

ANNUAL FINANCIAL REPORT



**THE SUBURBAN BUS DIVISION OF
THE REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS**

For the Year Ended December 31, 2010

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Pace, the Suburban Bus Division of the Regional Transportation Authority, as of and for the year ended December 31, 2010. These basic financial statements are the responsibility of the management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year partial comparative information has been derived from Pace's 2009 basic financial statements and, in our report dated May 18, 2010, we expressed an unqualified opinion on the respective basic financial statements.

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

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Pace, the Suburban Bus Division of the Regional Transportation Authority, as of December 31, 2010 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplementary information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary exhibits as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The exhibits have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 17, 2011 on our consideration of Pace, the Suburban Bus Division of the Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Crowe Horwath LLP

Oak Brook, Illinois
May 17, 2011

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, 2010. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 14.

Using This Report

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

Reporting on the Agency as a Whole

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

These two statements report the agency's net assets and changes in them. The net assets, the difference between assets and liabilities, is one way to measure Pace's financial health or financial position. Over time, increases or decreases in Pace's net assets are one indicator of whether its financial health is improving or deteriorating. Other financial factors should be considered as well, such as, the level of public funding received from the RTA, sales tax revenue and working cash balances. Based on Pace's current year financial and operating performance, the agency's overall financial position improved during 2010 primarily due to favorable sales tax revenues.

Financial Highlights

- **Net Assets increased by \$12.8 million** to \$221.7 million at the end of 2010. Net Assets represents Total Assets minus Total Liabilities.
- **Total Operating Revenues for 2010 were \$62.0 million** which represented a 5.2% increase from 2010.
- **Non-Operating Revenues increased \$10.3 million** (or 3.8%) to \$283.8 million in 2010.
- **Total Operating Expenses increased by \$6.4 million** (or 2.0%) to \$333.0 million during 2010.
- **Pace met the RTA mandated recovery ratio of 36.0%** for Suburban Services during 2010. The recovery ratio included credits for expenses incurred by Not-For-Profit Providers from the VIP Advantage program, credit for lost revenue from the Seniors Ride Free program and unfunded Reduced Fare Subsidies in 2010 as well as credits for Capital Cost of Contracting.
- **Pace met the 10% recovery ratio requirement** for Regional ADA Paratransit Services in 2010. The Operating Expenses for purposes of the recovery ratio calculation included a reduction of \$9.6 million for Capital Cost of Contracting.

Ridership

The rise in unemployment and downturn in the economy continued to have an impact on Pace's ridership in 2010. Some of the highlights are as follows:

Highlights:

- **Pace served 35.1 million passengers** in 2010 which reflected virtually no change from the 2009 ridership total of 35.1 million. Average weekday ridership was 120,975 in 2010 compare to 121,349 in 2009.
- **In 2010, Pace added 1 new route**, expanded service on 2 routes, discontinued service on 21 weekday routes and 10 weekend routes and made changes to 16 routes.
- **Pace continued to sell the new Pace/CTA 7-Day pass** that sells for a \$5.00 premium over the cost of the CTA only 7-Day pass. The \$5.00 premium is Pace's share of the revenue for this new pass.
- **ADA Paratransit ridership increased .4% in 2010** with ridership of 2,086,494 for the Chicago service and 1,632,850 for Suburban service for a total of 3,719,344.
- **The Vanpool ridership declined 1.1% in 2010** to 1,975,790. The total number of vans on the road stayed level with 690 at the end of 2010 compared to 691 at the end of 2009.
- **Based on 2008 legislation, Pace continued to provide free rides to seniors** and qualified ADA riders using a Circuit Breaker Pass. Pace provided 1,961,777 free senior rides and 1,183,243 free Circuit Breaker rides in 2010.

The Agency as a Whole

	<u>2010</u>	<u>2009</u>	<u>Net Change</u>
ASSETS			
Total Current Assets	\$ 106,473,676	\$ 103,728,676	\$ 2,745,000
Total Noncurrent Assets	<u>287,824,960</u>	<u>277,740,684</u>	<u>10,084,276</u>
Total Assets	<u>394,298,636</u>	<u>381,469,360</u>	<u>12,829,276</u>
LIABILITIES			
Total Current Liabilities	47,354,499	57,256,593	(9,902,094)
Total Other Liabilities	<u>125,196,902</u>	<u>115,266,649</u>	<u>9,930,253</u>
Total Liabilities	<u>172,551,401</u>	<u>172,523,242</u>	<u>28,159</u>
NET ASSETS			
Invested in Capital Assets	192,311,668	188,007,774	4,303,894
Unrestricted Net Assets	<u>29,435,567</u>	<u>20,938,344</u>	<u>8,497,223</u>
TOTAL NET ASSETS	<u>\$ 221,747,235</u>	<u>\$ 208,946,118</u>	<u>\$ 12,801,117</u>

Assets and Liabilities

Net assets at December 31, 2010 increased to \$221.7 million from \$209.0 million in 2010 due to a \$4.3 million increase in Invested in Capital Assets and an \$8.5 million increase in Unrestricted Net Assets. The increase in Invested in Capital Assets is comprised of \$44.6 million in capital grants reimbursements and \$1.4 million in Pace funded capital projects less \$41.7 million in depreciation.

Total assets increased \$12.8 million in 2010 to \$394.3 million. The \$2.7 million increase in Current Assets is attributed to a \$14.2 million increase in cash, a \$ 9.0 million decrease in accounts receivable, a \$1.1 million decrease in Inventory and a \$1.4 million decrease in the current portion of assets restricted for the repayment of leasing commitments. Noncurrent assets increased \$10.1 million due to a \$5.8 million increase in assets restricted for repayment of leasing commitments – noncurrent, a \$1.5 million increase in capital projects in progress, a \$8.0 million increase in capital assets acquisitions less a \$5.2 million increase in accumulated depreciation.

Current Liabilities decreased \$9.9 million in 2010 primarily due to a \$3.0 million decrease in accrued expenses, a \$3.0 million decrease in due to the RTA, a \$2.5 million decrease in current insurance reserves and a \$1.4 million decrease in the current portion of the capital lease obligation.

Other Liabilities increased \$9.9 million as of the end of 2010. The increase was comprised mainly of a \$3.9 million increase in the non-current insurance reserves, a \$.5 million increase in net pension obligation, a \$.7 million increase in other post employment benefits obligation, a \$5.8 million increase in long term capital lease obligation and a \$1.0 million decrease in the long term portion of a loan from the RTA.

Capital Assets

Pace received \$44.6 million in capital grant reimbursements in 2010 including:

- \$43.7 million from the Federal Transit Administration (FTA) and
- \$.9 million from the Regional Transportation Authority (RTA).

In addition, Pace used \$1.4 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

Equipment:

- \$16.2 million in buses,
- \$11.1 million in paratransit vehicles,
- \$6.4 million in bus equipment,
- \$3.0 million in vanpool vehicles,
- \$2.3 million in capital parts and maintenance,
- \$2.1 million in non-revenue vehicles.
- \$1.8 million in computer equipment and software,
- \$1.0 million in building and improvements, and
- \$.7 million in Community Transit vehicles

Pace purchased 59 fixed route buses totaling \$16.2 million, 134 paratransit buses totaling \$11.1 million, 87 vanpool vehicles totaling \$3.0 million, and 10 Community Transit vehicles for \$.7 million.

Information regarding capital asset activity for 2010 can be found in the notes to the financial statements on page 27 and 49 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 2010 can be found in the notes to the financial statements on page 33.

OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>%</u>
<u>Operating Revenue</u>				
Pace-owned service revenue	\$ 26,162,982	\$ 25,988,557	\$ 174,425	0.7%
CMAQ/JARC Services	10,209	395,654	(385,445)	-97.4%
Fixed route carrier revenue	4,066,649	4,656,466	(589,817)	-12.7%
Paratransit revenue	17,979,188	16,143,772	1,835,416	11.4%
Vanpool revenue	3,578,691	3,845,452	(266,761)	-6.9%
Reduced fare reimbursement	2,415,786	2,350,689	65,097	2.8%
Advertising revenue	3,930,876	2,630,182	1,300,694	49.5%
Miscellaneous	3,864,154	2,948,948	915,206	31.0%
Total Operating Revenue	<u>62,008,535</u>	<u>58,959,720</u>	<u>3,048,815</u>	<u>5.2%</u>
<u>Operating expenses:</u>				
Pace-owned service expenses	73,273,066	70,197,738	3,075,328	4.4%
CMAQ/JARC expenses	198,665	1,890,135	(1,691,470)	-89.5%
Contract Payments:				
Fixed route carriers	11,639,829	13,262,046	(1,622,217)	-12.2%
Paratransit carriers	121,511,022	119,465,945	2,045,077	1.7%
Vanpool expenses	3,655,554	3,374,719	280,835	8.3%
Centralized operations	55,886,171	54,317,776	1,568,395	2.9%
Administrative expenses	25,125,710	26,601,926	(1,476,216)	-5.5%
Depreciation	41,712,329	37,446,875	4,265,454	11.4%
Total Operating Expenses	<u>333,002,346</u>	<u>326,557,160</u>	<u>6,445,186</u>	<u>2.0%</u>
Operating Income (Loss)	<u>(270,993,811)</u>	<u>(267,597,440)</u>	<u>(3,396,371)</u>	<u>1.3%</u>
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	73,053,667	70,438,841	2,614,826	3.7%
RTA Sales Tax/PTF (PA 95-0708)	29,784,991	28,965,867	819,124	2.8%
Regional ADA Paratransit Fund	94,796,109	91,010,358	3,785,751	4.2%
RTA Discretionary Funding	-	4,366,739	(4,366,739)	-100.0%
Suburban Community Mobility Fund (SCMF)	18,959,222	18,202,072	757,150	4.2%
South Cook County Job Access Fund	7,500,000	7,500,000	-	0.0%
ADA State Funding	8,500,000	-	8,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	1,431,706	4,136,823	(2,705,117)	-65.4%
Federal Operating Grants	5,037,856	12,341,970	(7,304,114)	-59.2%
Capital Grants Reimbursements	44,641,565	36,411,542	8,230,023	22.6%
Interest on Investments	111,382	214,343	(102,961)	-48.0%
Interest Expense	(21,570)	(58,461)	36,891	-63.1%
Interest Revenue from Leasing Transaction	5,780,382	5,432,224	348,158	6.4%
Interest Expense on Leasing Transaction	(5,780,382)	(5,432,224)	(348,158)	6.4%
Total Non-Operating Revenue (Expenses)	<u>283,794,928</u>	<u>273,530,094</u>	<u>10,264,834</u>	<u>3.8%</u>
Net Change in Net Assets	12,801,117	5,932,654	6,868,463	115.8%
Beginning Net Assets	208,946,118	203,013,464	5,932,654	2.9%
Ending Net Assets	<u>\$ 221,747,235</u>	<u>\$ 208,946,118</u>	<u>\$ 12,801,117</u>	<u>6.1%</u>

Comparison of Results: FY2010 vs. FY2009

Operating Revenues

Total Operating Revenues increased 5.2% or \$3.0 million in 2010. Specific changes in operating revenue are noted as follows:

- **Paratransit Revenue** – The \$1.8 million increase was primarily due to the ADA Paratransit fare increase that went into effect in late 2009 as well as increased revenues from the Ride In Kane program and the addition of the Ride McHenry program.
- **Advertising Revenue** – The \$1.3 million increase was the result of a new advertising contract that commenced in 2010 and established guaranteed revenue payments.
- **Miscellaneous Income** – The \$.9 million increase was comprised of an increase in the gain on sale of assets.

Operating Expenses

Total Operating Expenses increased by \$6.4 million (or 2.0%) in 2010 which is comprised of the following changes:

- **Pace-Owned Service Expenses** – The \$3.1 million increase in expense is primarily due to an increase in operator wages and other salaries, increased pension contributions and a reduction in the salary and parts credits for capital maintenance.
- **CMAQ/JARC Expenses** – The \$1.7 million decrease in expense is due to a number of routes that were discontinued.
- **Fixed Route Carriers** – The \$1.6 million decrease in contract payments to Fixed Route Carriers is the result of reduced service and elimination of routes during 2010.
- **Paratransit Expenses** – The \$2.0 million increase in expense is primarily attributed to increased usage of the Chicago ADA program.
- **Centralized Operations** – The \$1.6 million increase in expense is due to rising fuel costs and increased health insurance and workers compensation expenses offset by a decrease in liability and third party claims, compensated absences, and advertising expenses.
- **Administrative Expenses** – The \$1.5 million decrease in expenses is mainly due to a decrease in compensated absences, consulting and emergency preparedness drill expenses.
- **Depreciation Expense** – The \$4.3 million increase in expense is due to the addition of new vehicles that were put in service in 2010. Additionally, a full year of depreciation expense was recorded in 2010 for the new headquarters building.

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Non-Operating Revenues

Non-Operating Revenues increased \$10.3 million or 3.8% to \$283.8 million in 2010. Specific factors contributing to the increase are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased \$2.6 million in 2010.
- **RTA Sales Tax/PTF (PA 95-0708)** – RTA Sales Tax/PTF funding outlined in PA 95-0708 increased \$.8 million in 2010.
- **ADA Regional ADA Paratransit Fund** – Funding from the Regional ADA Paratransit Fund increased \$3.8 million in 2010.
- **RTA Discretionary Funding** – The RTA did not provide any Discretionary Funding in 2010.
- **Suburban Community Mobility Fund** – Funding increased by \$.8 million in 2010.
- **South Cook County Job Access Fund** – Pace again received \$7.5 million in funding from the RTA for services in South Suburban Cook County in 2010.
- **ADA State Funding** – Pace received \$8.5 million from the State to fund ADA service in 2010.
- **Innovation Coordination and Enhancement Fund (ICE)** – Funding decreased \$2.7 million in in 2010.
- **Federal Operating Grants** – The \$7.3 million decrease is due to a decrease in the Capital Cost of Contracting funds needed for Regional ADA Paratransit service.

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.

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 2010, the RTA provided \$94.8 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 2010, the RTA provided \$19.0 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 2010, the RTA provided \$1.2 million in funding for the Regional ADA Paratransit program and \$.2 million in funding for the Suburban Services fund.
- *New Sales Tax and Public Transportation Funds (PTF)* – After all monies are allocated to the above funds, the remaining amount is distributed as a New Sales Tax and PTF to the three Service Boards. Pace’s allocation of the New Sales Tax and PTF is equal to 13% of the remaining amount. For 2010, Pace received \$29.8 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 2010, the RTA provided \$7.5 million in funding for the South Cook County Job Access program. The RTA did not provide any discretionary funding in 2010.

The allocation of the funds established for 2010 and 2009 is as follows:

RTA OPERATING FUNDING (000's)

	<u>2010</u>	<u>2009</u>
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	\$ 73,054	\$ 70,439
RTA Sales Tax/PTF (PA 95-0708)	29,785	28,965
RTA Discretionary Funding	-	2,267
Suburban Community Mobility Fund	18,959	18,202
South Cook Job Access Fund	7,500	7,500
Innovation Coordination & Enhancement	<u>207</u>	<u>35</u>
Total Suburban Services Funding	<u>\$129,505</u>	<u>\$127,408</u>
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	\$ 94,796	\$ 91,010
RTA Discretionary Funding	-	2,100
Innovation Coordination & Enhancement	<u>1,225</u>	<u>4,101</u>
Total Regional ADA Paratransit Funding	<u>\$ 96,021</u>	<u>\$ 97,211</u>
Total RTA Funding	<u>\$225,526</u>	<u>\$224,619</u>

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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.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009

ASSETS

	<u>2010</u>	<u>2009</u>
<u>Current Assets:</u>		
Cash and Investments		
Unrestricted	\$ 20,292,861	\$ 7,143,010
Restricted-Claims	<u>26,571,529</u>	<u>25,406,464</u>
Total Cash and Investments	<u>46,864,390</u>	<u>32,549,474</u>
Accounts Receivable:		
Regional Transportation Authority	44,657,355	45,177,029
Capital Grant Projects-FTA & IDOT	181,097	544,076
Other	<u>8,581,734</u>	<u>16,696,930</u>
Total Accounts Receivable	<u>53,420,186</u>	<u>62,418,035</u>
<u>Other Current Assets:</u>		
Prepaid Expenses	1,331,403	1,437,538
Inventory - Spare Parts	4,857,697	5,885,091
Assets Restricted for Repayment of Leasing Commitments - Current	<u>-</u>	<u>1,438,538</u>
Total Other Current Assets	<u>6,189,100</u>	<u>8,761,167</u>
Total Current Assets	<u>106,473,676</u>	<u>103,728,676</u>
<u>Noncurrent Assets</u>		
Capital Assets not Being Depreciated		
Land	16,010,544	16,008,243
Capital Projects in Progress	<u>3,325,807</u>	<u>1,818,242</u>
Total Capital Assets not Being Depreciated	<u>19,336,351</u>	<u>17,826,485</u>
Capital Assets Being Depreciated, Net		
Equipment	315,319,832	305,796,301
Building and Improvements	155,360,586	156,867,064
Less Accumulated Depreciation	<u>(297,705,101)</u>	<u>(292,482,076)</u>
Total Capital Assets Being Depreciated, Net	<u>172,975,317</u>	<u>170,181,289</u>
Assets Restricted for Repayment of Leasing Commitments - Noncurrent	<u>95,513,292</u>	<u>89,732,910</u>
Total Noncurrent Assets	<u>287,824,960</u>	<u>277,740,684</u>
Total Assets	<u>\$ 394,298,636</u>	<u>\$ 381,469,360</u>

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009

LIABILITIES	<u>2010</u>	<u>2009</u>
<u>Current Liabilities:</u>		
Accounts Payable:		
Operating	\$ 193,695	\$ 631,284
Capital	2,295,974	2,041,239
Accrued Payroll Expenses	6,274,069	5,926,429
Other Accrued Expenses	19,369,468	22,398,210
Deferred Revenue	988,276	1,052,514
Interest Payable	21,570	58,461
Due to the Regional Transportation Authority	978,430	3,941,539
Current Portion of Insurance Reserves	17,233,017	19,768,379
Current Portion of Capital Lease obligation	-	1,438,538
	<hr/>	<hr/>
Total Current Liabilities	47,354,499	57,256,593
	<hr/>	<hr/>
<u>Other Liabilities:</u>		
Insurance Reserve, Non-Current Portion	14,807,793	10,887,022
Net Pension Obligation	1,098,068	692,487
Net Other Post Employment Benefits (OPEB) Obligation	2,254,389	1,568,755
Advance From State	8,529,377	8,466,595
Due to Regional Transportation Authority	1,188,507	2,166,937
Capital Lease Obligation, Less Current Portion	95,513,292	89,732,910
Other Liabilities	1,805,476	1,751,943
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Total Other Liabilities	125,196,902	115,266,649
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Total Liabilities	172,551,401	172,523,242
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NET ASSETS		
Invested in Capital Assets	192,311,668	188,007,774
Unrestricted Net Assets	29,435,567	20,938,344
	<hr/>	<hr/>
Total Net Assets	\$ 221,747,235	\$ 208,946,118
	<hr/>	<hr/>

See accompanying notes to the Financial Statements.

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009

	2010	2009
<u>Operating Revenue</u>		
Pace-owned service revenue	\$ 26,162,982	\$ 25,988,557
CMAQ/JARC Services	10,209	395,654
Fixed route carrier revenue	4,066,649	4,656,466
Paratransit revenue	17,979,188	16,143,772
Vanpool revenue	3,578,691	3,845,452
Reduced fare reimbursement	2,415,786	2,350,689
Advertising revenue	3,930,876	2,630,182
Miscellaneous	3,864,154	2,948,948
Total Operating Revenue	<u>62,008,535</u>	<u>58,959,720</u>
<u>Operating expenses:</u>		
Pace-owned service expenses	73,273,066	70,197,738
CMAQ/JARC expenses	198,665	1,890,135
Contract Payments:		
Fixed route carriers	11,639,829	13,262,046
Paratransit carriers	121,511,022	119,465,945
Vanpool expenses	3,655,554	3,374,719
Centralized operations	55,886,171	54,317,776
Administrative expenses	25,125,710	26,601,926
Depreciation	41,712,329	37,446,875
Total Operating Expenses	<u>333,002,346</u>	<u>326,557,160</u>
Operating Income (Loss)	<u>(270,993,811)</u>	<u>(267,597,440)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Retailers' occupation and use tax from RTA (85% Formula)	73,053,667	70,438,841
RTA Sales Tax/PTF (PA 95-0708)	29,784,991	28,965,867
Regional ADA Paratransit Fund	94,796,109	91,010,358
RTA Discretionary Funding	-	4,366,739
Suburban Community Mobility Fund (SCMF)	18,959,222	18,202,072
South Cook County Job Access Fund	7,500,000	7,500,000
ADA State Funding	8,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	1,431,706	4,136,823
Federal Operating Grants	5,037,856	12,341,970
Capital Grants Reimbursements	44,641,565	36,411,542
Interest on Investments	111,382	214,343
Interest Expense	(21,570)	(58,461)
Interest Revenue from Leasing Transaction	5,780,382	5,432,224
Interest Expense on Leasing Transaction	(5,780,382)	(5,432,224)
Total Non-Operating Revenue (Expenses)	<u>283,794,928</u>	<u>273,530,094</u>
Net Change in Net Assets	12,801,117	5,932,654
Beginning Net Assets	208,946,118	203,013,464
Ending Net Assets	<u>\$ 221,747,235</u>	<u>\$ 208,946,118</u>

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, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009

Increase (Decrease) in cash and temporary investments	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from fares	\$ 62,300,533	\$ 49,433,086
Cash received from other operating items	6,524,984	4,239,887
Cash payments to and on behalf of employees for services	(108,135,192)	(102,370,859)
Cash payment to contractual service providers and suppliers	<u>(182,149,551)</u>	<u>(185,636,233)</u>
Net cash used for operating activities	<u>(221,459,226)</u>	<u>(234,334,119)</u>
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	72,519,334	62,217,760
Cash received from RTA Sales Tax/PTF (New)	29,784,991	28,965,866
Cash received from Suburban Community Funding	19,367,294	18,202,072
Cash received from South Cook Job Access	6,601,986	7,500,000
Cash received from Innovation Coordination and Enhancement	1,431,706	4,136,823.00
Payment of interest	(58,461)	(150,891)
ADA Regional Paratransit Funding from RTA	106,076,189	101,215,899
Cash received from Federal Funding	5,037,855	12,341,970
Net cash payments on loan from RTA	(3,941,539)	2,150,891
Cash Advance on Sales Tax	<u>62,783</u>	<u>1,446,376</u>
Net cash provided by non-capital financing activities	<u>236,882,138</u>	<u>238,026,766</u>
Cash flows from capital and related financing activities:		
Capital contributed from capital grants	45,004,208	37,158,213
Acquisition and construction of capital assets	<u>(46,223,586)</u>	<u>(40,254,354)</u>
Net cash used for capital and related financing activities	<u>(1,219,378)</u>	<u>(3,096,141)</u>
Cash flows from investing activities:		
Cash received from interest on short-term investments	<u>111,382</u>	<u>214,343</u>
Net cash provided by investing activities	<u>111,382</u>	<u>214,343</u>
Net increase in cash and short-term investments	14,314,916	810,849
Cash and short-term investments at beginning of year	<u>32,549,474</u>	<u>31,738,625</u>
Cash and short-term investments at end of year	<u>\$ 46,864,390</u>	<u>\$ 32,549,474</u>

See the 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, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	\$ (270,993,811)	\$ (267,597,440)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	41,712,329	37,446,875
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	6,845,149	(5,299,984)
(Increase) decrease in inventory	1,027,394	(76,242)
(Increase) decrease in prepaid expenses	78,983	75,937
(Increase) decrease in other assets	27,152	23,329
Increase (decrease) in accounts payable	(437,590)	(129,098)
Increase (decrease) in accrued payroll	347,641	(234,183)
Increase (decrease) in self insurance liability	1,385,408	2,674,690
Increase (decrease) in other liabilities	(1,451,881)	(1,218,003)
Total adjustments	<u>49,534,585</u>	<u>33,263,321</u>
Net cash used for operating activities	<u>\$ (221,459,226)</u>	<u>\$ (234,334,119)</u>

See the accompanying notes to the Financial Statements.

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**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 will become 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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

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

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

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles

In June 2007, GASB released Statement No. 51 “Accounting and Financial Reporting for Intangible Assets”. This statement is effective for periods beginning after June 15, 2009. Pace implemented this standard for year ended December 31, 2010. This standard provides guidance on establishing accounting and financial reporting requirements for intangible assets to provide consistency in how these assets are recognized and measured within state and local governments. The statement includes guidance on recognition and amortization of intangible assets. A capitalization threshold of \$100,000 has been established for intangible assets. For governments that are classified as a Phase 1 or 2 government for purposes of implementing GASB Statement No. 34, retroactive reporting for intangible assets will be required. Pace is considered a Phase 1 government for purposes of GASB Statement No. 34, however, the standard states that retroactive reporting is not required for intangible assets that are considered development costs for internally generated software. Pace has chosen not to retroactively report development costs for internally generated software. There were no other intangible assets that met the threshold; therefore no intangible assets were recorded in 2010.

In November 2007, GASB issued Statement No. 52 “Land and Other Real Estate Held as Investments by Endowments” and in June 2008 issued Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments”. Both statements are effective for periods beginning after June 15, 2009. The implementation of these two statements did not have a material impact on Pace.

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

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

In June 2010, GASB issued Statement No. 59, “Financial Instruments Omnibus”. This statement is effective for accounting period beginning after June 15, 2010. This statement’s objective is to improve existing standards regarding financial reporting and disclosure requirements for certain financial instruments and external investment pools. The statement provides for amendments to a number of accounting statements and pronouncements. This statement will be reviewed to determine if any changes need to be made the disclosures that correspond to the statements outlined in the pronouncement and if applicable, the pronouncement will be implemented for fiscal year ending December 31, 2011.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

c. Basis of Accounting (Continued)

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 and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Net Assets is segregated into Invested in Capital Assets and Unrestricted. Revenues and expenses of the proprietary fund types are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

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

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

Pace has chosen the option to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements to the proprietary fund activities.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

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 16. Statement 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.

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 31 and 32 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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

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 \$300 or more, (c) costs incurred to extend an asset's useful life as part of a fleet enhancement or major rebuild/rehabilitation program, or (d) an item determined to be highly susceptible to theft. Most of the assets have been acquired through capital grant projects funded by FTA, IDOT and the RTA. Costs funded by capital grants are recorded as capital items and are included in capital assets. Lease agreements generally require transportation agencies to use property and equipment only for public transportation and to maintain them. The asset costs include indirect costs based upon a rate approved by FTA.

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

The estimated useful lives are as follows:

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

Pace records intangible assets that meet the cost threshold of \$100,000 or greater. The amortization period for intangible assets ranges from 5 years to 20 years and is computed on a straight-line basis. Pace has elected not to retroactively record development costs related to internally generated software that were incurred prior to January 1, 2010. There were no other costs that met the capitalization threshold, therefore, there were no intangible assets recorded in 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 \$3,325,807 at December 31, 2010 and \$1,818,242 at December 31, 2009. The balance at December 31, 2010 represents 11 vans totaling \$384,789, 6 community vans totaling \$405,528, and 52 transit buses totaling \$2,535,490. In 2010, Pace had contracts in place with Eldorado National for a value not to exceed \$11,384,141 to purchase fixed route buses, with Donlen Corp. for \$3,495,945 to purchase vans, with Central States Bus Sales for \$1,689,700 to purchase Community vans, and with Midwest Transit for \$2,818,444 to purchase paratransit buses.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

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 \$1,374,656 and \$774,569 for capital projects from its positive budget variance account, in 2010 and 2009, respectively.

n. Centralized Operations

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

o. Deposits and Investments

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

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

p. Comparative Data

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

q. Reclassifications

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

3. DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was \$32,548,413 at December 31, 2010, while the bank balances were \$34,757,127. At December 31, 2010, Pace's petty cash fund totaled \$5,876. 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 \$490,000 at December 31, 2010. 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, 2010.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>Quality Rating</u>
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-5</u>	
State Investment Pool	<u>\$13,820,101</u>	<u>\$13,820,101</u>	<u>\$ -</u>	<u>\$ -</u>	AAA
Total	<u>\$13,820,101</u>	<u>\$13,820,101</u>	<u>\$ -</u>	<u>\$ -</u>	

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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

3. DEPOSITS AND INVESTMENTS (Continued)

b. 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, 2010, all Pace's investments are in the State Investment Pool which represents roughly 31% of Pace's total cash and investments.

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.

	<u>2010</u>	<u>2009</u>
Amounts due from RTA:		
Sales tax and public funding	\$34,996,915	\$33,972,432
Operating and capital grants	358,922	392,837
Reduced fare reimbursement	2,544,725	1,704,135
Regional ADA funding	6,559,989	8,937,865
Other	<u>196,804</u>	<u>169,760</u>
	<u>\$44,657,355</u>	<u>\$45,177,029</u>

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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, 2010 are structured as follows:

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

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

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

	<u>Specific Stop Loss</u>		<u>Aggregate Stop Loss</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Corporate and all Divisions	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$4,744,925</u>	<u>\$4,704,517</u>

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5. RISK MANAGEMENT (Continued)

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

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

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

General liability, automobile liability, and workers' compensation claim liabilities for incurred losses to be settled by a lump-sum payment or other agreement, represent their present value using an expected future investment yield of 5 percent per year. Reserves for employee health and welfare coverage are established based on historical claim experience. The ultimate liability for general liability, automobile liability, workers' compensation, and the employee health and welfare plan is approximately \$32,040,810 and \$30,655,401 as of December 31, 2010 and 2009, respectively. Cash is reserved for general liability, automobile liability, and workers' compensation at a present value of \$26,571,529 and \$25,406,464 for this liability at December 31, 2010 and 2009, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 30,655,401	\$ 27,980,711
Current year claims and changes in estimates	25,709,577	26,001,085
Claim payments	<u>(24,324,168)</u>	<u>(23,326,395)</u>
	<u>\$ 32,040,810</u>	<u>\$ 30,655,401</u>

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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 2.92% rate which represents an average of the 2010 through 2007 interest rates. The rate will be calculated each year based on the effective interest rate earned by the assets of the Joint Self Insurance Fund.

2009	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
Loan from LFP	\$3,108,476	\$ -	\$ 941,539	\$ 2,166,937	\$ 21,570	\$ 978,430

Long Term Debt Schedule:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	21,570	978,430	1,000,000
2012	37,672	962,328	1,000,000
2013	<u>9,765</u>	<u>226,179</u>	<u>235,944</u>
Total	<u>\$69,007</u>	<u>\$2,166,937</u>	<u>\$2,235,944</u>

In 2009, the RTA provided Pace with an advance of \$3 million for ADA working cash purposes. The advance was paid back in 2010 using capital cost of contracting funds requested from the FTA.

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), with a book value of \$14.2 million at December 31, 2010. 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 \$67.9 million and is reflected in the accompanying December 31, 2010 statement of net assets as the total of the current and long term portions of the Capital Lease Obligation.

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7. LEASING TRANSACTIONS (Continued)

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4), with a book value of \$ 9.8 million at December 31, 2010. 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 \$27.6 million and is reflected in the accompanying December 31, 2010 statement of net assets as the total of the current and long term portions of the Capital Lease Obligation.

2009	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	\$ 64,635,598	\$ 4,026,546	\$ 738,777	\$ 67,923,367	\$ 4,026,546	\$ -
2003 (Buses)	\$ 26,535,850	\$ 1,753,836	\$ 699,761	\$ 27,589,925	\$ 1,753,836	\$ -
Total	\$ 91,171,448	\$ 5,780,382	\$ 1,438,538	\$ 95,513,292	\$ 5,780,382	\$ -

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

	<u>Capital Leases</u>
2011	\$ -
2012	-
2013	-
2014	-
2015 – 2016	<u>124,399,915</u>
Total minimum lease payments	<u>124,399,915</u>
Less interest	<u>28,886,623</u>
Present value of minimum lease payments	<u>\$ 95,513,292</u>
A reconciliation of the Statement of Net Assets to amount presented above:	
Capital Lease Obligation, less current portion	\$ 95,513,292
Capital Lease Obligation, current portion	-
Total	<u>\$ 95,513,292</u>

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8. OTHER LONG-TERM LIABILITIES

Pace receives a one month advance from the Illinois Department of Revenue to compensate for the delay in the processing of sales tax payments. The advance is forwarded to the Regional Transportation Authority and is then allocated among the three Service Boards. Pace reported a liability of \$8,529,377 and \$8,466,595, respectively, for this advance for the year ended December 31, 2010 and December 31, 2009.

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.

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10. NET ASSETS

a. Designated Net Assets

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

	For the Year Ended December 31	
	2010	2009
Unrestricted Net Assets	\$ 34,572,528	\$ 26,075,305
Less: Management Designated Net Assets	6,546,840	3,285,803
Undesignated Unrestricted Net Assets	\$ 28,025,688	\$ 22,789,502

b. Working Cash

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

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

	For the Year Ended December 31	
	2010	2009
Net Assets	\$ 34,572,528	\$ 26,075,305
Less: Earnings Retained for Working Cash Purposes	(14,613,022)	(14,271,120)
Less: Management Designated Net Assets	(6,546,840)	(3,285,803)
Available Unrestricted Net Assets	\$ 13,412,666	\$ 8,518,382

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11. RETIREMENT PLANS

DEFINED BENEFIT PLANS

a. RTA Plan

(1) Plan Description

The Regional Transportation Authority Pension Plan is a cost-sharing multiple employer noncontributory 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 \$4,038,000 in 2010. 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
2010	\$4,038,000	100%	\$0
2009	3,466,041	100%	0
2008	3,322,884	100%	0

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11. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

a. RTA Plan (Continued)

(4) Funded Status and Funded Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability was \$166,663,123 and the actuarial value of assets was \$118,805,281 resulting in an unfunded actuarial accrued liability (UAAL) of \$47,857,842. The 2010 covered payroll (annual payroll of active employees covered by the plan) was \$68,389,409 and the ratio of the UAAL to the covered payroll was 69.98%.

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

(5) Actuarial Assumptions

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

Valuation date	1/1/10
Actuarial cost method	Projected unit credit
Amortization method	Straight-line
Remaining amortization period	30
Amortization method	Open Basis
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	Age-Based
Inflation rate	2.5%

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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	\$ 876,464
Interest on net pension obligation	39,703
Adjustment to the annual required contribution	<u>(76,253)</u>
Annual pension cost	839,914
Employer contributions	<u>(421,118)</u>
Increase in the net pension obligation	418,796
Net pension obligation at 12/31/08	<u>927,120</u>
Net pension obligation at 12/31/09	<u>\$ 1,345,916</u>

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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
2009	\$839,914	50.1%	\$1,345,916
2008	371,753	112.7%	927,120
2007	419,937	82.4%	974,355

(4) Funded Status and Funded Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability was \$24,327,270 and the actuarial value of assets was \$15,391,195 resulting in an unfunded actuarial accrued liability (UAAL) of \$8,936,075. The 2010 covered payroll (annual payroll of active employees covered by the plan) was \$12,187,546 and the ratio of the UAAL to the covered payroll was 73.32%. In 2010, Pace, as the employer, accrued contributions of \$181,360 for 2009 and \$235,190 for 2010 per the requirements of Illinois Statute 40 ILCS 5/22-103.

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

(5) Actuarial Assumptions

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

Valuation date	1/1/10
Actuarial cost method	Entry age normal
Amortization method	Straight-line
Remaining amortization period	30
Amortization method	Open Basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%
Inflation rate	3.5%

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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	\$ 103,686
Interest on net pension obligation	(9,427)
Adjustment to the annual required contribution	<u>18,481</u>
Annual pension cost	112,740
Actual contributions	<u>(125,955)</u>
Decrease in the net pension obligation	(13,215)
Net pension obligation at 12/31/08	<u>(234,633)</u>
Net pension obligation at 12/31/09	<u><u>\$ (247,848)</u></u>

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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 <u>Ending</u>	Annual Pension Cost (APC)	Percentage Contributed APC Contributed	Net Pension Obligation
12/31/2009	\$112,740	111.72%	\$(247,848)
12/31/2008	51,799	231.79%	(234,633)
12/31/2007	84,429	133.44%	(166,365)

(4) Funded Status and Funded Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability was \$3,213,280 and the actuarial value of assets was \$2,683,394 resulting in an unfunded actuarial accrued liability (UAAL) of \$529,886. The 2010 covered payroll (annual payroll of active employees covered by the plan) was \$3,064,019 and the ratio of the UAAL to the covered payroll was 17.29%.

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

(5) Actuarial Assumptions

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

Valuation date	1/1/10
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%
Inflation rate	3.5%

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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.

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11. RETIREMENT PLANS (Continued)

DEFINED CONTRIBUTION PLANS (Continued)

b. Summary of Significant Accounting Policies (Continued)

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

<u>Plan Name</u>	<u>Type of Plan</u>	<u>Number of Covered Employees</u>	<u>Employer Contribution Requirement</u>	<u>Employee Contribution Requirement</u>	<u>Employer Contribution Amount</u>	<u>Employee Contribution Amount</u>
Pace Fox Valley Division	401k	57	4% of Compensation*	None	\$85,230	\$62,995
	Defined					
Pace Fox Valley Division	Contribution	4	4% of Compensation	4% of Compensation	\$6,782	\$6,782
Pace Heritage Division	401k	39	4% of Compensation	4% of Compensation	\$61,061	\$101,939
Pace North Shore Division	401k	48	4% of Compensation	None	\$79,937	\$109,623
Pace Northwest Division	401k	206	4% of Compensation	4% of Compensation	\$383,061	\$581,528
Pace River Division	401k	53	4% of Compensation**	None	\$86,206	\$100,158
	Defined					
Pace River Division	Contribution	10	4% of Compensation	4% of Compensation	\$18,441	\$18,441
Pace South Division	401k	217	4% of Compensation	4% of Compensation	\$366,973	\$462,261
Pace Southwest Division	401k	111	4% of Compensation	4% of Compensation	\$174,343	\$199,432

For 2010, the maximum employee pre-tax 401(k) contribution was \$16,500. For 2010, 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 2010, Pace contributed \$46,139 and the participants contributed \$1,177,041 which includes \$56,590 contributed to the Roth 401(K).

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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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

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	\$ 969,956
Interest on net OPEB obligation	47,286
Adjustment to annual required contribution	<u>(45,173)</u>
Annual OPEB cost	972,069
Contributions made	<u>(286,435)</u>
Increase in net OPEB obligation	685,634
Net OPEB obligation - beginning of year	<u>1,568,755</u>
Net OPEB obligation - end of year	<u>\$2,254,389</u>

The West Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 through 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$972,069	43.1%	\$2,254,389
12/31/2009	972,069	60.2%	1,568,755
12/31/2008	1,055,386	44.1%	1,182,148

(4) Funded Status and Funded Progress

As of December 31, 2008, the most recent actuarial valuation date, the actuarial accrued liability was \$13,695,661 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$13,695,661. The 2010 covered payroll (annual payroll of active employees covered by the plan) was \$12,187,546 and the ratio of the UAAL to the covered payroll was 112.4%.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)**

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

(4) Funded Status and Funded Progress (Continued)

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

(5) Actuarial Methods and Assumptions

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

In the December 31, 2008 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	8.88%
Retirees Over Age 65	9.30%
Spouse Under Age 65	9.18%
Spouse Over Age 65	11.14%

Mortality – Life expectancies were based on RP-2000 Combined Healthy Mortality Table for Males and Females and were projected to 2009 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.

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)

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.

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(CONTINUED)

13. CHANGES IN CAPITAL ASSETS

<u>Type</u>	<u>12/31/2009</u> <u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>12/31/2010</u> <u>Balance</u>
Capital Assets not Being Depreciated					
Land	\$ 16,008,243	\$ 2,301	\$ -	\$ -	\$ 16,010,544
Capital Projects in Progress	<u>1,818,242</u>	<u>3,325,807</u>	<u>(1,818,242)</u>	<u>-</u>	<u>3,325,807</u>
Total Capital Assets not Being Depreciated	<u>17,826,485</u>	<u>3,328,108</u>	<u>(1,818,242)</u>	<u>-</u>	<u>19,336,351</u>
Capital Assets Being Depreciated					
Equipment	305,796,301	42,306,896	363,612	(33,146,977)	315,319,832
Buildings and Improvements	<u>156,867,064</u>	<u>381,219</u>	<u>1,454,630</u>	<u>(3,342,327)</u>	<u>155,360,586</u>
Total Capital Assets Being Depreciated	462,663,365	42,688,115	1,818,242	(36,489,304)	470,680,418
Total Capital Assets	<u>480,489,850</u>	<u>46,016,223</u>	<u>-</u>	<u>(36,489,304)</u>	<u>490,016,769</u>
Accumulated Depreciation					
Equipment	(197,518,416)	(41,712,329)	-	33,146,977	(206,083,768)
Buildings and Improvements	<u>(94,963,660)</u>	<u>-</u>	<u>-</u>	<u>3,342,327</u>	<u>(91,621,333)</u>
Total Accumulated Depreciation	<u>(292,482,076)</u>	<u>(41,712,329)</u>	<u>-</u>	<u>36,489,304</u>	<u>(297,705,101)</u>
Net Capital Assets	<u>\$ 188,007,774</u>	<u>\$ 4,303,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,311,668</u>

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**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2010**

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)
<u>Regional Transportation Authority Pension Plan</u>						
01/10/10	\$ 118,805,281	\$ 166,663,123	\$ 47,857,842	71.28%	\$ 68,389,409	69.98%
01/01/09	106,021,198	153,284,576	47,263,378	69.17%	66,010,613	71.60%
01/01/08	114,031,540	146,417,404	32,385,864	77.88%	61,364,198	52.78%
01/01/07	102,523,735	133,905,851	31,382,116	76.56%	61,357,214	51.15%
01/01/06	94,697,937	124,521,129	29,823,192	76.05%	58,883,678	50.65%
01/01/05	90,334,371	105,976,209	15,641,838	85.24%	56,417,461	27.73%
<u>Pace West Division Pension Plan</u>						
01/01/10	\$ 15,391,195	\$ 24,327,270	\$ 8,936,075	63.27%	\$ 12,187,546	73.32%
01/01/09	14,646,163	23,227,827	8,581,664	63.05%	11,349,851	75.61%
01/01/08	18,138,936	22,085,776	3,946,840	82.13%	9,701,566	40.68%
01/01/07	17,349,364	20,763,172	3,413,808	83.56%	9,848,381	34.66%
01/01/06	16,446,172	19,475,477	3,029,305	84.45%	9,899,891	30.60%
01/01/05	15,720,950	18,370,532	2,649,582	85.58%	9,605,260	27.58%
<u>Pace North Division Pension Plan</u>						
01/01/10	\$ 2,683,394	\$ 3,213,280	\$ 529,886	83.51%	\$ 3,064,019	17.29%
01/01/09	2,064,461	2,912,728	848,267	70.88%	3,126,297	27.13%
01/01/08	2,288,183	2,680,717	392,534	85.36%	2,988,024	13.14%
01/01/07	1,904,645	2,445,660	541,015	77.88%	2,817,416	19.20%
01/01/06	1,702,399	2,236,991	534,592	76.10%	2,603,345	20.53%
01/01/05	1,547,060	2,046,266	499,206	75.60%	2,235,755	22.33%
<u>Pace West Division Health Plan</u>						
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 TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS BY FUND
DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009

ASSETS	Suburban Services Fund <u>2010</u>	Regional ADA Paratransit Services Fund <u>2010</u>	Total <u>2010</u>	Total <u>2009</u>
<u>Current Assets:</u>				
Cash and Investments				
Unrestricted	\$ 16,631,812	\$ 3,661,049	\$ 20,292,861	\$ 7,143,010
Restricted-Claims	26,571,529	-	26,571,529	25,406,464
Total Cash and Investments	<u>43,203,341</u>	<u>3,661,049</u>	<u>46,864,390</u>	<u>32,549,474</u>
Accounts Receivable:				
Regional Transportation Authority	38,558,346	6,099,009	44,657,355	45,177,029
Interfund Receivable	4,717,025	-	4,717,025	6,558,666
Capital Grant Projects-FTA & IDOT	181,097	-	181,097	544,076
Other	8,499,901	81,833	8,581,734	16,696,930
Total Accounts Receivable	<u>51,956,369</u>	<u>6,180,842</u>	<u>58,137,211</u>	<u>68,976,701</u>
<u>Other Current Assets</u>				
Prepaid Expenses	1,169,758	161,645	1,331,403	1,437,538
Inventory-Spare Parts	4,857,697	-	4,857,697	5,885,091
Assets Restricted for Repayment of Leasing Commitment - Curren	-	-	-	1,438,538
Total Other Current Assets	<u>6,027,455</u>	<u>161,645</u>	<u>6,189,100</u>	<u>8,761,167</u>
Total Current Assets	<u>101,187,165</u>	<u>10,003,536</u>	<u>111,190,701</u>	<u>110,287,342</u>
<u>Noncurrent Assets</u>				
Capital Assets not Being Depreciated				
Land	16,010,544	-	16,010,544	16,008,243
Capital Projects in Progress	3,325,807	-	3,325,807	1,818,242
Total Capital Assets not Being Depreciated	<u>19,336,351</u>	<u>-</u>	<u>19,336,351</u>	<u>17,826,485</u>
Capital Assets Being Depreciated, Net				
Equipment	294,483,924	20,835,908	315,319,832	305,796,301
Building and Improvements	155,360,586	-	155,360,586	156,867,064
Less Accumulated Depreciation	(284,096,554)	(13,608,547)	(297,705,101)	(292,482,076)
Total Capital Assets Being Depreciated, Net	<u>165,747,956</u>	<u>7,227,361</u>	<u>172,975,317</u>	<u>170,181,289</u>
Assets restricted for repayment of leasing commitments - Noncurren	95,513,292	-	95,513,292	89,732,910
Total Noncurrent Assets	<u>280,597,599</u>	<u>7,227,361</u>	<u>287,824,960</u>	<u>277,740,684</u>
Total Assets	<u>\$ 381,784,764</u>	<u>\$ 17,230,897</u>	<u>\$ 399,015,661</u>	<u>\$ 388,028,026</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS BY FUND
DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009

LIABILITIES	Suburban Services Fund <u>2010</u>	Regional ADA Paratransit Services Fund <u>2010</u>	Total <u>2010</u>	Total <u>2009</u>
<u>Current Liabilities:</u>				
Accounts Payable:				
Operating	\$ 143,536	\$ 50,159	\$ 193,695	\$ 631,284
Capital	2,295,974	-	2,295,974	2,041,239
Accrued Payroll Expenses	6,182,866	91,203	6,274,069	5,926,429
Other Accrued Expenses	9,640,055	9,729,413	19,369,468	22,398,210
Deferred Revenue	618,057	370,219	988,276	1,052,514
Interfund Payable	-	4,717,025	4,717,025	6,558,666
Interest Payable	21,570	-	21,570	58,461
Due To Regional Transportation Authority	978,430	-	978,430	3,941,539
Current Portion of Insurance Reserves	17,055,816	177,201	17,233,017	19,768,379
Current Portion of Capital Lease obligation	-	-	-	1,438,538
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	36,936,304	15,135,220	52,071,524	63,815,259
<u>Other Liabilities:</u>				
Insurance Reserve, Non-Current Portion	14,807,793	-	14,807,793	10,887,022
Net Pension Obligation	1,098,068	-	1,098,068	692,487
Net Other Post Employment Benefits (OPEB) Obligation	2,254,389	-	2,254,389	1,568,755
Advance From State	8,529,377	-	8,529,377	8,466,595
Due to Regional Transportation Authority	1,188,507	-	1,188,507	2,166,937
Capital Lease Obligation, Less Current Portion	95,513,292	-	95,513,292	89,732,910
Other Liabilities	1,800,199	5,277	1,805,476	1,751,943
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Total Other Liabilities	125,191,625	5,277	125,196,902	115,266,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	162,127,929	15,140,497	177,268,426	179,081,908
<u>NET ASSETS</u>				
Invested in Capital Assets	185,084,306	7,227,361	192,311,667	188,007,774
Unrestricted Net Assets	34,572,529	(5,136,961)	29,435,568	20,938,344
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Total Net Assets	\$ 219,656,835	\$ 2,090,400	\$ 221,747,235	\$ 208,946,118
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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS BY FUND FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009

	Suburban Services Fund <u>2010</u>	Regional ADA Paratransit Services Fund <u>2010</u>	Total <u>2010</u>	Total <u>2009</u>
<u>Operating Revenue</u>				
Pace-owned service revenue	\$ 26,162,982	\$ -	\$ 26,162,982	\$ 25,988,557
CMAQ/JARC Services	10,209	-	10,209	395,654
Fixed route carrier revenue	4,066,649	-	4,066,649	4,656,466
Paratransit revenue	9,481,572	8,497,616	17,979,188	16,143,772
Vanpool revenue	3,578,691	-	3,578,691	3,845,452
Reduced fare reimbursement	2,415,786	-	2,415,786	2,350,689
Advertising revenue	3,930,876	-	3,930,876	2,630,182
Miscellaneous	1,820,508	2,043,646	3,864,154	2,948,948
Total Operating Revenue	<u>51,467,273</u>	<u>10,541,262</u>	<u>62,008,535</u>	<u>58,959,720</u>
<u>Operating expenses:</u>				
Pace-owned service expenses	73,273,066	-	73,273,066	70,197,738
CMAQ/JARC expenses	198,665	-	198,665	1,890,135
Contract Payments:				
Fixed route carriers	11,639,829	-	11,639,829	13,262,046
Paratransit carriers	17,336,884	104,174,138	121,511,022	119,465,945
Vanpool expenses	3,655,554	-	3,655,554	3,374,719
Centralized operations	53,428,381	2,457,790	55,886,171	54,317,776
Administrative expenses	19,627,870	5,497,840	25,125,710	26,601,926
Depreciation	38,401,751	3,310,578	41,712,329	37,446,875
Indirect overhead allocation	(2,932,609)	2,932,609	-	-
Total Operating Expenses	<u>214,629,391</u>	<u>118,372,955</u>	<u>333,002,346</u>	<u>326,557,160</u>
Operating Income (Loss)	<u>(163,162,118)</u>	<u>(107,831,693)</u>	<u>(270,993,811)</u>	<u>(267,597,440)</u>
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	73,053,667	-	73,053,667	70,438,841
RTA Sales Tax/PTF (PA 95-0708)	29,784,991	-	29,784,991	28,965,867
Regional ADA Paratransit Fund	-	94,796,109	94,796,109	91,010,358
RTA Discretionary Funding	-	-	-	4,366,739
ADA State Funding	-	8,500,000	8,500,000	-
Suburban Community Mobility Fund (SCMF)	18,959,222	-	18,959,222	18,202,072
South Cook Job Access Fund	7,500,000	-	7,500,000	7,500,000
Innovation Coordination and Enhancement Fund (ICE)	206,701	1,225,005	1,431,706	4,136,823
Federal Operating Grants	5,037,856	-	5,037,856	12,341,970
Capital Grants Reimbursements	44,641,565	-	44,641,565	36,411,542
Interfund Asset Allocation	113,434	(113,434)	-	-
Interest on Investments	111,382	-	111,382	214,343
Interest Expense	(21,570)	-	(21,570)	(58,461)
Interest Revenue from Leasing Transaction	5,780,382	-	5,780,382	5,432,224
Interest Expense on Leasing Transaction	(5,780,382)	-	(5,780,382)	(5,432,224)
Total Non-Operating Revenue (Expenses)	<u>179,387,248</u>	<u>104,407,680</u>	<u>283,794,928</u>	<u>273,530,094</u>
Net Change in Net Assets	16,225,130	(3,424,013)	12,801,117	5,932,654
Beginning Net Assets	203,431,705	5,514,413	208,946,118	203,013,464
Ending Net Assets	<u>\$ 219,656,835</u>	<u>\$ 2,090,400</u>	<u>\$ 221,747,235</u>	<u>\$ 208,946,118</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUE	
Pace-Owned Service Revenue	\$ 26,162,982
CMAQ/JARC Passenger Revenue	10,209
Fixed Route Carrier Revenue	4,066,649
Paratransit Revenue	9,481,572
Van Pool Revenue	3,578,691
Reduced Fare Reimbursement	2,415,786
Advertising Revenue	3,930,876
Interest on Investments	111,382
Miscellaneous	1,820,508
* Senior's Ride Free	2,673,267
** Not-For-Profit Service Providers Revenue	6,250,000
*** Capital Cost of Contracting	2,300,000
**** Reduced Fare Credit	2,865,193
Total System Generated Revenue	\$ 65,667,115
OPERATING EXPENSES	
Pace-Owned Service Expenses	\$ 73,273,066
CMAQ/JARC Expenses	198,665
Contract Payments:	
Fixed Route Carriers	11,639,829
Paratransit Carriers	17,336,884
Van Pool Expenses	3,655,554
Centralized Operations	53,428,381
Administrative Expenses	19,627,871
Indirect Overhead Allocation	(2,932,609)
Interest Expense	21,570
** Not-For-Profit Service Providers Expense	6,250,000
Total Operating Expenses	\$ 182,499,211
FAREBOX RECOVERY RATIO	36.0%

* In 2008, legislature was passed that mandated free rides on public transportation for senior citizens. Due to revenue lost from these rides, the RTA has allowed Pace to reflect the uncollected fares in its Recovery Ratio Calculation.

** Pace has a relationship with entities involved in the Advantage Program in which Pace leases a vehicle to that entity in order to provide public transportation. Consistent with the opinion of the RTA, revenues and expenses incurred by such entities can be included in computing the percentage of costs covered by revenues ("recovery ratio"). For 2010, Pace has included \$6,250,000 of revenues and expenses incurred by these entities in providing public

*** Based on an opinion from the RTA, Capital Cost of Contracting funding represents revenue in the computation of the recovery ratio. In 2010, \$2,300,000 of Capital Cost of Contracting funding is included the recovery ratio calculation.

**** In 2010, Pace billed the RTA for \$5,280,979 for our Reduced Fare reimbursement. Due to State funding shortfalls the RTA was only able to provide Pace with \$2,415,786. The difference resulted in a \$2,865,193 shortfall which has been reflected in the recovery ratio calculation.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUE	
ADA Services Revenue	\$ 8,497,616
Miscellaneous	2,043,646
Total System Generated Revenue	\$ 10,541,262
OPERATING EXPENSES	
ADA Services Expenses	\$ 104,174,138
Centralized Operations	2,457,790
Administrative Expenses	5,497,839
Indirect Overhead Allocation	2,932,609
* Capital Cost Of Contracting	(9,647,405)
Total Operating Expenses	\$ 105,414,971
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 Paratransit contractors for their capital expenses. In 2010, a credit of \$9,647,405 for Capital Cost of Contracting is reflected in expenses.

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, 2010

	Actual	Budget	Variance
<u>Operating Revenue</u>			
Pace-Owned Service Revenue	\$ 26,162,982	\$ 27,170,481	\$ (1,007,499)
CMAQ/JARC Passenger Revenue	10,209	-	10,209
Fixed Route Carrier Revenue	4,066,649	4,920,806	(854,157)
Paratransit Revenue	9,481,572	10,661,444	(1,179,872)
Vanpool Revenue	3,578,691	4,444,938	(866,247)
Reduced Fare Reimbursement	2,415,786	1,257,000	1,158,786
Advertising Revenue	3,930,876	2,450,000	1,480,876
Interest on Investments	111,382	219,000	(107,618)
Miscellaneous/Other Revenue	1,820,508	1,868,101	(47,593)
Total Operating Revenue	<u>51,578,655</u>	<u>52,991,770</u>	<u>(1,413,115)</u>
<u>Operating Expenses</u>			
Pace-Owned Service Expenses	73,273,066	72,681,035	(592,031)
CMAQ/JARC Expenses	198,665	154,962	(43,703)
Contract Payments:			
Fixed Route Carriers	11,639,829	13,220,777	1,580,948
Paratransit Carriers	17,336,884	19,030,011	1,693,127
Vanpool Expenses	3,655,554	4,237,034	581,480
Centralized Operations	53,428,381	55,215,901	1,787,520
Indirect Overhead Allocation	(2,932,609)	(3,872,843)	(940,234)
Interest Expense	21,570	-	(21,570)
Administrative Expenses	19,627,871	21,995,893	2,368,022
Total Operating Expenses	<u>176,249,211</u>	<u>182,662,770</u>	<u>6,413,559</u>
Operating Income (Loss)	<u>(124,670,556)</u>	<u>(129,671,000)</u>	<u>5,000,444</u>
<u>Non-Operating Revenue</u>			
Retailers' occupation and use tax from RTA (85% Formula)	73,053,667	69,883,000	3,170,667
RTA Sales Tax/PTF (PA 95-0708)	29,784,991	29,812,000	(27,009)
Suburban Community Mobility Fund (SCMF)	18,959,222	18,061,000	898,222
South Cook Job Access Fund	7,500,000	7,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	206,701	150,000	56,701
Federal Operating Grants - Suburban Services	5,037,855	4,265,000	772,855
Total Non-Operating Revenue	<u>134,542,436</u>	<u>129,671,000</u>	<u>4,871,436</u>
Increase (Decrease) in Net Assets	<u>\$ 9,871,880</u>	<u>\$ -</u>	<u>\$ 9,871,880</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(38,401,751)		
Capital Grants Non-Operating Revenue	44,641,565		
Interfund Asset Allocation	113,434		
Increase (Decrease) in Net Assets - GAAP Basis	<u>\$ 16,225,128</u>		

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, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Operating Revenue</u>			
ADA Service Revenue	\$ 8,497,616	\$ 9,094,641	\$ (597,025)
Miscellaneous/Other Revenue	2,043,646	660,977	1,382,669
Total Operating Revenue	<u>10,541,262</u>	<u>9,755,618</u>	<u>785,644</u>
<u>Operating Expenses</u>			
ADA Service Expenses	104,174,138	111,365,522	7,191,384
Centralized Operations	2,457,790	2,374,742	(83,048)
Indirect Overhead Allocation	2,932,609	3,872,843	940,234
Administrative Expenses	5,497,839	5,197,511	(300,328)
Total Operating Expenses	<u>115,062,376</u>	<u>122,810,618</u>	<u>7,748,242</u>
Operating Income (Loss)	<u>(104,521,114)</u>	<u>(113,055,000)</u>	<u>8,533,886</u>
<u>Non-Operating Revenue</u>			
Regional ADA Paratransit Funding from RTA	94,796,109	90,303,000	4,493,109
RTA Discretionary Funding	-	5,222,000	(5,222,000)
ADA State Funding	8,500,000	8,500,000	-
Innovation Coordination and Enhancement Funding	1,225,005	9,030,000	(7,804,995)
Total Non-Operating Revenue	<u>104,521,114</u>	<u>113,055,000</u>	<u>(8,533,886)</u>
Increase (Decrease) in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(3,310,578)		
Interfund Asset Allocation	(113,434)		
Increase (Decrease) in Net Assets - GAAP Basis	<u>\$ (3,424,012)</u>		

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, 2010

	<u>Direct</u> <u>Expense</u>	Total <u>Centralized</u> <u>Expense</u>	<u>PACE</u> <u>Funding</u>	Net <u>Passenger</u> <u>Revenue</u>	<u>Public</u> <u>Funding</u>
City of Highland Park	\$ 1,161,913	\$ 133,089	\$ 1,295,002	\$ 494,239	\$ 800,763
Village of Downers Grove	268,933	-	268,933	242,040	26,893
Village of Niles	1,456,920	133,910	1,590,830	608,008	982,822
Village of Schaumburg	348,216	1,839	350,055	294,956	55,099
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	<u>\$ 3,235,982</u>	<u>\$ 268,838</u>	<u>\$ 3,504,820</u>	<u>\$ 1,639,243</u>	<u>\$ 1,865,577</u>

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, 2010

<u>Regular Fixed Route</u>	<u>Operating Expenses</u>	<u>Passenger Revenue</u>	<u>Net Expenses</u>
Academy Coach Lines	\$ 1,928,497	\$ 513,059	\$ 1,415,438
First Student	3,799,269	1,574,548	2,224,721
First Transit	522,009	28,175	493,834
Keeshin - Coach USA	898,987	152,518	746,469
MV Transportation	<u>1,255,085</u>	<u>159,107</u>	<u>1,095,978</u>
TOTALS	<u>\$ 8,403,847</u>	<u>\$ 2,427,407</u>	<u>\$ 5,976,440</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF
PARATRANSIT MUNICIPAL - CARRIER EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>CARRIER</u>	<u>TOTAL REVENUE</u>	<u>TOTAL EXPENSE</u>	<u>OPERATING DEFICIT</u>	<u>PACE ASSISTANCE</u>	<u>NON-PACE ASSISTANCE</u>
Bensenville	\$ 14,323	\$ 260,966	\$ 246,643	\$ 37,929	\$ 208,714
Bloom	21,426	331,168	309,742	56,637	253,105
Crestwood	6,095	79,896	73,801	18,045	55,756
Ela	11,057	147,320	136,263	29,601	106,662
Forest Park	19,473	130,988	111,515	40,041	71,474
Fox Lake/Grant	1,725	5,344	3,619	2,346	1,273
Frankfort	21,788	135,326	113,538	30,891	82,647
Harvard	3,209	22,089	18,880	7,626	11,254
Lemont	5,270	70,954	65,684	15,555	50,129
Lyons	14,198	306,091	291,893	39,843	252,050
Norridge	11,570	87,326	75,756	31,017	44,739
Oak Park	41,901	366,442	324,541	96,000	228,541
Orland Park	26,860	253,971	227,111	39,807	187,304
Palatine	17,844	226,369	208,525	27,006	181,519
Palos Hills	9,052	76,545	67,493	17,529	49,964
Park Forest	23,401	121,512	98,111	59,616	38,495
Peotone	32,301	273,641	241,340	70,820	170,520
Rich Township	30,660	541,605	510,945	71,607	439,338
Schaumburg	85,953	1,066,318	980,365	215,733	764,632
Stickney	18,762	340,706	321,944	53,688	268,256
Tinley Park	9,185	73,107	63,922	25,620	38,302
Vernon Township	4,638	134,711	130,073	12,228	117,845
Worth	7,794	183,482	175,688	23,274	152,414
Total	<u>\$ 438,485</u>	<u>\$ 5,235,877</u>	<u>\$ 4,797,392</u>	<u>\$ 1,022,459</u>	<u>\$ 3,774,933</u>

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, 2010

<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Non - Pace Assistance</u>	<u>Net Contract Cost</u>
Addison	\$ 4,830	\$ 210	\$ 3,991	\$ 629
Barrington	79,108	410	40,265	38,433
Bloomington Township	394,771	27,086	95,836	271,849
Central Lake	113,442	7,367	29,338	76,737
Central Will	752,594	71,871	193,950	486,773
Community Service Transit	66,028	107,114	-	(41,086)
Downers Grove	113,147	19,985	24,417	68,745
DuPage County	47,986	5,618	-	42,368
DuPage Township	187,690	9,711	49,567	128,412
Elk Grove	326,604	24,687	241,333	60,584
Freemont Township	9,594	615	2,477	6,502
Hampshire Township	20,382	1,396	4,777	14,209
Hanover Township	29,051	586	18,308	10,157
Hometown	24,956	800	22,337	1,819
Joliet Call in and Ride	158,573	11,006	-	147,567
Northwest Suburban Cook	217,252	23,956	-	193,296
Lake - Call in and Ride	154,755	6,536	-	148,219
Leyden Township	177,751	17,526	133,030	27,195
Marengo	80,215	2,885	-	77,330
McHenry County	1,180,560	57,215	579,054	544,291
Milton Township	132,911	21,888	2,030	108,993
Naperville/Lisle	993,316	147,896	330,938	514,482
North Suburban Cook	76,540	996	-	75,544
Northeast Lake-Warren	408,264	19,939	21,053	367,272
Northeast Lake-Zion	41,806	2,062	10,224	29,520
Northwest Lake	329,472	22,227	-	307,245
Northwest Lake Demo	156,314	8,055	123,241	25,018
Pioneer Center	304,356	31,872	-	272,484
Ride DuPage	1,559,833	186,404	779,994	593,435
Ride In Kane	2,991,236	333,807	792,241	1,865,188
Ride McHenry	354,272	22,653	237,258	94,361
South Cook	286	40	-	246
Southwest Lake-Cuba	4,698	546	1,228	2,924
Southwest Lake-Wauconda	30,276	3,472	6,832	19,972
Southwest Will	19,423	627	5,209	13,587
Village of Bloomington	19,894	1,527	15,887	2,480
Village of Skokie/West Cook	208,830	-	191,722	17,108
Wayne Township	86,944	4,287	21,363	61,294
Woodstock	243,049	23,810	61,573	157,666
TOTAL	\$ 12,101,009	\$ 1,228,688	\$ 4,039,473	\$ 6,832,848

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, 2010

	ADA SERVICES		
<u>Project</u>	<u>Contract</u> <u>Expense</u>	<u>Passenger</u> <u>Revenue</u>	<u>Net Contract</u> <u>Cost</u>
South Cook	\$ 7,319,564	\$ 604,646	\$ 6,714,918
North Suburban Cook	6,273,892	588,284	5,685,608
West Cook (Suburban)	2,031,930	224,547	1,807,383
North Lake	1,116,497	224,470	892,027
Kane County	487,241	48,872	438,369
Southwest/Central Will	490,252	50,712	439,540
DuPage County	1,262,186	102,507	1,159,679
Chicago ADA	85,192,576	6,653,578	78,538,998
Total	<u>\$ 104,174,138</u>	<u>\$ 8,497,616</u>	<u>\$ 95,676,522</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED
FROM UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009

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

	<u>2010</u>	<u>2009</u>
Group I: Approved and Completed	\$ 1,554,674	\$ 1,247,141
Group II: Approved and in Progress		
Headquarters Facility	\$ 191,034	\$ 191,034
Bus Stop Signs/poles/Signals	6,987	7,000
Computer Equipment	50,000	50,000
Computer Equipment	133,216	133,216
Computer Equipment	325,000	305,000
Software for Insurance System	30,000	30,000
DuPage Co Paratr Computer Sys	200,000	200,000
Facilities Environmental Cleanup	475,762	475,762
Service Restructuring Study	180,013	200,000
Retrofit 50 Diesel Engines	1,137,020	1,137,020
Hastus Project	238,823	238,823
Maintenance/ Support Equipment	-	10,000
Related Capital Projects/Support Services	107,567	107,567
Office Equipment/Furniture	27,000	27,000
Associated Capital - Multiple Years	306,528	259,152
Purchase 5 Paratransit Buses	80,000	80,000
Purchase 6 Paratransit Buses	-	96,000
Purchase 4 Paratransit Buses	-	64,000
Purchase 2 - 30' Fixed Route Buses	-	140,000
Roof Repairs Evanston/Southwest Garages	-	152,008
Unanticipated Capital - Multiple Years	863,015	863,015
Totals Approved and in Progress	<u>4,351,965</u>	<u>4,766,597</u>
Group III: Approved But Not Yet Started		
Contingencies	2,766	2,766
Replace Northwest Division Garage - Land Acquisition	4,500,000	-
Unanticipated Capital - 2010	250,000	-
Improvements to Garages	294,035	294,035
Totals Approved But Not Yet Started	<u>5,046,801</u>	<u>296,801</u>
Total Commitments	10,953,440	6,310,539
Previously Recognized Expenditures	<u>(4,406,600)</u>	<u>(3,024,736)</u>
Net Commitments	<u>\$ 6,546,840</u>	<u>\$ 3,285,803</u>

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