058	33,930	204,128
Palatine	21,067	192,973	171,906	31,125	140,781
Palos Hills	7,041	63,700	56,659	13,461	43,198
Park Forest	22,900	118,493	95,593	57,093	38,500
Rich Township	32,594	580,651	548,057	66,234	481,823
Schaumburg	87,387	1,146,060	1,058,673	219,402	839,271
Stickney	19,063	299,035	279,972	53,709	226,263
Tinley Park	9,817	85,256	75,439	25,749	49,690
Vernon Township	3,610	136,502	132,892	10,380	122,512
Washington Township	927	23,431	22,504	2,361	20,143
Worth	7,276	197,865	190,589	21,744	168,845
Total	$ 394,678	$ 5,123,705	$ 4,729,027	$ 924,221	$ 3,804,806

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, 2012

Project	Contract Expense	Passenger Revenue	Non - Pace Assistance	Net Contract Cost
Barrington	$ 93,134	$ 2,383	$ 44,372	$ 46,379
Bloomingdale Township	323,817	30,032	89,409	204,376
Call Centers	189,641	-	5,510	184,131
Call in Rides	705,614	48,143	-	657,471
Central Lake	104,971	8,017	27,714	69,240
Central Will	755,594	75,924	198,892	480,778
Community Service Transit	64,421	98,023	-	(33,602)
Downers Grove	85,741	20,630	19,534	45,577
DuPage County	14,409	2,701	-	11,708
DuPage Township	162,017	8,924	44,229	108,864
Elk Grove	280,826	20,963	208,384	51,479
Freemont Township	8,548	638	2,370	5,540
Hampshire Township	18,558	1,270	4,322	12,966
Hometown	24,057	559	22,674	824
Leyden Township	160,493	16,201	116,882	27,410
Marengo	104,427	2,311	-	102,116
McHenry County	1,092,807	61,980	418,564	612,263
Milton Township	268,710	48,764	4,322	215,624
Naperville/Lisle	1,011,598	176,334	638,175	197,089
North Suburban Cook	69,338	1,803	-	67,535
Northeast Lake-Warren	314,517	17,926	20,817	275,774
Northeast Lake-Zion	62,261	4,066	8,514	49,681
Northwest Lake	288,341	20,578	-	267,763
Northwest Lake Demo	314,540	31,686	243,478	39,376
Northwest Suburban Cook	177,842	24,277	-	153,565
Pioneer Center	286,919	7,916	-	279,003
Ride DuPage	1,414,072	175,815	826,674	411,583
Ride In Kane	3,855,685	441,592	2,812,281	601,812
Ride McHenry	811,588	64,784	833,344	(86,540)
South Cook	2,110	200	-	1,910
Southwest Lake-Wauconda	35,405	3,480	8,140	23,785
Southwest Will	32,527	3,022	14,022	15,483
Village of Skokie/West Cook	188,960	-	184,021	4,939
Wayne Township	74,098	6,446	19,720	47,932
Woodstock	18,782	1,664	5,190	11,928
TOTAL	$ 13,416,368	$ 1,429,052	$ 6,821,554	$ 5,165,762

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, 2012

	ADA SERVICES		
Project	Contract Expense	Passenger Revenue	Net Contract Cost
South Cook	$ 9,672,599	$ 712,006	$ 8,960,593
North Suburban Cook	7,307,039	598,441	6,708,598
West Cook (Suburban)	2,242,364	267,125	1,975,239
North Lake	1,097,335	128,592	968,743
Kane County	520,924	48,806	472,118
Southwest/Central Will	457,355	46,826	410,529
DuPage County	1,265,198	124,401	1,140,797
Chicago ADA	101,538,562	7,384,769	94,153,793
Total	$ 124,101,376	$ 9,310,966	$ 114,790,410

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED
FROM UNRESTRICTED NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011

The Unrestricted Net Position detailed in footnote 10 on page 38 is comprised of the unexpended portion of the accumulated positive budget variance.

	2012	Unaudited 2011
Group I: Approved and Completed	$ 2,651,430	$ 2,885,004
Group II: Approved and in Progress		
Headquarters Facility	191,034	191,034
Computer Equipment	567,339	567,563
Software for Insurance System	30,000	30,000
DuPage Co Paratr Computer Sys	200,000	200,000
Facilities Environmental Cleanup	451,171	475,762
Service Restructuring Study	180,037	180,013
Improvements to Garages	291,642	-
Project Administration - Multiple Grants	123,698	219,948
Related Capital Projects/Support Services	137,317	107,567
Regional Call Center - Hardware Ph3	17,155	17,155
Associated Capital - Multiple Years	250,434	334,600
Unanticipated Capital - Multiple Years	1,613,015	1,113,015
Totals Approved and in Progress	4,052,842	3,436,657
Group III: Approved But Not Yet Started		
A&E for Capital Projects	3,000,000	-
Associated Capital	-	75,654
Bus Shelters/Pads	1,000,000	-
Bus Stop Improvements	15,300	-
Computer Equipment	1,500,000	-
Contingencies	-	2,766
Facilities site Review, EIS, Enviromental Compliance	1,800,000	-
Improvements to Garages	300,000	294,035
Northwest Division Garage - Land Acquisition	7,500,000	4,500,000
Regional Call Center - Hardware phase 3	17,155	17,155
Sign & Shelter	20,000	-
Unanticipated Capital	250,000	250,000
Ventra Fare System	14,100,000	-
Totals Approved But Not Yet Started	29,502,455	5,139,610
Total Commitments	36,206,727	11,461,271
Previously Recognized Expenditures	(5,594,439)	(5,202,950)
Net Commitments	$ 30,612,288	$ 6,258,321