

PACE
THE SUBURBAN BUS DIVISION OF
THE REGIONAL TRANSPORTATION AUTHORITY
SERVING NORTHEASTERN ILLINOIS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2015



2015 Comprehensive Annual Financial Report

Year Ended December 31, 2015



**Pace Suburban Bus Service
550 W. Algonquin Road
Arlington Heights, IL 60005**

Prepared by the Finance Department

**Visit the Pace website for more information
www.pacebus.com**

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The Suburban Bus Division
of the Regional Transportation Authority
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Thomas J. Ross
Executive Director

May 26, 2016

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

Dear Honorable Board Members:

The Comprehensive Annual Financial Report (“CAFR”) for Pace, the Suburban Bus Division of the Regional Transportation Authority (RTA), for fiscal year ended December 31, 2015 is hereby submitted.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Pace’s management. A comprehensive system of internal controls has been established by the management of Pace to ensure that the financial statements are fairly presented. Disclosures necessary to enable the reader to gain an understanding of Pace’s financial activities have been included.

Pace is required by the RTA Act to undergo an annual audit by independent certified public accountants. Crowe Horwath LLP performed the audit and issued an unmodified opinion on Pace’s financial statements. The independent auditor’s report is located at the front of the financial section of this report. Crowe Horwath LLP also conducted an audit of Pace’s major federal programs for the year ended December 31, 2015 based on the Single Audit Act of 1996 and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The CAFR is presented in four sections: Introductory, Financial, Statistical and Other Information. The Introductory Section includes this letter of transmittal, Pace’s organizational chart, and a list of principal officials. The Financial Section includes the independent auditor’s report, Management’s Discussion and Analysis (MD&A), the basic financial statements, the notes to the financial statements, required supplementary information and other supplementary information. The Statistical Section includes selected financial, economic and demographic information for comparative periods which is useful for depicting historical trends. The Other Information Section includes farebox recovery ratio schedules and schedules of contract carrier revenues and expenses.

The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

In 1974, the Illinois General Assembly adopted, and a six-county referendum approved, the establishment of the RTA. The RTA was to serve as a mechanism through which State funds and taxes authorized by the referendum would flow to the Chicago Transit Authority (“CTA”), the several railroads providing commuter rail services to Chicago, and to a host of public and private bus companies operating in the region outside the City of Chicago. The RTA was also authorized to contract directly for the provision of bus service to the suburban area outside the City of Chicago.

By 1983, mass transit in the northeastern Illinois six-county region consisting of Cook, DuPage, Will, Lake, Kane and McHenry counties was facing financial challenges. The Illinois General Assembly responded by amending the RTA Act to restructure both the funding and the structure of the RTA. The authority of the RTA to directly contract for bus service was eliminated. Instead, three service boards were created effective on July 1, 1984; one being the CTA, the second being the Northeast Illinois Railroad Corporation (“Metra”), and the third being the Suburban Bus Division of the RTA (“Pace”). The CTA remained responsible for heavy rail and bus service in Chicago as well as in some suburbs adjacent to Chicago. Metra became responsible for providing commuter rail service in the six-county region. Pace became responsible for providing bus transportation services in suburban Cook County and the five Collar Counties. The RTA remained a taxing authority, but otherwise was limited to serving as a fiscal and policy oversight agency for the six-county area.

In the ensuing years Pace assumed the operation of a host of public and privately owned bus companies. Besides providing fixed route service, Pace also initiated demand-responsive service, vanpool service and Americans with Disabilities Act (ADA) paratransit service outside of Chicago. Pace provides these services through a mixture of its own facilities and equipment, as well as private and municipal contracted services.

In July of 2005, an Illinois House passed a bill making Pace the sole provider of ADA services for the region including the City of Chicago. Pace assumed the Chicago ADA service from the CTA on July 1, 2006.

Structure

Pace is governed by a Board of Directors consisting of thirteen members. Six directors are appointed by the suburban members of the Cook County Board of Commissioners, five directors are appointed by the chairman of the county boards of the five Collar Counties (DuPage, Kane, Lake, McHenry and Will), and one director is the Commissioner of the Chicago Mayor’s Office for People with Disabilities. The Chairman of the Pace Board is appointed by a majority of the suburban Cook County Commissioners, and the Chairman of the Collar County Boards.

Each member of the Pace Board, except the Commissioner of the Chicago Mayor’s Office of People with Disabilities, must be a mayor or village president from his or her respective region, or a former mayor or village president and, in either case, must reside in his or her respective region. The Chairman of the Board need not be a mayor or former mayor. Each Board member and the Chairman serve a four year term.

Services

Pace operates fixed route service throughout the six county area serving over 200 municipalities. The fixed route service is operated out of Pace's nine operating divisions as well as through contracted service operated by both public and private carriers. Pace operates a Bus-On-Shoulder program along Interstate 55, an expressway linking the southwest suburbs to Chicago's central business district, the Loop. Legislation passed in 2014 granted Pace the ability to bypass regular traffic through use of the shoulder on the expressway.

Pace contracts with a number of outside carriers that provide Dial-A-Ride service to the communities in Pace's region. In most cases, Pace has a financial partnership with a city or township to pay for and operate the Dial-A-Ride service. Dial-A-Ride programs have different rules on fares, geographic boundaries and passenger eligibility. Pace has also implemented a number of centralized Call-N-Ride services that provide curb to curb service through the use of a reservation based system. This service is similar to Dial-A-Ride, except that everyone is eligible to ride. Passengers need to call to reserve a trip only one hour in advance. Pace currently operates nine different Call-N-Ride services across the six county region.

The ADA Paratransit service is required by the Americans with Disabilities Act and is provided for customers whose disability or health condition prevents them from using CTA and/or Pace fixed route services for some or all of their travel. Only persons who are certified by the Regional Transportation Authority are eligible to ride ADA Paratransit. Trips are only provided at the same times and within the same geographic areas as fixed route. In 2006, Pace became the designated provider of ADA Paratransit service for the entire Chicago region. Pace currently contracts with private carriers that service in the six county region and the City of Chicago. In addition to the private carriers, Pace also contracts with a number of taxi companies to provide service for the Taxi Access Program ("TAP") and Mobility Direct program in the City of Chicago.

Pace's traditional Vanpool program (VIP) program allows people that live or work in the same area to commute together for a low monthly fare. Pace expanded its traditional Vanpool program to local communities by offering employer shuttle service and Metra feeder service. Pace provides vans to organizations or workshops that provide work related transportation service to persons with disabilities through its Advantage Program. Pace also has a Community Vehicle Program that offers townships and communities the opportunity to use vans to implement a transportation program or to supplement their existing transportation services. Pace continues to work with organizations such as RTA and WageWorks to provide customers with options for paying their Vanpool fares with pre-tax benefits.

Pace is the designated public rideshare administrator for Northeastern Illinois. The program provides a free matching service to commuters who are interested in forming carpools or vanpools.

Organization

Pace operates its directly provided transportation services out of nine operating divisions. Each operating division has its own collective bargaining agreement, which covers wages, fringe benefits and working conditions as well as retirement plans for bus operators, mechanics and servicers.

Pace has an acceptance facility that prepares new deliveries of fixed route and paratransit buses for service to all Pace locations. This facility also services all of the electronic accessories associated with buses such as revenue collection devices, communication devices, destination signs and the equipment used as part of Pace's Intelligent Bus System.

Pace has a central headquarters facility in suburban Cook County that houses Pace senior management and the personnel responsible for revenue, planning and administrative services. In 2006, Pace opened an administrative office in Chicago to house personnel that support the ADA services. In addition to these facilities, Pace also currently has nine transportation and transfer centers, seventeen bus turnaround facilities and twelve Park-n-Ride lots.

Revenue and Funding

Pace generates operating income through a formal fare structure based on the bus and vanpool service that it provides. Pace also relies on operating assistance received from federal and local funding sources. Pace's primary source of non-operating assistance comes from the RTA in the form of sales taxes. Sales taxes authorized by the RTA Act are collected by the Illinois Department of Revenue and apportioned to the three service boards by the RTA. Legislation passed in 2008 established new sales tax and PTF funding that designated monies for an ADA Paratransit Fund as well as other funding to support additional service and projects that enhance ridership and improve transit. Details regarding Sales Tax and PTF funding can be found on page 34 of the MD&A.

In addition to operating assistance, Pace also receives capital funding from the Federal Transit Administration ("FTA"), Illinois Department of Transportation ("IDOT") and the RTA. A summary of the capital funding received in 2015 is detailed on page 29 of the MD&A.

Financial Planning

Pace is subject to the budgetary controls of the RTA Act, which requires Pace to submit an annual budget, a three year financial plan for the proposed budget, and a five year capital plan. The RTA notifies Pace of their estimated sales tax funding expected to be available during the upcoming fiscal year and next two following years. Pace must then prepare and publish a comprehensive annual budget and financial plan which complies with the RTA funding estimates. Prior to submitting the budget to the RTA, Pace must hold at least one public hearing in each county that it services. After incorporating input received during the public hearings, Pace finalizes its budget and submits it to the RTA by November 15 of each year.

Local Economy

The Chicago area economy faces difficult economic times as both the State of Illinois and City of Chicago have large structural budget deficits. According to the Federal Reserve Bank of Chicago, both have been borrowing from the future to pay for current services, which has come in the form of underfunding their pension liabilities. With that said, the Chicago area is expected to outperform the State of Illinois in economic growth for 2016. The Chicagoland Area Chamber of Commerce survey of business shows nearly forty percent of area businesses plan on hiring, and sixty percent expect growth in sales for 2016. However, only twenty-six percent feel the Chicagoland area economy will strengthen in 2016. This compares to forty-two percent who felt the area economy would strengthen in 2015. The Institute of Government Public Affairs data mirrors the business community predicting the Chicago area have the most job growth in the State.

Financial Policies

In order to allow for the payment of obligations in a timely manner, the Pace Board of Directors adopted a Working Cash Policy in 2004. The policy requires the unrestricted net position of the Suburban Services Fund to be the value of at least eight percent (8%) of the current operating budget.

The Pace Board of Directors updated the Investment Policy in December 2013. The policy conforms to all applicable Illinois statutes and incorporates the Government Finance Officers Association of the United States and Canada (“GFOA”) investment best practices. The primary objective of the policy is to invest in public funds in a manner which will maximize return, minimize risk and meet the daily cash flow needs of Pace. The investment policy applies to all financial assets of Pace except the employee pension funds which have their own investment policies.

Pace also adopted a Debt Management Policy in December 2013, in response to its statutory authority granted through legislation to issue revenue bonds effective January 1, 2013. The policy was updated in April 2015. Pace is authorized to issue up to \$100 million in bonds for four specific projects. The Debt Management Policy recognizes the statutory authority to issue debt and incorporates GFOA best practices for debt management within the policy. Pace completed its first bond issuance in 2015 for \$12 million that will be used for the conversion of the South Division facility in Markham into a compressed natural gas facility.

Major Initiatives

In 2012, Pace partnered with the CTA to implement a new open standards fare system. Ventra is an account based system that allows commuters to consolidate their transit fare products into one card that can then be registered to the customer's account. The Ventra system allows riders to purchase a specific fare product that can be used on CTA or Pace service. The riders also have the ability to load stored value onto their account and pay for fares on a pay as you go basis. The customers have the ability to purchase Ventra cards and the associated fare products via the Ventra website, by phone, at a vending machine or at retail locations throughout the Chicago and suburban areas. Effective July 1, 2014, Pace fully transitioned to the Ventra Fare Payment system and legacy fare cards were no longer accepted. In 2015, Pace completed the installation of twelve vending machines located at transportation centers and other locations throughout the six county region.

In 2014, Pace entered into an agreement with CTA, Pace and Metra for the development of a mobile app that can be used with the Ventra system. The Ventra App was made available to the public in November 2015. The app can be used on Apple and Android smartphone and tablet devices. The Ventra App allows customers to pay for rides on all three transit systems. The app offers a number of different options including account management, loading of transit value or transit passes, account notifications and integrated mobile ticketing on Metra.

In 2013, the Illinois Tollway announced a \$240 million project to integrate transit as part of the Jane Addams Memorial Tollway (I-90) Rebuilding and Widening Project. The tollway corridor from Chicago to Rockford serves nearly one million travelers per day. The project includes plans for Pace to construct three Park-n-Ride facilities as well as implement new routes and expand existing service to improve transit from Chicago to Elgin. The first phase of the service enhancements took place in 2013. The widening of the shoulders is scheduled to be complete in 2016. A network of express buses will service Park-n-Rides adjacent to the tollway and riders can connect to local bus routes or Call-N-Ride services. The final plans include provisions for use of Bus-On-Shoulder operations, High Occupancy Vehicle lanes or a similar alternative with the goal of improving on-time performance and increasing ridership.

In 2015, Pace began public outreach for its new Pulse Arterial Bus Rapid Transit program. Pulse will provide enhancements to fixed route service including limited stops, express service and improved station design. Seven routes have been identified as a priority for development over the next ten years. The first route along the Milwaukee Avenue corridor is planned to begin operating in 2017. To improve on-time performance, Pace is collaborating with the RTA and Illinois Department of Transportation to implement transit signal priority along all of its planned Pulse lines.

AWARDS AND ACKNOWLEDGEMENTS

The GFOA presented Pace with a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for fiscal year ending December 31, 2014. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for its consideration.

The preparation of this report would not have been possible without the efforts of the staff at Pace. In particular, we wish to express our appreciation to the members of the Finance Department who contributed to the preparation of this report.

Respectfully submitted,



Terrance Brannon
Deputy Executive Director,
Internal Services



Dominick Cuomo
Chief Financial Officer

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

**LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2015**

Board of Directors

Chairman

Richard A. Kwasneski

Directors

- Central Suburban Cook County
- South Suburban Cook County
- Southwest Suburban Cook County
- Northwest Suburban Cook County
- DuPage County
- Will County
- North Central Suburban Cook County
- Kane County
- McHenry County
- North Shore Suburban Cook County
- Lake County
- Mayor’s Office for People with Disabilities,
City of Chicago

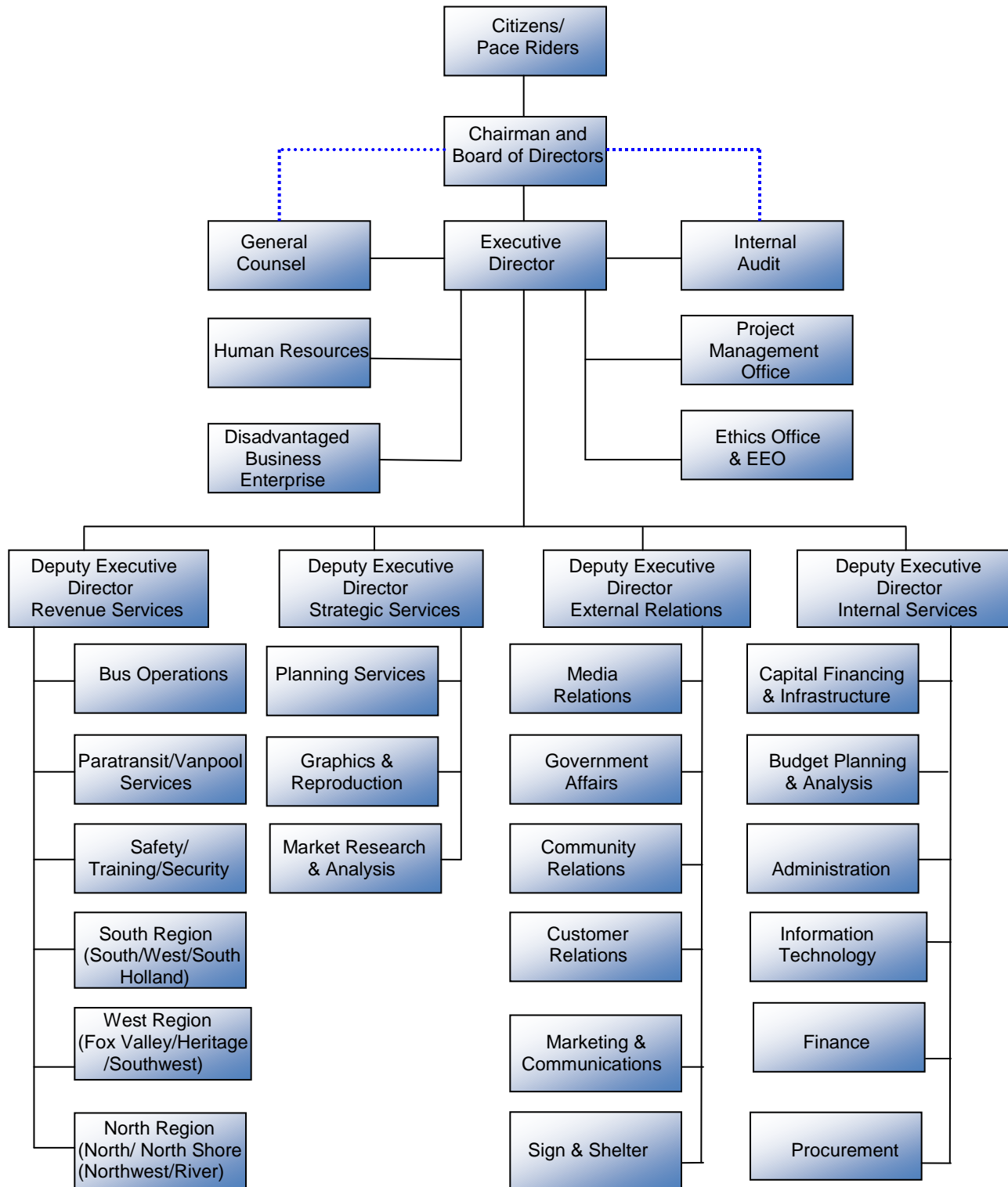
- Alan Nowaczyk
- Terry R. Wells
- Kyle R. Hastings
- Al Larson
- Thomas D. Marcucci
- Roger C. Claar
- Bradley Stephens
- Jeffery D. Schielke
- Aaron T. Shepley
- Christopher S. Canning
- Linda Soto
- Karen Tamley

Administration

- Executive Director
- Deputy Executive Director, Internal Services
- Deputy Executive Director, Revenue Services
- Deputy Executive Director, Strategic Services
- Deputy Executive Director, External Relations
- Chief Financial Officer
- Department Manager, Accounting

- Thomas J. Ross
- Terrance Brannon
- Melinda J. Metzger
- Michael Bolton
- Rocky Donahue
- Dominick Cuomo
- Laura LaDuke

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Pace the Suburban Bus Division
of the Regional Transportation Authority
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Pace, the Suburban Bus Division of the Regional Transportation Authority ("Pace"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Pace's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Pace, as of December 31, 2015, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in June 2012 the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Statements 68 and 71 are effective for Pace's fiscal year ending December 31, 2015. These Statements replace the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures." Statements 68 and 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identify the methods and assumptions that should be used

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to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Pace's financial statements for the year ended December 31, 2014, from which such partial information was derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pace's basic financial statements. The Introductory Section, Statistical Section, Other Information Section, and the Other Supplementary Exhibits in the Financial Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Information Section and Other Supplementary Exhibits in the Financial Section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the information noted as unaudited, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Information Section and Other Supplementary Exhibits in the Financial Section, except the information noted as unaudited, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, Statistical Section, and the information noted as unaudited on pages 96, 97, 99, and 125 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2016 on our consideration of Pace's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pace's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
May 26, 2016

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

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, 2015. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 38.

Using This Report

This annual report consists of a series of financial statements. The *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows* (on pages 38 - 43) 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 24. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* can be used to determine whether Pace as a whole is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the agency's net position and changes in them. The net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure Pace's financial health or financial position. Over time, increases or decreases in Pace's net position are one indicator of whether its financial health is improving or deteriorating. Other financial factors should be considered as well, such as, the level of public funding received from the RTA, sales tax revenue and working cash balances. Based on Pace's current year financial and operating performance, the agency's overall financial position improved during 2015 primarily due to low fuel prices and favorable sales tax revenues.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

Financial Highlights

- **Net Position increased by \$32.3 million** in 2015. Net Position represents Total Assets and Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows of Resources.
- **Total Operating Revenues for 2015 were \$72.0 million** which represented a 4.8% decrease from 2014.
- **Non-Operating Revenues increased \$3.3 million** (or 1.1%) to \$304.6 million in 2015.
- **Total Operating Expenses decreased by \$20.7 million** (or 5.0%) to \$393.2 million during 2015.
- **Pace met the RTA mandated recovery ratio of 30.0%** for Suburban Services during 2015. The recovery ratio included credits for expenses incurred by Not-For-Profit Providers from the VIP Advantage program.
- **Pace met the 10% recovery ratio requirement** for Regional ADA Paratransit Services in 2015.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

Ridership

Pace ridership decreased overall in 2015. Lower gas prices contributed to the decrease. Some of the highlights are as follows:

Highlights:

- **Pace served 37.3 million passengers** in 2015 which reflected a 4.1% decrease below the 2014 ridership total of 39.0 million.
- **The Bus On Shoulder service operated by Heritage Division** continued to grow in ridership. Pace provided 378,071 riders in 2015 compared to 271,641 in 2014 resulting in an increase of 39.2%.
- **The first phase in the restructuring of routes in the Fox Valley region** began in 2015. The restructuring will extend service to new destinations that have high travel demand and will provide more frequent service over a longer number of hours during the day. More service is expected to be implemented in 2016.
- **Innovation, Coordination and Enhancement funds** were utilized in 2015 to implement a total of 29 service improvements throughout the service area. The improvement projects included enhanced on-time performance, increase in the frequency and time span of services as well as service expansion and extensions on all service days.
- **ADA Paratransit ridership increased 2.4% in 2015** with ridership of 4,227,028 for Chicago and Suburban ADA service versus 2014 ridership of 4,126,760.
- **Vanpool ridership decreased 4.4% in 2015** to 2,060,559. The total number of active vans at the end of 2015 was 755.
- **Pace's Rideshare Program continued to grow** with 208 carpool groups registered on the website and 221 commuters who matched to an existing Pace Vanpool.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

The Agency as a Whole

	2015	2014	Change
ASSETS			
Current Assets	\$ 240,788,488	\$ 176,929,487	\$ 63,859,001
Capital Assets	204,898,385	189,848,707	15,049,678
Other Noncurrent Assets	<u>8,068,188</u>	<u>64,383,858</u>	<u>(56,315,670)</u>
Total Assets	<u>453,755,061</u>	<u>431,162,052</u>	<u>22,593,009</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	<u>39,140,269</u>	<u>-</u>	<u>39,140,269</u>
Total Deferred Outflows of Resources	<u>39,140,269</u>	<u>-</u>	<u>39,140,269</u>
LIABILITIES			
Current Liabilities	153,446,022	81,407,024	72,038,998
Other Liabilities	<u>79,169,462</u>	<u>94,982,415</u>	<u>(15,812,953)</u>
Total Liabilities	<u>232,615,484</u>	<u>176,389,439</u>	<u>56,226,045</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	<u>1,248,249</u>	<u>-</u>	<u>1,248,249</u>
Total Deferred Inflows of Resources	<u>1,248,249</u>	<u>-</u>	<u>1,248,249</u>
NET POSITION			
Net Investment in Capital Assets	202,166,573	189,848,707	12,317,866
Restricted for Bond Repayment	1,200,000	-	1,200,000
Unrestricted	<u>55,665,024</u>	<u>64,923,906</u>	<u>(9,258,882)</u>
Total Net Position	<u>\$ 259,031,597</u>	<u>\$ 254,772,613</u>	<u>\$ 4,258,984</u>

Note: The 2014 figures were not restated for implementation of GASB 68.

Net Position at December 31, 2015 increased to \$259.0 million from \$254.8 million due to a \$12.3 million increase in Net Investment in Capital Assets, a \$1.2 million increase in Restricted Net Position for Bond Repayment and a \$9.3 million decrease in Unrestricted Net Position. The increase in Net Investment in Capital Assets is comprised of \$48.9 million in capital grants reimbursements and \$6.7 million in Pace funded capital projects less \$10.8 million in bonds outstanding plus \$8.0 million in unexpended bond proceeds and \$40.5 million in depreciation. Restricted Net Position represents one year of bonds payable that is legally restricted. Beginning Unrestricted Net Position was reduced by \$28.0 million for adjustment made to record beginning Net Pension Liability for Pace's defined benefit pension plans. Information regarding the adjustment to Net Position can be found on page 86 of the notes to the financial statements.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

The Agency as a Whole (Continued)

Total Assets increased \$22.6 million in 2015 to \$453.8 million. The \$63.9 million increase in Current Assets is attributed to a \$13.4 million increase in accounts receivable, a \$.5 million increase in inventory and a \$64.2 million increase in the current portion of assets restricted for repayment of leasing commitments offset by a \$14.0 million decrease in cash and a \$.2 million decrease in prepaid expenses. Capital Assets increased \$15.0 million in 2015 due to a \$6.3 million increase in capital projects in progress, a \$31.4 million increase in equipment and building and improvements offset by a \$22.7 million increase in accumulated depreciation. Information regarding capital asset activity can be found on page 29. Other Noncurrent Assets decreased \$56.3 million due to an \$8.1 million increase in restricted cash for bond proceeds offset by a \$63.8 million decrease in the noncurrent portion of assets restricted for repayment of leasing commitments offset and a \$.6 million decrease in net pension asset. Restricted cash of \$8.1 million represents the unexpended portion of the bond proceeds. The leasing commitment will be satisfied in 2016 so the remaining balance is reflected in current assets for 2015 and there is no longer a noncurrent portion. A net pension asset is no longer recorded due to implementation of new accounting standards for pension plans in 2015.

Deferred outflows of resources were recorded in 2015 totaling \$39.1 million which represents the increase reflected in the schedule above. The deferred outflows of resources were recorded as part of the implementation of the new accounting standards for pension plans. The deferred outflows of resources are comprised of \$4.3 million related to the difference between actual and projected earnings and \$34.8 million in contributions made after the measurement date used to determine the net pension liability for 2015.

Current Liabilities increased \$72.0 million in 2015 primarily due to a \$2.8 million decrease in accounts payable, a \$15.1 million increase in accrued expenses, a \$1.5 million increase in unearned revenue, a \$1.2 million increase in the current portion of bonds payable, a \$7.2 million decrease in current portion of insurance reserves and a \$64.2 million increase in current portion of the capital lease obligation. The \$7.2 million decrease in insurance reserves is due to a change in the methodology used to reserve for incurred but not reported self-insured health, dental and prescription drug claims.

Other Liabilities decreased \$15.8 million as of the end of 2015. The decrease was comprised of a \$.1 million decrease in the noncurrent portion of insurance reserves, a \$2.1 million decrease in net pension obligation, a \$40.1 million increase in net pension liability, a \$.3 million increase in other post employment benefits obligation, a \$.5 million increase in advance from state, a \$9.6 million increase in the long term portion of bonds payable, a \$.3 million decrease in other liabilities, a \$63.8 million decrease in long term portion of the capital lease obligation. A net pension obligation is no longer recorded due to the implementation of new accounting standards for pension plans in 2015. A net pension liability of \$40.1 million was recorded in accordance with the new accounting standards.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

The Agency as a Whole (Continued)

Deferred inflows of resources were recorded in 2015 totaling \$1.2 million which represents the increase reflected in the schedule above. The deferred inflows of resources were recorded as part of the implementation of the new accounting standards for pension plans. The deferred inflows of resources are comprised of \$.8 million related to the changes in assumptions and \$.4 million related to changes in the employer's proportionate share of contributions.

Information regarding the defined benefit pension plans and the associated pension liability, deferred outflows of resources and deferred inflows of resources can be found beginning on page 63 of the notes to the financial statements and pages 90 - 95 in the Required Supplementary Information section.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

Capital Assets

Pace received \$48.9 million in capital grant reimbursements in 2015 including:

- \$35.8 million from the Federal Transit Administration (FTA),
- \$13.1 million from the Regional Transportation Authority (RTA)

In addition, Pace used \$6.7 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

Equipment:

- \$32.6 million in fixed route buses,
- \$2.6 million in paratransit vehicles,
- \$2.7 million in garage and park-n-ride design,
- \$2.5 million in bus equipment,
- \$2.0 million in capital parts and maintenance,
- \$1.6 million in computer equipment and software,
- \$1.0 million in ART corridor projects,
- \$.8 million in Ventra system enhancements,
- \$.6 million in community transit vehicles,
- \$.6 million in project administration,
- \$.5 million in transit signal priority equipment and consulting,
- \$.4 million in vanpool vehicles,
- \$.4 million in shelters,
- \$.3 million in building and improvements,
- \$.2 million in office and garage equipment, and
- \$.1 million in land acquisitions.

Pace purchased 74 fixed route buses totaling \$32.6 million, 49 paratransit vehicles totaling \$2.6 million, 11 vanpool vehicles totaling \$.4 million, and 9 community transit vehicles for \$.6 million.

Information regarding capital asset activity for 2015 can be found in the notes to the financial statements on page 52 through 54 and page 57 and Schedule 7 on page 125.

Long Term Debt

On February 24, 2015 Pace issued \$12 million in Revenue Bonds Series of 2015 to be used for converting the South Division Garage into a compressed natural gas facility. The outstanding debt is backed by the operating revenues of the Suburban Services Fund. The debt must be repaid in annual principal payments of \$1,200,000.

Details regarding the bond issuance that was completed in 2015 can be found on page 61 of the notes to the financial statements and pages 110 - 111 of the Statistical Section.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>%</u>
<u>Operating Revenue</u>				
Pace-Owned Service Revenue	\$ 32,197,304	\$ 32,327,470	\$ (130,166)	-0.4%
CMAQ/JARC Services	688,967	424,192	264,775	62.4%
Fixed Route Carrier Revenue	3,337,954	3,412,753	(74,799)	-2.2%
Paratransit Revenue	22,205,676	22,693,571	(487,895)	-2.1%
Vanpool Revenue	4,035,025	4,189,130	(154,105)	-3.7%
Reduced Fare Reimbursement	162,469	3,241,648	(3,079,179)	-95.0%
Advertising Revenue	3,105,226	4,534,233	(1,429,007)	-31.5%
Miscellaneous	6,306,187	4,845,714	1,460,473	30.1%
Total Operating Revenue	<u>72,038,808</u>	<u>75,668,711</u>	<u>(3,629,903)</u>	<u>-4.8%</u>
<u>Operating Expenses:</u>				
Pace-Owned Service Expenses	86,388,267	83,705,687	2,682,580	3.2%
CMAQ/JARC Expenses	2,692,441	2,968,329	(275,888)	-9.3%
Contract Payments:				
Fixed Route Carriers	10,045,768	9,848,158	197,610	2.0%
Paratransit Carriers	159,468,364	158,734,067	734,297	0.5%
Vanpool Expenses	3,486,354	4,365,909	(879,555)	-20.1%
Centralized Operations	54,362,958	71,124,251	(16,761,293)	-23.6%
Administrative Expenses	36,271,779	36,285,585	(13,806)	0.0%
Depreciation	40,516,493	46,942,529	(6,426,036)	-13.7%
Total Operating Expenses	<u>393,232,424</u>	<u>413,974,515</u>	<u>(20,742,091)</u>	<u>-5.0%</u>
Operating Income (Loss)	<u>(321,193,616)</u>	<u>(338,305,804)</u>	<u>17,112,188</u>	<u>5.1%</u>
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation & use tax from RTA (85% Formula)	90,272,781	87,298,041	2,974,740	3.4%
RTA Sales Tax/PTF (PA 95-0708)	33,494,733	32,957,499	537,234	1.6%
Regional ADA Paratransit Fund	130,980,972	131,661,582	(680,610)	-0.5%
RTA Discretionary Funding	4,602,594	3,978,339	624,255	15.7%
Suburban Community Mobility Fund (SCMF)	23,800,266	22,878,795	921,471	4.0%
South Suburban Job Access Fund	7,500,000	7,500,000	-	0.0%
ADA State Funding	8,394,800	8,500,000	(105,200)	-1.2%
Innovation Coordination and Enhancement Fund (ICE)	1,847,711	-	1,847,711	-
Federal Operating Grants	3,539,940	6,224,430	(2,684,490)	-43.1%
Interest on Investments	435,784	340,606	95,178	27.9%
Interest Expense	(242,500)	-	(242,500)	-
Interest Revenue from Leasing Transaction	4,232,106	4,644,052	(411,946)	-8.9%
Interest Expense on Leasing Transaction	(4,232,106)	(4,644,052)	411,946	-8.9%
Total Non-Operating Revenue (Expenses)	<u>304,627,081</u>	<u>301,339,292</u>	<u>3,287,789</u>	<u>1.1%</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(16,566,535)</u>	<u>(36,966,512)</u>	<u>20,399,977</u>	<u>55.2%</u>
Other Revenues, Expenses, Gains, Losses and Transfers				
Capital Grant Reimbursements	48,879,594	51,438,723	(2,559,129)	-5.0%
Extraordinary ADA Revenue	-	7,776,815	(7,776,815)	-100.0%
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>48,879,594</u>	<u>59,215,538</u>	<u>(10,335,944)</u>	<u>-17.5%</u>
Change in Net Position	32,313,059	22,249,026	10,064,033	45.2%
Beginning Net Position (Restated)	226,718,538	232,523,587	(5,805,049)	-2.5%
Ending Net Position	<u>\$ 259,031,597</u>	<u>\$ 254,772,613</u>	<u>\$ 4,258,984</u>	<u>1.7%</u>

Note: The 2014 figures were not restated for implementation of GASB 68.

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The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

Comparison of Results: FY2015 vs. FY2014

Operating Revenue

Total Operating Revenue decreased 4.8% or \$3.6 million in 2015. Significant changes in operating revenue are noted as follows:

- **Reduced Fare Reimbursement** - The \$3.0 million decrease is due to the elimination of reduced fare funding from the State.
- **Advertising Revenue** - The \$1.4 million decrease is due to changes in the contractually guaranteed amounts.
- **Miscellaneous Income** - The \$1.4 million increase is due to additional Medicaid reimbursements received for ADA trips.

Operating Expenses

Total Operating Expenses decreased by \$20.7 million (or 5.0%) in 2015 which is comprised primarily of the following changes:

- **Pace-Owned Service Expenses** - The \$2.7 million increase in expense is due to increased service which resulted in an increase in operator wages, other salaries and fringe benefits and bus parts expense.
- **Centralized Operations** - The \$16.8 million decrease is due to decreased fuel prices along with decreases in pension expense, medical and dental expenses and advertising.
- **Depreciation Expense** - The \$6.4 million decrease is due to the disposal of assets in 2015.

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The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

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Management's Discussion & Analysis
For the Year Ended December 31, 2015

Non-Operating Revenue

Non-Operating Revenue increased \$3.3 million or 1.1% to \$304.6 million in 2015. Specific factors contributing to the increase are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased \$3.0 million in 2015.
- **RTA Sales Tax/PTF (PA 95-0708)** – Pace received \$33.5 million in RTA Sales Tax/PTF funding as outlined in PA 95-0708 which was an increase of \$.5 million from 2014.
- **Regional ADA Paratransit Fund** – Funding from the Regional ADA Paratransit Fund decreased \$.7 million in 2015.
- **RTA Discretionary Funding** – The RTA Discretionary Funding increased \$.6 million in 2015.
- **Suburban Community Mobility Fund (SCMF)** – Funding increased by \$.9 million in 2015.
- **South Suburban Job Access Fund** – Pace received \$7.5 million in funding from the RTA for services in South Suburban Cook County in 2015.
- **ADA State Funding** – Pace received \$8.4 million from the State to fund ADA service in 2015.
- **Innovation, Coordination and Enhancement Fund (ICE)** – Pace received \$1.8 million in funding from the ICE fund in 2015.
- **Federal Operating Grants** – The \$2.7 million decrease is due to funding for JARC and CMAQ routes ending in 2015.

Other Revenues, Expenses, Gains, Losses and Transfers

- **Capital Grant Reimbursements** – The \$2.6 million decrease is due to a decrease in the number of capital funded assets acquired in 2015.
- **Extraordinary ADA Revenue** – There was no extraordinary revenue recorded in 2015 which is the reason for the \$7.8 million decrease.

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The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

Economic Trends

RTA Sales Tax

The RTA Sales Tax is the primary source of revenue for Pace. The tax is authorized by Illinois statute, imposed by the RTA in the six-county area, and collected by the state. Historically, the Service Board statutory share is 85% of RTA Sales Tax and is apportioned to the three Service Boards: Pace, Metra and CTA. Pace receives 15% of the Service Board statutory share of sales tax collected in Suburban Cook County, and 30% of the share collected in the collar counties of DuPage, Kane, Lake, McHenry and Will. Pace received \$90.3 million in RTA Sales Tax in 2015 under the 85% Formula.

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

- *ADA Paratransit Fund* - The ADA Paratransit Fund started at \$100 million in 2008 and adjusts annually based on regional sales tax performance. For 2015, the RTA provided \$131.0 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 2015, the RTA provided \$23.8 million in funding.
- *Innovation Coordination and Enhancement Fund (ICE)* - The fund was established for projects intended to improve or enhance ridership or customer service, for transit improvements intended to promote transfers, increase ridership and for transit-oriented land development. The ICE Fund started at \$10 million for 2008 and adjusts annually based on regional sales tax performance. For 2015, there was \$1.8 million in funding provided to Pace from the ICE Fund.
- *New Sales Tax and Public Transportation Funds (PTF)* - After all monies are allocated to the above funds, the remaining amount is distributed as a New Sales Tax and PTF to the three Service Boards. Pace's allocation of the New Sales Tax and PTF is equal to 13% of the remaining amount. For 2015, Pace received \$33.5 million in New Sales Tax and PTF funding.

In addition to the above, the 2008 legislation also provided funding for the South Suburban Job Access program which is directed to pay for transit services in South Cook County that support employment opportunities. For 2015, the RTA provided \$7.5 million in funding for the South Suburban Job Access program. The RTA also provided \$4.6 million in Discretionary Funding in 2015.

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The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

The allocation of the funds established for 2015 and 2014 is as follows:

RTA OPERATING FUNDING (000's)

	<u>2015</u>	<u>2014</u>
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	\$ 90,273	\$ 87,298
RTA Sales Tax/PTF (PA 95-0708)	33,495	32,957
RTA Discretionary Funding	4,603	3,978
Suburban Community Mobility Fund	23,800	22,879
South Suburban Job Access Fund	7,500	7,500
Innovation, Coordination & Enhancement Fund	<u>1,848</u>	<u>-</u>
Total Suburban Services Funding	<u>\$161,519</u>	<u>\$154,612</u>
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	<u>130,981</u>	<u>\$131,662</u>
Total RTA Funding	<u>\$292,500</u>	<u>\$286,274</u>

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2015

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 POSITION
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>		
Cash:		
Cash and Investments	\$ 96,156,797	\$ 111,424,794
Restricted Cash	1,201,157	-
Total Cash	<u>97,357,954</u>	<u>111,424,794</u>
Accounts Receivable:		
Regional Transportation Authority	59,063,743	44,123,878
Capital Grant Projects-FTA & IDOT	499,258	106,676
Other	8,154,822	10,039,157
Total Accounts Receivable	<u>67,717,823</u>	<u>54,269,711</u>
<u>Other Current Assets</u>		
Prepaid Expenses	1,894,506	2,063,883
Inventory - Spare Parts	5,750,910	5,261,164
Assets Restricted for Repayment of Leasing Commitments - Current	68,067,295	3,909,935
Total Other Current Assets	<u>75,712,711</u>	<u>11,234,982</u>
Total Current Assets	<u>240,788,488</u>	<u>176,929,487</u>
<u>Noncurrent Assets</u>		
Capital Assets not Being Depreciated		
Land	17,366,888	17,285,187
Capital Projects in Progress	16,952,783	10,678,924
Total Capital Assets not Being Depreciated	<u>34,319,671</u>	<u>27,964,111</u>
Capital Assets Being Depreciated, Net		
Equipment	426,228,250	401,812,282
Building and Improvements	171,359,320	164,337,441
Less Accumulated Depreciation	<u>(427,008,856)</u>	<u>(404,265,127)</u>
Total Capital Assets Being Depreciated, Net	<u>170,578,714</u>	<u>161,884,596</u>
<u>Other Noncurrent Assets</u>		
Restricted Cash - Bond Proceeds	8,068,188	-
Assets Restricted for Repayment of Leasing Commitments - Noncurrent	-	63,835,189
Net Pension Asset	-	548,669
Total Other Noncurrent Assets	<u>8,068,188</u>	<u>64,383,858</u>
Total Noncurrent Assets	<u>212,966,573</u>	<u>254,232,565</u>
Total Assets	<u>453,755,061</u>	<u>431,162,052</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	<u>39,140,269</u>	-
Total Deferred Outflows of Resources	<u>39,140,269</u>	-

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014

LIABILITIES	<u>2015</u>	<u>2014</u>
<u>Current Liabilities</u>		
Accounts Payable:		
Operating	\$ 740,308	\$ 678,428
Capital	943,746	3,833,656
Accrued Payroll Expenses	9,387,012	8,867,607
Other Accrued Expenses	52,381,935	37,735,609
Unearned Revenue	3,225,009	1,760,962
Bonds Payable - Current	1,200,000	-
Current Portion of Insurance Reserves	17,500,717	24,620,827
Current Portion of Capital Lease Obligation	68,067,295	3,909,935
	<hr/>	<hr/>
Total Current Liabilities	153,446,022	81,407,024
<u>Other Liabilities</u>		
Insurance Reserve, Non-Current Portion	12,498,198	12,646,810
Net Pension Obligation	-	2,091,023
Net Pension Liability	40,145,831	-
Net Other Post Employment Benefits (OPEB) Obligation	4,331,584	3,997,602
Advance From State	10,415,123	9,937,928
Bonds Payable, Non-current	9,600,000	-
Capital Lease Obligation, Less Current Portion	-	63,835,189
Other Liabilities	2,178,726	2,473,863
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Total Other Liabilities	79,169,462	94,982,415
	<hr/>	<hr/>
Total Liabilities	232,615,484	176,389,439
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension	1,248,249	-
	<hr/>	<hr/>
Total Deferred Inflows of Resources	1,248,249	-
 NET POSITION		
Net Investment in Capital Assets	202,166,573	189,848,707
Restricted for Bond Repayment	1,200,000	-
Unrestricted	55,665,024	64,923,906
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Total Net Position	\$ 259,031,597	\$ 254,772,613
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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 POSITION FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
<u>Operating Revenue</u>		
Pace-Owned Service Revenue	\$ 32,197,304	\$ 32,327,470
CMAQ/JARC Services	688,967	424,192
Fixed Route Carrier Revenue	3,337,954	3,412,753
Paratransit Revenue	22,205,676	22,693,571
Vanpool Revenue	4,035,025	4,189,130
Reduced Fare Reimbursement	162,469	3,241,648
Advertising Revenue	3,105,226	4,534,233
Miscellaneous	6,306,187	4,845,714
Total Operating Revenue	<u>72,038,808</u>	<u>75,668,711</u>
<u>Operating Expenses:</u>		
Pace-Owned Service Expenses	86,388,267	83,705,687
CMAQ/JARC Expenses	2,692,441	2,968,329
Contract Payments:		
Fixed Route Carriers	10,045,768	9,848,158
Paratransit Carriers	159,468,364	158,734,067
Vanpool Expenses	3,486,354	4,365,908
Centralized Operations	54,362,958	71,124,251
Administrative Expenses	36,271,779	36,285,585
Depreciation	40,516,493	46,942,530
Total Operating Expenses	<u>393,232,424</u>	<u>413,974,515</u>
Operating Income (Loss)	<u>(321,193,616)</u>	<u>(338,305,804)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Retailers' occupation and use tax from RTA (85% Formula)	90,272,781	87,298,041
RTA Sales Tax/PTF (PA 95-0708)	33,494,733	32,957,499
Regional ADA Paratransit Fund	130,980,972	131,661,582
RTA Discretionary Funding	4,602,594	3,978,339
Suburban Community Mobility Fund (SCMF)	23,800,266	22,878,795
South Suburban Job Access Fund	7,500,000	7,500,000
ADA State Funding	8,394,800	8,500,000
Innovation Coordination and Enhancement Fund (ICE)	1,847,711	-
Federal Operating Grants	3,539,940	6,224,430
Interest on Investments	435,784	340,606
Interest Expense	(242,500)	-
Interest Revenue from Leasing Transaction	4,232,106	4,644,052
Interest Expense on Leasing Transaction	(4,232,106)	(4,644,052)
Total Non-Operating Revenue (Expenses)	<u>304,627,081</u>	<u>301,339,292</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(16,566,535)</u>	<u>(36,966,512)</u>
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Grant Reimbursements	48,879,594	51,438,723
Extraordinary ADA Revenue	-	7,776,815
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>48,879,594</u>	<u>59,215,538</u>
Change in Net Position	32,313,059	22,249,026
Beginning Net Position (Restated)	<u>226,718,538</u>	<u>232,523,587</u>
Ending Net Position	<u>\$ 259,031,597</u>	<u>\$ 254,772,613</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

Increase (Decrease) in cash and temporary investments	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from fares	\$ 67,407,471	\$ 68,388,747
Cash received from other operating items	9,408,224	9,984,173
Cash payments to and on behalf of employees for services	(155,820,386)	(134,293,060)
Cash payment to contractual service providers and suppliers	(216,525,559)	(222,825,427)
Net cash used for operating activities	<u>(295,530,250)</u>	<u>(278,745,567)</u>
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	88,319,425	86,535,044
Cash received from RTA Sales Tax/PTF	33,494,733	32,957,499
Cash received from Suburban Community Mobility Funding	18,014,319	23,164,688
Cash received from South Suburban Job Access	7,500,000	7,500,000
Cash received from Innovation Coordination and Enhancement	1,847,711	-
ADA Regional Paratransit Funding from RTA	139,108,007	148,140,239
Cash received from Federal Funding	8,142,536	10,202,769
Cash Advance on Sales Tax	477,196	449,874
Net cash provided by non-capital financing activities	<u>296,903,927</u>	<u>308,950,113</u>
Cash flows from capital and related financing activities:		
Capital contributed from capital grants	40,131,039	52,371,690
Acquisition and construction of capital assets	(58,496,649)	(68,021,541)
Proceeds from bond issuance	12,000,000	-
Payment of bond interest	(242,500)	-
Principal payments on bonds payable	(1,200,000)	-
Net cash used by capital and related financing activities	<u>(7,808,110)</u>	<u>(15,649,851)</u>
Cash flows from investing activities:		
Cash received from interest on short-term investments	435,781	340,604
Net cash provided by investing activities	<u>435,781</u>	<u>340,604</u>
Net increase (decrease) in cash and short-term investments	(5,998,652)	14,895,299
Cash and short-term investments at beginning of year	<u>111,424,794</u>	<u>96,529,495</u>
Cash and short-term investments at end of year	<u>\$ 105,426,142</u>	<u>\$ 111,424,794</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	\$ (321,193,616)	\$ (338,305,804)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	40,516,493	46,942,530
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	3,305,859	2,196,870
(Increase) decrease in inventory	(489,745)	(242,290)
(Increase) decrease in prepaid expenses	211,506	1,851,094
(Increase) decrease in other assets	(40,473)	1,150
(Increase) decrease in deferred outflows related to pension	(39,140,269)	-
Increase (decrease) in accounts payable	61,879	(8,127,825)
Increase (decrease) in accrued payroll	519,405	714,862
Increase (decrease) in self insurance liability	(7,268,722)	1,266,398
Increase (decrease) in pension and other post employment obligations	10,780,665	363,080
Increase (decrease) in other liabilities	15,958,519	14,594,368
Increase (decrease) in deferred inflows related to pension	1,248,249	-
Total adjustments	<u>25,663,366</u>	<u>59,560,237</u>
Net cash used by operating activities	<u>\$ (295,530,250)</u>	<u>\$ (278,745,567)</u>
Non-cash Operating, Investing and Financing Activities:		
Interest revenue on leasing transactions	\$ 4,232,106	\$ 4,644,052
Interest expense on leasing transactions	(4,232,106)	(4,644,052)
(Increase) decrease in assets restricted for repayment of leasing commitments	(322,171)	47,110,094
Increase (decrease) in capital lease obligation	322,171	(47,110,094)
Purchase of capital assets in accrued expenses at year end	894,505	3,824,983

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
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF OPERATIONS

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

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

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

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

As defined by Governmental Accounting Standards Board (GASB) Statement No. 14 – “The Financial Reporting Entity,” and amended by GASB Statement No. 61 – “The Financial Reporting Entity: Omnibus”, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Under GASB Statement No. 14, financial accountability is defined as:

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

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

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

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

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

b. Change in Accounting Principles

In June 2012, GASB released Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of Statement No. 27". This Statement is effective for fiscal years beginning after June 15, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pensions. This Statement was implemented for fiscal year ending December 31, 2015. The implementation of this regulation resulted in an adjustment to beginning Unrestricted Net Position to record the beginning Net Pension Liability (see Note 14 on page 86). The disclosures for the pension plans begin on page 63.

In November 2013, GASB released Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68". This Statement is effective for fiscal years beginning after June 15, 2014 and is required to be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68 Accounting and Financial Reporting for Pensions. The issue relates to the amounts associated with contributions to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement was implemented in conjunction with GASB Statement No. 68 for fiscal year ending December 31, 2015.

In February 2015, GASB issued Statement No. 72 "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the Pace's financial periods beginning after June 15, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

In June 2015, GASB issued Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68”. The objective of this statement is to improve the usefulness of information about pensions included in the financial reports of state and local governments. It establishes requirements for defined benefit pensions that are not within the scope of GASB 68 “Accounting and Financial Reporting for Pensions”. This Statement is effective for fiscal years beginning after June 15, 2015. Adoption of this Statement is not anticipated to have a material effect on Pace.

In June 2015, GASB issued Statement No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) that is included in the financial reports of state and local governments. This Statement applies to OPEB plans that are administered through trusts and outlines the requirements for the measurement of the Net OPEB liability in the actuarial valuation. This Statement is effective for fiscal years beginning after June 15, 2016. Adoption of this Statement is not anticipated to have a material effect on Pace.

In June 2015, GASB issued Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefit other than pensions (other postemployment benefits or OPEB). Pace offers other postemployment benefits in the form of retiree healthcare for West Division union employees as well as for the administrative non-bargained employees. This Statement is effective for fiscal years beginning after June 15, 2017. Management anticipates that after this pronouncement is implemented that Unrestricted Net Position will be reduced.

In June 2015, GASB issued Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting environment. This Statement reduces the hierarchy for the sources of accounting principles to two main categories of authoritative GAAP and provides guidance in the event that an accounting transaction or event is not specified within the source of authoritative GAAP. This Statement is effective for financial statements for periods beginning after June 15, 2015. This Statement will be implemented for fiscal year ending December 31, 2016. Adoption of this Statement is not anticipated to have a material effect on Pace.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

In August 2015, GASB issued Statement No. 77 "Tax Abatement Disclosures". This Statement addresses the disclosure of information about the nature and magnitude of tax abatements to give users of financial statements essential information that is currently not reported to the public. This Statement is effective for financial statements for periods beginning after December 15, 2015. Adoption of this Statement is not anticipated to have a material effect on Pace.

In December 2015, GASB issued Statement No. 78 "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans". This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68 "Accounting and Financial Reporting for Pensions". It amends the scope and applicability to excludes certain pensions provided to employees of state or local governmental employees. This Statement is effective for reporting periods beginning after December 15, 2015. Adoption of this Statement is not anticipated to have a material effect on Pace.

In December 2015, GASB issued Statement No. 79 "Certain External Investment Pools and Pool Participants". This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement will be implemented for fiscal year ending December 31, 2016.

c. Basis of Accounting

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

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

Proprietary Fund Type

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting (Continued)

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. Net Position is segregated into Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. 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 farebox 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 subfunds, 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 96-101.

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 Suburban 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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Public Funding (Continued)

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 Fund, 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 Suburban Job Access Program.

e. Reimbursement of Public Contract Carriers Expense

Pace has 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.

g. Compensated Absences

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

**PACE
THE SUBURBAN BUS DIVISION
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Compensated Absences (Continued)

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 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. In 2015, Pace issued \$12 million in bonds for capital projects. The restricted cash of \$8.1 million at December 31, 2015 represents the unexpended portion of the bond proceeds and \$1.2 million is restricted for debt repayment.

i. 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.

j. Property and Equipment and Accumulated Depreciation

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

**PACE
THE SUBURBAN BUS DIVISION
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FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Property and Equipment and Accumulated Depreciation (Continued)

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

The estimated useful lives are as follows:

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

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

k. Capital Projects in Progress

Capital projects in progress represent ongoing capital grant projects in various stages of completion. Capital projects in progress totaled \$16,952,783 at December 31, 2015 and \$10,678,924 at December 31, 2014. The balance at December 31, 2015 represents the following projects in process: Oracle HR and Hyperion implementation totaling \$3,556,475, expansion of the Bolingbrook Park and Ride totaling \$104,072, Elgin Transportation Center improvements of \$80,150 and South division CNG improvement project totaling \$2,675,597. The remaining balance consists of 31 conversion lift vans totaling \$689,800, 1 minivan totaling \$36,258; twenty CNG transit buses totaling \$9,335,420, and eight community vans totaling \$475,011. In 2015, Pace had contracts in place with Midwest Transit for \$9,069,576 to purchase 15 passenger buses, Central States Bus Sales Inc. for \$7,281,440 to purchase 11 passenger Paratransit buses, Midwest Transit, Midwest Specialty, and Napleton Fleet for \$815,260, \$1,755,580, & \$505,100 respectively to purchase vans, Eldorado National (California) Inc. for \$106,498,375 to purchase transit buses and \$43,630,314 to purchase CNG transit buses, and MCI Service Parts Inc. for \$12,775,921 to purchase over the road coach buses.

**PACE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Grants

Pace receives capital grants for asset acquisition, rehabilitation and construction of public transportation facilities and equipment, under Sections 5307 and 5339 of the Federal Transit Act and the Congestion Mitigation and Air Quality Improvement (CMAQ) Program. 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 \$6,686,573 for capital projects from its positive budget variance account and from bond proceeds in 2015.

m. 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.

n. 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, the Illinois Metropolitan Investment Fund and The Illinois Funds.

Deposits and Investments are recorded at fair value in accordance with GASB Statement No. 31 and for purposes of cash flow are considered highly liquid. Fair value for the Illinois Funds is the same as the value of the pool shares. State statutes require this fund to comply with the Illinois Public Funds Investment Act (30 ILCS 235). In 2015, \$1.2 million of cash was restricted for repayment of debt and \$8.1 million represents the unexpended portion of bond proceeds.

o. 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. The 2014 information has not been updated to reflect the implementation of GASB 68.

p. Reclassifications

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

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NOTE 3 DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was \$78,458,415 at December 31, 2015, while the bank balances were \$79,991,845. At December 31, 2015, Pace's petty cash fund totaled \$3,948. All account balances aside from petty cash were either insured by the Federal Deposit Insurance Corporation (FDIC) or had pledge collateral 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 \$25,541,282 at December 31, 2015. All Certificates of Deposit were insured by the Federal Deposit Insurance Corporation (FDIC) or by a Federal Home Loan Bank (FHLB) line of credit.

c. Investments

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, 2015.

<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>	
Illinois Metropolitan Investment Fund	\$1,188,128	\$1,188,128	\$ -	\$ -	Aaa
State Investment Pool	<u>234,369</u>	<u>234,369</u>	<u>-</u>	<u>-</u>	AAA
Total	<u>\$1,422,497</u>	<u>\$1,422,497</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.

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NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

c. Investments (continued)

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

Concentration of Credit Risk. Pace places no limit on the amount that may be invested in any one issuer. As of December 31, 2015, all Pace's investments are in the State Investment Pool and the Illinois Metropolitan Investment Fund which represents roughly 1% of Pace's total cash and investments.

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

NOTE 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.

	2015
Amounts Due from RTA:	
Sales Tax and Public Funding	\$49,341,855
Operating and Capital Grants	9,000,300
Regional ADA Funding	708,236
Other	13,352
Total Due from RTA	\$59,063,743

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NOTE 5 CHANGES IN CAPITAL ASSETS

<u>Type</u>	<u>1/1/2015 Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>12/31/2015 Balance</u>
Capital Assets not Being Depreciated					
Land	\$ 17,285,187	\$ 81,701	\$ -	\$ -	\$ 17,366,888
Capital Projects in Progress	10,678,924	16,952,783	(10,678,924)	-	16,952,783
Total Capital Assets not Being Depreciated	<u>27,964,111</u>	<u>17,034,484</u>	<u>(10,678,924)</u>	<u>-</u>	<u>34,319,671</u>
Capital Assets Being Depreciated					
Equipment	401,812,282	32,537,160	9,651,572	(17,772,764)	426,228,250
Buildings and Improvements	164,337,441	5,994,527	1,027,352	-	171,359,320
Total Capital Assets Being Depreciated	<u>566,149,723</u>	<u>38,531,687</u>	<u>10,678,924</u>	<u>(17,772,764)</u>	<u>597,587,570</u>
Accumulated Depreciation					
Equipment	(309,277,866)	(36,131,916)	-	17,772,764	(327,637,018)
Buildings and Improvements	(94,987,261)	(4,384,577)	-	-	(99,371,838)
Total Accumulated Depreciation	<u>(404,265,127)</u>	<u>(40,516,493)</u>	<u>-</u>	<u>17,772,764</u>	<u>(427,008,856)</u>
Total Capital Assets Being Depreciated, Net	<u>161,884,596</u>	<u>(1,984,806)</u>	<u>10,678,924</u>	<u>-</u>	<u>170,578,714</u>
Net Capital Assets	<u>\$ 189,848,707</u>	<u>\$ 15,049,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,898,385</u>

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NOTE 6 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.

There were no settlements in the past three years that exceeded the allotted coverage. There were also no significant reductions in coverage in 2015. Pace's specific self-insured retentions as of December 31, 2015 are structured as follows:

General Liability	\$2,500,000 Each Occurrence
Pollution Legal Liability	\$25,000 Each Occurrence
Underground Storage Tank Liability	\$50,000 Each Occurrence
Automobile Liability	\$5,000,000 Each Occurrence
Excess Workers Compensation	\$1,000,000 Each Occurrence
Property	\$25,000 Per Occurrence Deductible
Employment Practice Liability	\$100,000 Each Occurrence
Cyber Liability	\$50,000 Each Occurrence

Pace also has assumed the financial risk for its employee health and welfare coverage. The stop loss coverage at December 31, 2015 is as follows:

	<u>Specific Stop Loss</u>	<u>Aggregate Stop Loss</u>
Corporate and all Divisions	<u>\$150,000</u>	<u>\$4,910,211</u>

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NOTE 6 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 legal staff. Reserves are reviewed regularly by the 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 2.5% per year. Reserves for employee health and welfare coverage are established based on historical claim experience. In 2015, a claim lag analysis was completed to determine an incurred but not reported reserve for health, dental and prescription drug claims and the health insurance reserve was adjust accordingly. The ultimate liability for general liability, automobile liability, workers compensation, and the employee health and welfare plan is approximately \$29,998,915 and \$37,267,637 as of December 31, 2015 and 2014, respectively. Cash is intended to pay for general liability, automobile liability, and workers compensation at a present value of \$29,448,315 and \$31,024,089 for this liability at December 31, 2015 and 2014, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 37,267,637	\$ 36,001,239
Current year claims and changes in estimates	19,617,892	26,895,773
Claim payments	<u>(26,886,614)</u>	<u>(25,629,375)</u>
	<u>\$29,998,915</u>	<u>\$37,267,637</u>
Current portion of insurance reserves	\$ 17,500,717	\$ 24,620,827
Non-current portion of insurance reserves	<u>12,498,198</u>	<u>12,646,810</u>
Total insurance reserves	<u>\$ 29,998,915</u>	<u>\$ 37,267,637</u>

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NOTE 7 LEASING TRANSACTIONS

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

The first lease and leaseback agreement with a third party pertained to certain buses (lot 1, 2, and 3) having an original cost of \$62.2 million has been fully depreciated as of December 31, 2015. 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 \$30.1 million and is reflected in the accompanying December 31, 2015 Statement of Net Position as the current portion of the Capital Lease Obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) having an original cost of \$29.0 million has been fully depreciated as of December 31, 2015. 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 \$38.0 million and is reflected in the accompanying December 31, 2015 Statement of Net Position as the current portion of the Capital Lease Obligation.

2015	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	\$ 32,105,224	\$1,872,846	\$3,909,935	\$ 30,068,135	\$ 1,872,846	\$ 30,068,135
2003 (Buses)	\$ 35,639,900	\$ 2,359,260	\$ -	\$ 37,999,160	\$ 2,359,260	\$ 37,999,160
Total	\$ 67,745,124	\$ 4,232,106	\$ 3,909,935	\$ 68,067,295	\$ 4,232,106	\$ 68,067,295

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NOTE 8 LONG TERM DEBT

On February 24, 2015, Pace issued \$12 million in Special Revenue Bonds through a competitive bid process utilizing the Illinois Finance Authority's direct bank placement program. The bond proceeds are used to finance the conversion of South Division in Markham into a compressed natural gas facility. These revenue bonds are not general obligations of Pace and must be repaid with Pace operating revenue in equal annual principal payments.

State statute limits the amount of debt Pace is allowed, and specifies projects for each bond issuance. Specifically only four specific projects are allowed, with a total limit of \$100 million. The bond issued in 2015 comprises the total bonding authority for one of the four projects.

A requirement of the bond covenant is that Pace deposit \$1.2 million into a reserve account. In addition, Pace is required to make a monthly deposit that represents one-twelfth of the annual principal payment and one-sixth of the semiannual interest payment into a debt service account held at the bond depository bank. Semi-annual interest payments began on June 15, 2015 and the annual principal payment on December 15, 2015.

Revenue bonds currently outstanding as of year ending December 31, 2015 are as follows:

Bond Issuance	Fund Debt Retired By	Beginning Balance	Issuances	Retirements	Ending Balance at 12/31/2015	Due In One Year
Revenue Bond Series of 2015, the South Cook Compressed Natural Gas facility project, authorized issue of \$12,000,000, due in annual installments of \$1,200,000, interest payable June 15 and December 15 at rates ranging from 1.40% to 3.50%, through December 15, 2024	Suburban Services	\$ -	\$ 12,000,000	\$ 1,200,000	\$ 10,800,000	\$ 1,200,000

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(CONTINUED)**

NOTE 8 LONG TERM DEBT (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2015, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,200,000	\$ 283,200	\$ 1,483,200
2017	1,200,000	264,000	1,464,000
2018	1,200,000	241,800	1,441,800
2019	1,200,000	216,000	1,416,000
2020	1,200,000	186,600	1,386,600
2021	1,200,000	154,200	1,354,200
2022	1,200,000	119,400	1,319,400
2023	1,200,000	82,200	1,282,200
2024	1,200,000	42,000	1,242,000
Total	<u>\$ 10,800,000</u>	<u>\$ 1,589,400</u>	<u>\$ 12,389,400</u>

NOTE 9 ADVANCE FROM STATE

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 \$10,415,123 and \$9,937,928, respectively, for this advance for the year ended December 31, 2015 and December 31, 2014.

NOTE 10 NET PENSION OBLIGATION

A Net Pension Asset and Net Pension Obligation are no longer applicable due to the implementation of GASB Statement No. 68 and therefore shows a balance of \$0 for year ending December 31, 2015. The pension liability is now reflected in Net Pension Liability and detailed below in Note 11.

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NOTE 11 PENSION PLANS

Pace participates in two single-employer defined benefit pension plans that are administered through a trust: The Amalgamated Transit Union Local 900 Pension Plan for Pace North Division and the Retirement Plan for Pace West Division Employees. Pace also participates in The Regional Transportation Authority (“RTA”) Pension Plan which is a multiple-employer, defined benefit pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Amalgamated Transit Union Local 900 Pension Plan, the Retirement Plan for Pace West Division Employees and RTA Pension Plan (“the plans”) and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The aggregate amount of pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the North Division and West Division single-employer plans and Pace’s proportionate share for the RTA Pension Plan as of December 31, 2015 are as follows:

	Amalgamated Transit Union Local 900 Pension Plan	Retirement Plan for Pace West Division Employees	The Regional Tranportation Authority (“RTA”) Pension Plan	Total
Net Pension Liability	\$ 1,101,727	\$ 10,516,927	\$ 28,527,177	\$ 40,145,831
Deferred Outflows of Resources related to Pensions	\$ 186,750	\$ 1,413,606	\$ 37,539,913	\$ 39,140,269
Deferred Inflows of Resources related to Pensions	\$ -	\$ -	\$ 1,248,249	\$ 1,248,249
Pension Expense	\$ 1,249,127	\$ 941,740	\$ 5,323,793	\$ 7,514,660

Details regarding each pension plan are outlined in the note disclosures below.

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NOTE 11 PENSION PLANS (Continued)

a. North Division

The Amalgamated Transit Union Local 900 Pension Plan (Plan) is a single-employer defined benefit pension plan covering substantially all union employees of Pace North Division. Wells Fargo Bank, NA is the trustee of the Plan under a contractual agreement with the employer. Wells Fargo holds and manages the assets and maintains all record of the Plan. The Plan is administered by a Pension Committee that reports to the plan trustees and is comprised of a member appointed by the Employer and a member appointed by the Amalgamated Transit Union Local 900. The collective bargaining agreement is approved by the Union and, if ratified, then approved by the Pace Board of Directors. After it is ratified by both parties, a pension plan amendment is prepared and goes to the Plan Trust Committee for vote and approval to enact the plan amendment. The Plan issues a separate financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 500 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130.

All Pace employees who are covered by the collective bargaining agreement are eligible to participate in the Plan upon completing one year of service. Under the collective bargaining agreement, plan participants are required to contribute 4% of their compensation. Such employee contributions are treated as pick-up contributions (pre-tax) under Section 414(h) of the Internal Revenue Code. The Employer also contributes 4% of an employee's compensation to the Plan under the collective bargaining agreement.

The participant's vested interest in his/her employee contribution account balance is 100%. A participant's vested interest in employer contributions is determine in accordance with the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Interest</u>
0 to 4 years	0%
5 or more years	100%

The Plan provides normal early retirement and disability benefits based upon years 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 his vested benefits. An employee may retire after age 55 with 10 years of service and receive reduced benefits. Pension benefit payments are based upon the employee's benefit service and monthly benefit rates. The benefit level based on Employer contributions is \$22 for each year of service. The benefit level based on employee contributions is \$30 for each year of service after December 31, 1997, in which an employee works 1,500 hours or more, and \$22 for each year of service after December 31, 1997, in which an employee works 1,000 to 1,499 hours.

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NOTE 11 PENSION PLANS (Continued)

a. North Division (Continued)

The actuarial valuation report date is December 31, 2014. Measurements as of the reporting date are based on fair value of assets as of December 31, 2014 and the Total Pension Liability as of the valuation date of December 31, 2013, updated to December 31, 2014. The new collective bargaining agreement was ratified between the valuation date and the measurement date, so the update procedures included the valuation of the new benefit provisions, in addition to the inclusion of service cost and interest cost offset by actual benefit payments. The table below shows the changes in Total Pension Liability, the Plan Fiduciary Net Position and the Net Pension Liability during the measurement year based on the measurement date of December 31, 2014.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2014	\$ 4,447,304	\$ 4,465,592	\$ (18,288)
Changes for year:			
Service Cost	133,375	-	133,375
Interest	333,911	-	333,911
Changes of Benefits	1,191,632	-	1,191,632
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	149,926	(149,926)
Contributions - Member	-	149,926	(149,926)
Net Investment Income	-	312,685	(312,685)
Benefit Payments	(123,505)	(123,505)	-
Administrative Expense	-	(73,634)	73,634
Net Changes	<u>1,535,413</u>	<u>415,398</u>	<u>1,120,015</u>
Balances at 12/31/2014	<u>\$ 5,982,717</u>	<u>\$ 4,880,990</u>	<u>\$ 1,101,727</u>

There were no changes in assumptions during the year. Because the beginning and end of the year Total Pension Liability are both based on the same actuarial valuation, there are no differences between expected and actual experience reported this year. Total contributions and investment income exceeded the service cost, interest cost and administrative expenses, resulting in a slight decrease in the Net Pension Liability of \$71,617. However, an increase of \$1,191,632 from benefit changes caused the Net Pension Liability to increase in aggregate by \$1,120,015. A change to the collective bargaining agreement effective January 1, 2014 outlined various benefit changes including an increased multiplier for all service, a 13th check provision and adjusted early retirement requirements. These changes accounted for the increase in Net Pension Liability for Changes in Benefits.

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NOTE 11 PENSION PLANS (Continued)

a. North Division (Continued)

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was a difference between projected and actual investment earnings of \$26,017. Approximately \$5,203 of that difference was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred outflow of resources of \$20,814. The table below summarizes the current balance of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 165,936	\$ -
Differences Between Expected and Actual Experience		
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>20,814</u>	<u>-</u>
Total	<u>\$ 186,750</u>	<u>\$ -</u>

In 2015, there was \$165,936 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2016. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:	
2016	\$ 5,203
2017	5,203
2018	5,203
2019	5,205
2020	-
Thereafter	-

At December 31, 2014 and 2013, the number of participants were:

	<u>2014</u>	<u>2013</u>
Current Employees	83	78
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	32	31
Terminated employees entitle to, but not yet receiving, benefits	<u>22</u>	<u>23</u>
	<u>137</u>	<u>132</u>

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NOTE 11 PENSION PLANS (Continued)

a. North Division (Continued)

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2013, updated to December 31, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value of assets
Amortization Method	Unfunded Actuarial Liability (UAL) is amortized as a level dollar amount over 20-year periods.
Life expectancy	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA
Investment Rate of Return	7.50%
Salary increases	4.00%
Inflation	Included in the salary increases
Retirement Age	Age 65 or age 62 with 30 year of benefit service

Long-term Expected Rate of Return. The long-term expected rate of return is developed through the use of proprietary software designed to simulate and assess potential risk of return characteristics of portfolios. The software is based on a Monte Carlo simulation of macroeconomic factors, which are used to model monthly return outcomes of capital markets. The expected asset return assumption is geometric. Data is simulated on a monthly basis; the simulation is based on historical monthly figures dating back to 1926. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Type and Class	Long-Term Expected Real Rate of Return	Target Allocation
Balanced (Equity/Fixed Income)	7.3%	80.0%
Global Tactical Asset Allocation	7.7%	10.0%
Real Estate	2.6%	10.0%
Cash or Cash Equivalents	0.2%	0.0%

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NOTE 11 PENSION PLANS (Continued)

a. North Division (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Employer, calculated using the discount rate of 7.50%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's Net Pension Liability	\$ 1,754,522	\$ 1,101,727	\$ 544,311

b. West Division

The Retirement Plan for Pace West Division Employees is a single-employer defined benefit pension plan covering substantially all union employees of Pace's West Division. Wells Fargo Bank, NA is the trustee of the Plan under a contractual agreement with the Employer. Wells Fargo holds and manages the assets and maintains all records of the Plan. The Plan is administered by the Retirement Allowance Committee, which is comprised of three members appointed by the Employer, two members appointed by the Amalgamated Transit Union Local 241, and one member who is a non-bargained employee of the Employer. Benefit terms are established and/or amended through the collective bargaining agreement. The collective bargaining agreement is approved by the Union and, if ratified, then approved by the Pace Board of Directors. After it is ratified by both parties, a pension plan amendment is prepared and goes to the Retirement Allowance Committee for vote and approval to enact the plan amendment. The Plan issues a separate financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Pace, 500 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130.

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NOTE 11 PENSION PLANS (Continued)

b. West Division (Continued)

Generally, an employee who is represented by the Amalgamated Transit Union Local No. 241 and is covered for all fringe benefits under the collective bargaining agreement shall become a participant in the Plan as of the first day of employment. Contributions to the Plan by the employer and employees are subject to labor negotiations which consider, among other things, the actuarial valuation of the Plan. The negotiated contract that expired on December 31, 2010, required contribution percentages for the employees of 5.4% of each employee's compensation and an employer contribution of 3.5% of each employee's compensation. These contribution percentages were continued until August 2, 2013, at which time a new labor agreement was approved and retroactively dated back to January 1, 2011. The following represents the required employer and employee contribution percentages under the new agreement:

	<u>Employer</u>	<u>Employee</u>
January 1, 2011 to December 31, 2011	5.5%	5.4%
January 1, 2012 to December 31, 2012	6.0%	5.4%
January 1, 2013 to Current	6.5%	6.5%

Employee contributions are deducted from payroll. Both the employee and employer contributions are to be paid to the trustee monthly.

A participant's vested interest in his/her employee contribution account balance shall at all times be 100%. A participant's vested interest in employer contributions is determined in accordance with the following schedule:

<u>Year of Vesting Service</u>	<u>Vested Interest</u>
0 to 9 years	0%
10 or more years	100%

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NOTE 11 PENSION PLANS (Continued)

b. West Division (Continued)

The normal retirement benefit is 1.85% of compensation for each year of service, but not more than 70% of the average of the employee's highest five plan years of earnings. Under the terms of the Plan, the normal retirement date is the date the participant reaches his/her sixty-fifth (65th) birthday, or the first day of the calendar month following the date on which a participant has completed 25 years of credited service, regardless of age. The Plan also provides for early retirement at reduced benefits for participants with three years of service who have attained age 57. In addition, the Plan provides for death benefits payable to surviving spouses and certain disability benefits.

The actuarial valuation report date is December 31, 2014. Measurements as of the reporting date are based on the fair value of assets as of December 31, 2014, and the Total Pension Liability as of the valuation date of December 31, 2013, updated to December 31, 2014. The table below shows the changes in Total Pension Liability, the Plan Fiduciary Net Position and the Net Pension Liability during the measurement year based on the measurement date of December 31, 2014.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2014	\$ 29,416,269	\$ 19,616,835	\$ 9,799,434
Changes for year:			
Service Cost	752,719	-	752,719
Interest	2,313,170	-	2,313,170
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	790,856	(790,856)
Contributions - Member	-	794,934	(794,934)
Net Investment Income	-	850,200	(850,200)
Benefit Payments	(1,775,689)	(1,775,689)	-
Administrative Expense	-	(87,594)	87,594
Net Changes	<u>1,290,200</u>	<u>572,707</u>	<u>717,493</u>
Balances at 12/31/2014	<u>\$ 30,706,469</u>	<u>\$ 20,189,542</u>	<u>\$ 10,516,927</u>

Beginning of the year measurements are also based on the actuarial valuation as of December 31, 2013. Because the beginning and ending values are based on the same actuarial valuation, no liability gains or losses due to experience are reported this year. In future years, liability gains and losses will be reported reflecting the liability gains and losses between actuarial valuation dates as well as any significant events during the update period.

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NOTE 11 PENSION PLANS (Continued)

b. West Division (Continued)

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was a difference between projected and actual investment earnings of \$708,261. Approximately \$141,652 of that difference was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred outflow of resources of \$566,609. The table below summarizes the current balance of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 846,997	\$ -
Differences Between Expected and Actual Experience	-	-
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	566,609	-
Total	<u>\$ 1,413,606</u>	<u>\$ -</u>

In 2015, there was \$846,997 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2016. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:	
2016	\$ 141,652
2017	141,652
2018	141,652
2019	141,653
2020	-
Thereafter	-

At December 31, 2014 and 2013, the number of participants were:

	<u>2014</u>	<u>2013</u>
Current Employees	217	213
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	180	181
Terminated employees entitled to, but not yet receiving, benefits	<u>40</u>	<u>38</u>
	<u>437</u>	<u>432</u>

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NOTE 11 PENSION PLANS (Continued)

b. West Division (Continued)

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2013, updated to December 31, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Five-year smoothing with asset gains or losses recognized at 20% per year
Amortization Method	Unfunded Actuarial Liability (UAL) is amortized as a level dollar amount over a 30-year period.
Life expectancy	RP-2000 Combined Mortality Table with Blue Collar Adjustment Projected to 2006 using Scale AA
Assumed Rate of Return	8.00% (established by the collective bargaining agreement)
Salary increases	3.50%
Inflation	4.00%
Retirement Age	Age 65 or 25 years of service

Long-term Expected Rate of Return. The long term expected rate of return was determined by establishing best-estimate ranges of expected future real rates of return. Real returns differ from total returns in that real returns are calculated net of plan investment expenses and inflation. Expected real returns are determined using a geometric means assumption for each asset class in which the Plan has exposure. Best estimates of real rates of return for each major asset class, included in the pension plan's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Type and Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity	5.3%	50.0%
Fixed Income	3.8%	41.0%
Cash or Cash Equivalent	0.1%	9.0%

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NOTE 11 PENSION PLANS (Continued)

b. West Division (Continued)

Discount rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that Employer contributions will be made at a rate equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Plan, calculated using the discount rate of 8.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Employer's Net Pension Liability	\$ 13,368,179	\$ 10,516,927	\$ 8,043,305

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan

The Regional Transportation Authority Pension Plan is a cost sharing multiple-employer, defined benefit pension plan. The Plan covers substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (“Metra” and “Pace”, respectively), who are not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors (“RTA Board”). Benefit terms are established and/or amended by approval of the RTA Board of Directors. The Plan issues a separate financial report that includes financial statements and required supplementary information. More information regarding the elements of the Plan’s basic financial statements can be obtained by writing to Pace, 500 West Algonquin Road, Arlington Heights, IL 60005-4412 or by calling (847) 364-8130 to request a copy of the financial report.

Employees are eligible for participation on the first day of the month that coincides with or follows their date of employment. Participants are entitled to annual pension benefits upon normal retirement at age 65, generally a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service. At December 31, 2014 the number of participants were:

	<u>2014</u>
Current Employees:	
Vested	750
Nonvested	306
Retirees, disabled participants and beneficiaries	
of deceased retirees currently receiving benefits	592
Terminated employees entitled to, but not yet receiving, benefits	469
	<u>2,117</u>

The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer. The Plan permits early retirement with reduced benefits at age 55 after completing ten years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as “Rule of Eighty Five Early Retirement”). The Plan provides for benefit payments to beneficiaries subject to the election of the participant. In addition, the lump sum payment form is no longer an optional form of payment for participants that have not earned credited service prior to January 1, 2011. This change did not affect the valuation results. An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Contributions. The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. The pension plan document defines the employers' funding policy as contributions at least equal to an amount determined advisable by the Plan's actuary to maintain the Plan on a sound actuarial basis. For the purpose of determining contributions, the Plan uses an asset smoothing method which smoothes asset gains and losses over a 5-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer. The contribution information for fiscal year 2015 is not available. The calculation of the recommended annual contribution requirements for fiscal year 2014 is as follows:

	Fiscal Year <u>2014</u>
Annual Normal Cost as of Valuation Date	\$ 7,903,021
Normal Cost Expense Load	500,000
Interest on Normal Cost to End of Year	651,234
30-Year Level Dollar Amortization of Unfunded Actuarial Accrued Liability at End of Year	4,634,941
Total Recommended Annual Contribution for the Current Plan Year	\$ 13,689,196
Total Covered Payroll	\$ 74,809,822
Recommended Annual Contribution (as a percentage of pay)	18.299%

The allocation of the recommended annual contribution requirements for fiscal year 2014 is shown below:

	2013 Pensionable Payroll	Allocation Percent		Allocated Recommended Annual Contribution Requirements for for Fiscal Year 2014
Metra	\$ 30,970,263	47.2%	\$	6,466,096
Pace	26,721,754	40.8%		5,579,076
RTA	7,874,280	12.0%		1,644,024
Total	\$ 65,566,297	100.0%	\$	13,689,196

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Net Pension Liability. The table below shows Pace's proportion of the changes in in the collective Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability during the measurement year based on the measurement date of December 31, 2014. Measurements as of the reporting date are based on fair value of assets as of December 31, 2014 and the total pension liability is based on an actuarial valuation performed as of January 1, 2014 with liabilities rolled forward to the measurement date of December 31, 2014.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2014	\$ 105,013,619	\$ 78,678,481	\$ 26,335,138
Changes for year:			
Service Cost	2,561,279	-	2,561,279
Interest	8,001,187	-	8,001,187
Changes of Benefits	-	-	-
Changes of Assumptions	(1,037,246)	-	(1,037,246)
Differences Between Expected and Actual Experience	-	-	-
Changes in Employer Proportionate Share	(517,110)	-	(517,110)
Contributions - Employer	-	5,579,076	(5,579,076)
Net Investment Income	-	1,388,715	(1,388,715)
Benefit Payments	(4,629,874)	(4,629,874)	-
Administrative Expense	-	(151,720)	151,720
Net Changes	<u>4,378,236</u>	<u>2,186,197</u>	<u>2,192,039</u>
Balances at 12/31/2014	<u>\$ 109,391,855</u>	<u>\$ 80,864,678</u>	<u>\$ 28,527,177</u>

The decreases in net investment income in 2014 was the result of downward movement in the securities market. The increase in administrative expenses is due to an increase in the volume of legal services provided to the plan and a 3% increase in investment manager's fee expense. There were no discretionary employer contributions made in 2014.

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Pace's proportion of the collective Net Pension Liability is consistent with the manner in which contributions to the pension plan were determined. The schedule of employer allocations shown below presents the actual fiscal year 2014 contributions used within the proportionate share calculation for each employer and the respective allocation percentage. For purposes of allocating the beginning net pension liability, the Plan utilized contributions reported during fiscal year 2013.

	2014		2013	
	Actual Employer Contribution	Employer Allocation Percentage	Actual Employer Contribution	Employer Allocation Percentage
Metra	\$ 6,466,096	47.2350%	\$ 10,336,575	46.5763%
Pace	5,579,076	40.7553%	9,225,892	41.5716%
RTA	1,644,024	12.0096%	2,630,302	11.8521%
Totals	\$ 13,689,196	100%	\$ 22,192,769	100%

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Deferred Outflows and Inflows. Deferred outflows and inflows of resources can arise from differences between expected and actual experiences, changes in assumptions, differences between projected and actual earnings, changes in the employer's proportion and the difference between the employer's contributions and the employer's proportionate share of contributions as well as contributions made subsequent to the measurement date. The difference between projected and actual earnings on investments is recognized over a period of five years. The net effect of changes in assumptions and the change in the employer proportionate share of contributions are amortized over the average of the expected remaining service lives of all employees. For 2014, this average is 5.0778 years. Contributions made during fiscal year 2015, subsequent to the measurement date of December 31, 2014, totaled \$33,844,343. The table below summarizes Pace's proportionate share of the deferred outflows and deferred inflows of resources that are to be recognized in future pension expenses:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to Measurement Date	\$ 33,844,343	\$ -
Changes in Assumptions	-	832,976
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,695,570	-
Change in Employer Proportionate Share	-	415,273
Total	<u>\$ 37,539,913</u>	<u>\$ 1,248,249</u>

In 2015, there was \$33,844,343 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2016. Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:

2016	\$ 617,784
2017	617,784
2018	617,784
2019	617,784
2020	(23,815)
Thereafter	-

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Five-year smoothed market
Amortization Method	Level dollar closed
Life expectancy	RP2014 Combined Mortality Table
Assumed Rate of Return	7.50%
Salary increases	3.25%
Inflation	2.75%
Retirement Age	First day of the calendar month coinciding with or following a participant's 65 th birthday; or age 55 with 10 years of vesting service.

Discount rate. A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the future expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents Pace's proportionate share of the Plan's collective net pension liability, calculated using a single discount rate of 7.50%, as well as what the proportionate share would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's Net Pension Liability	\$ 40,886,908	\$ 28,527,177	\$ 17,948,092

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NOTE 11 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Long-term Expected Rate of Return. The assumed rate of investment return was adopted by the Plan's trustees after considering input from the Plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2014 and experience study for the period January 1, 2008 through January 1, 2013. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are based on both an arithmetic and geometric means and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the RTA Pension Plan Committee. For each major asset class that is included in the pension plan's target asset allocation as of January 1, 2014, these best estimates are summarized in the following table:

<u>Asset Type and Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Large Cap U.S. Equity	4.37%	15.0%
Small/Mid Cap Equities	4.61%	10.0%
International Equity	4.85%	15.0%
Emerging Market International Equity	6.07%	10.0%
Core Bonds	1.20%	23.5%
Multi-Sector Fixed Income	1.20%	10.0%
Hedge Funds	3.64%	5.0%
Global Asset Allocation	3.98%	5.0%
Real Assets	3.92%	5.0%

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NOTE 12 DEFINED CONTRIBUTIONS PLANS

a. Pace Administrative Defined Benefit 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 2015, Pace contributed \$194,275 and the participants contributed \$1,439,466 which includes \$73,752 contributed to the Roth 401(K).

b. Union 401(K) and Defined Contribution Plans

The operating divisions of the Pace Suburban Bus Division have established 401(K) plans and defined contribution plans through their respective Collective Bargaining Agreements with the bargained for (union) employees at the divisions. Each division contributes a percentage of compensation for each participant as provided in their respective Collective Bargaining Agreement. In some cases, there is a required employee 401(K) contribution pursuant to the Collective Bargaining Agreement. Each 401(K) 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. The plans issue a financial report that includes financial statements and required supplementary information.

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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NOTE 12 DEFINED CONTRIBUTIONS PLANS (Continued)

b. Union 401(K) and Defined Contribution Plans (Continued)

Contributions. 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>
Fox Valley	401(K)	61	4% of Compensation	None	\$118,371	\$85,179
	Defined					
Fox Valley	Contribution	2	4% of Compensation	4% of Compensation	\$2,929	\$2,929
Heritage	401(K)	63	4% of Compensation	4% of Compensation	\$103,170	\$146,627
North Shore	401(K)	48	4% of Compensation	None	\$91,338	\$150,989
Northwest	401(K)	231	4.5% of Compensation	4% of Compensation	\$516,112	\$651,684
River	401(K)	68	4% of Compensation	None	\$132,948	\$155,418
	Defined					
River	Contribution	7	4% of Compensation	4% of Compensation	\$13,726	\$13,730
South	401(K)	208	4% of Compensation	4% of Compensation	\$411,865	\$570,135
Southwest	401(K)	121	4% of Compensation	2% of Compensation	\$172,653	\$168,399

The Fox Valley 401(K) Plan totals include retroactive employer contributions of \$19,141 and retroactive employee contributions of \$14,376 that pertain to settlement of the union contract in 2015.

For the Fox Valley Defined Contribution Plan, Pace will contribute up to 4% of compensation as a matching contribution for participants that were employed as of November 1, 1989. For participants who were employed after this date, there are no matching contributions for this plan.

For the River Defined Contribution Plan, Pace will contribute up to 4% of compensation as a matching contribution for participants who were employed as of December 31, 1991. For participants who were employed after the date, there are no matching contributions for this plan.

The Southwest 401(K) Plan totals include retroactive employer contributions of \$12,865 and retroactive employee contributions of \$11,882 that pertain to settlement of the union contract in 2015.

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NOTE 13 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. West Plan

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's 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.

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, the amount actually contributed to the plan and changes in the net OPEB obligation for the period ending December 31, 2015:

Annual required contribution	\$ 794,118
Interest on net OPEB obligation	119,928
Adjustment to annual required contribution	<u>(124,109)</u>
Annual OPEB cost	789,937
Contributions made	<u>(455,955)</u>
Increase in net OPEB obligation	333,982
Net OPEB obligation - beginning of year	<u>3,997,602</u>
Net OPEB obligation - end of year	<u>\$4,331,584</u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$789,937	57.7%	\$4,331,584
12/31/2014	897,345	47.4%	3,997,602
12/31/2013	877,275	72.7%	3,525,898

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 13 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

Funded Status and Funded Progress. As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability was \$14,241,233 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$14,241,233. The covered payroll (annual payroll of active employees covered by the plan) was \$12,690,112 and the ratio of the UAAL to the covered payroll was 112.2%. 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.

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 retirees' health coverage per the Collective Bargaining Agreement. On August 2, 2013, a new Collective Bargaining Agreement was signed which resulted in an increase to the employer retiree health contribution. Effective the first full pay period after January 1, 2011, the employer contribution increased to 3.5%. 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.

Participation. It is assumed that 100% of all active and retired participants that are eligible will participate in the plan. A list of plan participants as of December 31, 2015 is as follows:

	<u>2015</u>
Actives at Full Attribution Age	5
Actives Not Yet at Full Attribution Age	116
Retirees Receiving Stipends	68
Retirees Receiving Medical Coverage	37
Spouses	<u>3</u>
Total	<u>229</u>

**PACE
THE SUBURBAN BUS DIVISION
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 13 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

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

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a discount rate of 3% 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	7.5%
Retirees Over Age 65	5.0%

Payroll Growth. Salaries were assumed to increase 3.5% annually.

Mortality. Life expectancies were based on RP-2014 Mortality for Males and Females projected generationally using Scale MP-2014.

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

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
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 14 NET POSITION

a. Restricted Net Position

Restricted Net Position represents a legal debt restriction of \$1,200,000 for repayment of the Revenue Bond Series of 2015 that were issued for the South Cook Compressed Natural Gas facility.

b. Unrestricted Net Position

The implementation of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" resulted in a reduction to Unrestricted Net Position. The net pension liability for the North Division, West Division and the RTA Plans were all calculated based on a measurement date of December 31, 2014. The beginning net pension liability as of December 31, 2013 was calculated for each plan and a prior period adjustment was made to record the beginning pension liability, remove the net pension asset/obligation and record prior year deferred contributions. The table below shows the impact on Unrestricted Net Position for each plan.

Net Position as of 12/31/2014	\$ 254,772,613
Prior Period Adjustments to Record Beginning	
Net Pension Liability:	
Amalgamated Transit Union Local 900 Plan (North Division)	(380,456)
Retirement Plan for Pace West Division Employees	(6,917,556)
Regional Transportation Authority Pension Plan (proportionate share of beginning net pension liability)	(20,756,063)
Total Prior Period Adjustments	(28,054,075)
Restated Net Position as of 01/01/2015	\$ 226,718,538

c. Designated Net Position

While net position represent residual equity in addition to investment in capital assets, it is important to note that management has designated a portion of this balance for future commitments. These obligations are not legal restrictions on net position and therefore are not segregated on the statement of net position, but are for future consideration. Refer to Schedule 7 on page 125 for the detail of these designations.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 14 NET POSITION (Continued)

c. Designated Net Position (Continued)

The figures below reflect the Unrestricted Net Position for Suburban Services only.

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Unrestricted Net Position	\$ 55,665,024	\$ 64,923,906
Less: Management Designated Net Position	<u>(27,976,210)</u>	<u>(21,307,043)</u>
Undesignated Unrestricted Net Position	<u>\$ 27,688,814</u>	<u>\$ 43,616,863</u>

d. Working Cash

In order to provide sufficient working cash balances to allow payment of Pace's obligations in a timely manner, in August 2004 the Board of Directors ordained that the amount of Unrestricted Net Position 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.

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Unrestricted Net Position	\$ 55,665,024	\$ 64,923,906
Less: Earnings Retained for Working Cash Purposes	(17,767,844)	(17,180,711)
Less: Management Designated Net Position	<u>(27,976,210)</u>	<u>(21,307,043)</u>
Available Unrestricted Net Position	<u>\$ 9,920,970</u>	<u>\$ 26,436,152</u>

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 15 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for which a separate report is issued.

NOTE 16 PLEDGED REVENUES

Pace has pledged future portions of the Suburban Service Fund's operating revenue to repay the Special Revenue Bonds Series 2015 bonds. Proceeds from the bonds provided financing to convert the South Division location into a compressed natural gas facility. The bonds are payable from 2015 through years ended 2024. If the pledged revenues from these sources are insufficient to provide for the principal and interest payments on the bonds, a debt service reserve fund would be used to make the payments. Annual principal and interest payments on the bonds are expected to require less than 2.5% of the operating revenue. The total principal and interest remaining to be paid on the bonds is \$12,389,400. Principal and interest paid for the current year is \$1,442,500, and the Suburban Service Funds' operating revenue for the current year is \$55,569,605.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
WEST DIVISION RETIREE HEALTH PLAN
SCHEDULE OF FUNDING PROGRESS**

DECEMBER 31, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded (Funded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
01/01/15	\$ -	\$ 14,241,233	\$ 14,241,233	0.00%	\$ 12,690,112	112.22%
01/01/14	-	14,893,808	14,893,808	0.00%	12,048,134	123.62%
01/01/13	-	14,893,808	14,893,808	0.00%	11,252,916	132.36%
01/01/12	-	12,642,476	12,642,476	0.00%	11,313,595	111.75%
01/01/11	-	12,642,476	12,642,476	0.00%	11,467,539	110.25%
01/01/10	-	13,695,661	13,695,661	0.00%	12,187,546	112.37%

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AMALGAMATED TRANSIT UNION LOCAL 900 PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 133,375
Interest	333,911
Changes of benefit terms	1,191,632
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payment, including refunds of employee contributions	<u>(123,505)</u>
Net change in total pension liability	1,535,413
Total pension liability - beginning	<u>4,447,304</u>
Total pension liability - ending (a)	<u><u>\$ 5,982,717</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 149,926
Contributions - employee	149,926
Net investment income	312,685
 Benefit payments, including refunds of employee contributions	(123,505)
Administrative expense	(73,634)
Other	-
Net change in plan fiduciary net position	<u>415,398</u>
Plan fiduciary net position - beginning	<u>4,465,592</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,880,990</u></u>
 Net Pension Liability - ending (a) - (b)	<u><u>\$ 1,101,727</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	81.58%
 Covered-employee payroll	\$ 3,748,150
 Net pension liability as a percentage of covered- employee payroll	29.39%

NOTE: A change in benefits of \$1,191,632 contributed to the increase in Net Pension Liability. A change to the collective bargaining agreement effective January 1, 2014 outlined various benefit changes including an increased multiplier for all service, a 13th check provision and adjusted early retirement requirements. These changes accounted for the increase in Net Pension Liability for Changes in Benefits.

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Since 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN FOR PACE WEST DIVISION EMPLOYEES**

LAST TEN FISCAL YEARS

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 752,719
Interest	2,313,170
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payment, including refunds of employee contributions	<u>(1,775,689)</u>
Net change in total pension liability	1,290,200
Total pension liability - beginning	<u>29,416,269</u>
Total pension liability - ending (a)	<u><u>\$ 30,706,469</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 790,856
Contributions - employee	794,934
Net investment income	850,200
Benefit payments, including refunds of employee contributions	(1,775,689)
Administrative expense	(87,594)
Other	-
Net change in plan fiduciary net position	<u>572,707</u>
Plan fiduciary net position - beginning	<u>19,616,835</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 20,189,542</u></u>
 Net Pension Liability - ending (a) - (b)	<u><u>\$ 10,516,927</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	65.75%
 Covered-employee payroll	\$ 12,349,946
 Net pension liability as a percentage of covered- employee payroll	85.16%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Since 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
RELATED RATIOS**

REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2015</u>
Proportion of the net pension liability (asset)	40.7553%
Proportionate share of the net pension liability (asset)	\$ 28,527,177
Covered-employee payroll	\$ 30,225,262
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.38%
Plan fiduciary net position as a percentage of the total pension liability	73.92%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Since 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
AMALGAMATED TRANSIT UNION LOCAL 900 PENSION PLAN**

LAST TEN FISCAL YEARS

	<u>2014</u>
Actuarially determined contribution	\$ 97,358
Contributions in relation to the actuarially determined contribution	<u>149,926</u>
Contribution deficiency (excess)	<u>\$ (52,568)</u>
Covered-employee payroll	\$ 3,748,150
Contribution as a percentage of covered-employee payroll	4.00%

Notes to Schedule for 2014 Contributions

Valuation Date: January 1, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost
Amortization method	Straight Line
Remaining amortization period	20 years
Asset valuation method	Market
Inflation	Included in salary increases
Salary increases	4.00%
Investment rate of return	7.50%
Retirement age	Age 65 or age 62 with 30 years of benefit service
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA

The contributions in relation to the actuarially determined contribution was \$165,936 in 2015. The other information is not available for 2015.

This schedule is intended to show 10 years of information. Since 2014 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
RETIREMENT PLAN FOR PACE WEST DIVISION EMPLOYEES**

LAST TEN FISCAL YEARS

	<u>2014</u>
Actuarially determined contribution	\$ 813,565
Contributions in relation to the actuarially determined contribution	<u>790,856</u>
Contribution deficiency (excess)	<u>\$ 22,709</u>
Covered-employee payroll	\$ 12,349,946
Contribution as a percentage of covered-employee payroll	6.40%

Notes to Schedule for 2014 Contributions

Valuation Date: January 1, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Straight Line
Remaining amortization period	30 years
Asset valuation method	Smoothed Market Value
Inflation	4%
Salary increases	3.50%
Investment rate of return	8.00%
Retirement age	Age 65
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2006 using Scale AA

The contributions in relation to the actuarially determined contribution was \$846,997 in 2015. The other information is not available for 2015.

This schedule is intended to show 10 years of information. Since 2014 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS**

LAST TEN FISCAL YEARS

	<u>2014</u>
Actuarially determined contribution	\$ 5,579,076
Contributions in relation to the actuarially determined contribution	<u>5,579,076</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 30,225,262
Contribution as a percentage of covered-employee payroll	18.46%

Notes to Schedule for 2014 Contributions

Valuation Date: January 1, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Inflation	2.75%
Salary increases	3.25%
Investment rate of return	7.50%
Retirement age	First day of the calendar month coinciding with or following a participant's 65th birthday; or age 55 with 10 years of vesting service.
Mortality	RP-2014 Mortality Table, sex-distinct, with white collar adjustment, projected to the year 2018 for post-retirement mortality.

The contributions in relation to the actuarially determined contribution was \$33,844,343 in 2015. The other information is not available for 2015.

This schedule is intended to show 10 years of information. Since 2014 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

**THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014**

ASSETS	Suburban Services Fund 2015	Regional ADA Paratransit Services Fund 2015	Total 2015	Unaudited Total 2014
<u>Current Assets</u>				
Cash:				
Cash and Investments	\$ 55,392,201	\$ 40,764,596	\$ 96,156,797	\$ 111,424,794
Restricted Cash	1,201,157	-	1,201,157	-
Cash and Investments	<u>56,593,358</u>	<u>40,764,596</u>	<u>97,357,954</u>	<u>111,424,794</u>
Accounts Receivable:				
Regional Transportation Authority	58,355,507	708,236	59,063,743	44,123,878
Interfund Receivable	2,032,177	-	2,032,177	421,401
Capital Grant Projects-FTA & IDOT	499,258	-	499,258	106,676
Other	5,160,140	2,994,682	8,154,822	10,039,157
Total Accounts Receivable	<u>66,047,082</u>	<u>3,702,918</u>	<u>69,750,000</u>	<u>54,691,112</u>
<u>Other Current Assets</u>				
Prepaid Expenses	1,818,742	75,764	1,894,506	2,063,883
Inventory-Spare Parts	5,750,910	-	5,750,910	5,261,164
Assets Restricted for Repayment of Leasing Commitment - Current	68,067,295	-	68,067,295	3,909,935
Total Other Current Assets	<u>75,636,947</u>	<u>75,764</u>	<u>75,712,711</u>	<u>11,234,982</u>
Total Current Assets	<u>198,277,387</u>	<u>44,543,278</u>	<u>242,820,665</u>	<u>177,350,888</u>
<u>Noncurrent Assets</u>				
Capital Assets not Being Depreciated				
Land	17,366,888	-	17,366,888	17,285,187
Capital Projects in Progress	16,952,783	-	16,952,783	10,678,924
Total Capital Assets not Being Depreciated	<u>34,319,671</u>	<u>-</u>	<u>34,319,671</u>	<u>27,964,111</u>
Capital Assets Being Depreciated, Net				
Equipment	400,539,485	25,688,765	426,228,250	401,812,282
Building and Improvements	171,359,320	-	171,359,320	164,337,441
Less Accumulated Depreciation	<u>(410,191,367)</u>	<u>(16,817,489)</u>	<u>(427,008,856)</u>	<u>(404,265,127)</u>
Total Capital Assets Being Depreciated, Net	<u>161,707,438</u>	<u>8,871,276</u>	<u>170,578,714</u>	<u>161,884,596</u>
<u>Other Noncurrent Assets</u>				
Restricted Cash - Bond Proceeds	8,068,188	-	8,068,188	-
Assets restricted for repayment of leasing commitments - Noncurrent	-	-	-	63,835,189
Net Pension Asset	-	-	-	548,669
Total Other Noncurrent Assets	<u>8,068,188</u>	<u>-</u>	<u>8,068,188</u>	<u>64,383,858</u>
Total Noncurrent Assets	<u>204,095,297</u>	<u>8,871,276</u>	<u>212,966,573</u>	<u>254,232,565</u>
Total Assets	<u>402,372,684</u>	<u>53,414,554</u>	<u>455,787,238</u>	<u>431,583,453</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflow - Pension	<u>37,116,868</u>	<u>2,023,401</u>	<u>39,140,269</u>	<u>-</u>
Total Deferred Outflow of Resources	<u>37,116,868</u>	<u>2,023,401</u>	<u>39,140,269</u>	<u>-</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND (Continued)
DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014

LIABILITIES	Suburban Services Fund 2015	Regional ADA Paratransit Services Fund 2015	Total 2015	Unaudited Total 2014
Current Liabilities				
Accounts Payable:				
Operating	\$ 707,603	\$ 32,705	\$ 740,308	\$ 678,428
Capital	943,746	-	943,746	3,833,656
Accrued Payroll Expenses	9,240,751	146,261	9,387,012	8,867,607
Other Accrued Expenses	10,894,263	41,487,672	52,381,935	37,735,609
Unearned Revenue	2,031,015	1,193,994	3,225,009	1,760,962
Interfund Payable	-	2,032,177	2,032,177	421,401
Bonds Payable - Current	1,200,000	-	1,200,000	-
Current Portion of Insurance Reserves	17,477,187	23,530	17,500,717	24,620,827
Current Portion of Capital Lease Obligation	68,067,295	-	68,067,295	3,909,935
	<u>110,561,860</u>	<u>44,916,339</u>	<u>155,478,199</u>	<u>81,828,425</u>
Total Current Liabilities				
Other Liabilities				
Insurance Reserve, Non-Current Portion	12,498,198	-	12,498,198	12,646,810
Net Pension Obligation	-	-	-	2,091,023
Net Pension Liability	38,608,216	1,537,615	40,145,831	-
Net Other Post Employment Benefits (OPEB) Obligation	4,331,584	-	4,331,584	3,997,602
Advance From State	10,415,123	-	10,415,123	9,937,928
Bonds Payable, Non-Current	9,600,000	-	9,600,000	-
Capital Lease Obligation, Less Current Portion	-	-	-	63,835,189
Other Liabilities	2,133,281	45,445	2,178,726	2,473,863
	<u>77,586,402</u>	<u>1,583,060</u>	<u>79,169,462</u>	<u>94,982,415</u>
Total Other Liabilities				
Total Liabilities	<u>188,148,262</u>	<u>46,499,399</u>	<u>234,647,661</u>	<u>176,810,840</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow - Pension	1,180,969	67,280	1,248,249	-
	<u>1,180,969</u>	<u>67,280</u>	<u>1,248,249</u>	<u>-</u>
Total Deferred Inflow of Resources				
NET POSITION				
Net Investment in Capital Assets	193,295,297	8,871,276	202,166,573	189,848,707
Restricted for Bond Repayment	1,200,000	-	1,200,000	-
Unrestricted	55,665,024	-	55,665,024	64,923,906
	<u>\$ 250,160,321</u>	<u>\$ 8,871,276</u>	<u>\$ 259,031,597</u>	<u>\$ 254,772,613</u>
Total Net Position				

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PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION BY FUND FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	Suburban Services Fund 2015	Regional ADA Paratransit Services Fund 2015	Total 2015	Unaudited Total 2014
Operating Revenue				
Pace-owned service revenue	\$ 32,197,304	\$ -	\$ 32,197,304	\$ 32,327,470
CMAQ/JARC Services	688,967	-	688,967	424,192
Fixed route carrier revenue	3,337,954	-	3,337,954	3,412,753
Paratransit revenue	11,396,109	10,809,567	22,205,676	22,693,571
Vanpool revenue	4,035,025	-	4,035,025	4,189,130
Reduced fare reimbursement	162,469	-	162,469	3,241,648
Advertising revenue	3,105,226	-	3,105,226	4,534,233
Miscellaneous	646,551	5,659,636	6,306,187	4,845,714
Total Operating Revenue	<u>55,569,605</u>	<u>16,469,203</u>	<u>72,038,808</u>	<u>75,668,711</u>
Operating expenses:				
Pace-owned service expenses	86,388,267	-	86,388,267	83,705,687
CMAQ/JARC expenses	2,692,441	-	2,692,441	2,968,329
Contract Payments:				
Fixed route carriers	10,045,768	-	10,045,768	9,848,158
Paratransit carriers	18,819,878	140,648,486	159,468,364	158,734,067
Vanpool expenses	3,486,354	-	3,486,354	4,365,908
Centralized operations	51,303,436	3,059,522	54,362,958	71,124,251
Administrative expenses	29,639,177	6,632,602	36,271,779	36,285,585
Depreciation	37,661,832	2,854,661	40,516,493	46,942,530
Indirect overhead allocation	(4,475,818)	4,475,818	-	-
Total Operating Expenses	<u>235,561,335</u>	<u>157,671,089</u>	<u>393,232,424</u>	<u>413,974,515</u>
Operating Income (Loss)	<u>(179,991,730)</u>	<u>(141,201,886)</u>	<u>(321,193,616)</u>	<u>(338,305,804)</u>
Non-Operating Revenue (Expenses)				
Retailers' occupation and use tax from RTA (85% Formula)	90,272,781	-	90,272,781	87,298,041
RTA Sales Tax/PTF (PA 95-0708)	33,494,733	-	33,494,733	32,957,499
Regional ADA Paratransit Fund	-	130,980,972	130,980,972	131,661,582
RTA Discretionary Funding	4,602,594	-	4,602,594	3,978,339
ADA State Funding	-	8,394,800	8,394,800	8,500,000
Suburban Community Mobility Fund (SCMF)	23,800,266	-	23,800,266	22,878,795
South Suburban Job Access Fund	7,500,000	-	7,500,000	7,500,000
Innovation Coordination and Enhancement Fund (ICE)	1,847,711	-	1,847,711	-
Federal Operating Grants	3,539,940	-	3,539,940	6,224,430
Interfund Asset Allocation	(10,857,384)	10,857,384	-	-
Interest on Investments	345,577	90,207	435,784	340,606
Interest Expense	(242,500)	-	(242,500)	-
Interest Revenue from Leasing Transaction	4,232,106	-	4,232,106	4,644,052
Interest Expense on Leasing Transaction	(4,232,106)	-	(4,232,106)	(4,644,052)
Total Non-Operating Revenue (Expenses)	<u>154,303,718</u>	<u>150,323,363</u>	<u>304,627,081</u>	<u>301,339,292</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(25,688,012)</u>	<u>9,121,477</u>	<u>(16,566,535)</u>	<u>(36,966,512)</u>
Other Revenues, Expenses, Gains, Losses and Transfers				
Capital Grant Reimbursements	48,879,594	-	48,879,594	51,438,723
Extraordinary ADA Revenue	-	-	-	7,776,815
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>48,879,594</u>	<u>-</u>	<u>48,879,594</u>	<u>59,215,538</u>
Change in Net Position	23,191,582	9,121,477	32,313,059	22,249,026
Beginning Net Position (Restated)	226,968,739	(250,201)	226,718,538	232,523,587
Ending Net Position	<u>\$ 250,160,321</u>	<u>\$ 8,871,276</u>	<u>\$ 259,031,597</u>	<u>\$ 254,772,613</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
Pace-Owned Service Revenue	\$ 32,197,304	\$ 31,434,861	\$ 762,443
CMAQ/JARC Passenger Revenue	688,967	-	688,967
Fixed Route Carrier Revenue	3,337,954	3,881,750	(543,796)
Paratransit Revenue	11,396,109	12,737,627	(1,341,518)
Vanpool Revenue	4,035,025	4,356,434	(321,409)
Reduced Fare Reimbursement	162,469	2,610,000	(2,447,531)
Advertising Revenue	3,105,226	4,672,825	(1,567,599)
Interest on Investments	345,577	241,782	103,795
Miscellaneous/Other Revenue	646,551	1,129,800	(483,249)
Total Operating Revenue	55,915,182	61,065,079	(5,149,897)
<u>Operating Expenses</u>			
Pace-Owned Service Expenses	86,388,267	89,161,732	2,773,465
CMAQ/JARC Expenses	2,692,441	2,133,000	(559,441)
Contract Payments:			
Fixed Route Carriers	10,045,768	11,354,737	1,308,969
Paratransit Carriers	18,819,879	19,751,912	932,033
Vanpool Expenses	3,486,354	5,208,121	1,721,767
Centralized Operations	51,303,436	68,773,997	17,470,561
Interest Expense	242,500	1,475,000	1,232,500
Indirect Overhead Allocation	(4,475,818)	(5,106,936)	(631,118)
Administrative Expenses	29,639,177	29,346,488	(292,689)
Total Operating Expenses	198,142,004	222,098,051	23,956,047
Operating Income (Loss)	(142,226,822)	(161,032,972)	18,806,150
<u>Non-Operating Revenue</u>			
Retailers' occupation and use tax from RTA (85% Formula)	90,272,781	88,813,000	1,459,781
RTA Sales Tax/PTF (PA 95-0708)	33,494,733	32,252,000	1,242,733
RTA Discretionary Funding	4,602,594	4,471,000	131,594
Suburban Community Mobility Fund (SCMF)	23,800,266	23,271,000	529,266
South Suburban Job Access Fund	7,500,000	7,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	1,847,711	3,333,000	(1,485,289)
Federal Operating Grants - Suburban Services	3,539,940	1,392,972	2,146,968
Total Non-Operating Revenue	165,058,025	161,032,972	4,025,053
Increase (Decrease) in Net Position	\$ 22,831,203	\$ -	\$ 22,831,203
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(37,661,832)		
Capital Grant Reimbursements	48,879,594		
Interfund Asset Allocation	(10,857,384)		
Increase (Decrease) in Net Position - GAAP Basis	\$ 23,191,581		

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
ADA Service Revenue	\$ 10,809,567	\$ 10,907,950	\$ (98,383)
Interest on Investments	90,207	-	90,207
Miscellaneous/Other Revenue	5,659,636	3,105,061	2,554,575
Total Operating Revenue	<u>16,559,410</u>	<u>14,013,011</u>	<u>2,546,399</u>
<u>Operating Expenses</u>			
ADA Service Expenses	140,648,485	155,469,921	14,821,436
Centralized Operations	3,059,522	4,172,111	1,112,589
Indirect Overhead Allocation	4,475,818	5,106,936	631,118
Administrative Expenses	6,632,602	7,467,043	834,441
Total Operating Expenses	<u>154,816,427</u>	<u>172,216,011</u>	<u>17,399,584</u>
Operating Income (Loss)	<u>(138,257,017)</u>	<u>(158,203,000)</u>	<u>19,945,983</u>
<u>Non-Operating Revenue</u>			
Regional ADA Paratransit Funding from RTA	130,980,972	149,703,000	(18,722,028)
ADA State Funding	8,394,800	8,500,000	(105,200)
Total Non-Operating Revenue	<u>139,375,772</u>	<u>158,203,000</u>	<u>(18,827,228)</u>
Increase (Decrease) in Net Position	<u>\$ 1,118,755</u>	<u>\$ -</u>	<u>\$ 1,118,755</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(2,854,661)		
Interfund Asset Allocation	10,857,384		
Increase (Decrease) in Net Position - GAAP Basis	<u>\$ 9,121,478</u>		

SECTION THREE - STATISTICAL

Financial Trends

An analysis of Net Position by component and Change in Net Position are presented as an indicator of Pace’s financial performance and to show the overall change in financial position over time. A schedule is also included that details the ratio of working capital to operating expenses.

Net Position by Component	104
Change in Net Position	105
Working Capital Ratio	106

Revenue Capacity

Pace’s primary own-source revenue is system farebox revenue. The fare structure and system ridership both affect the revenue collected each year. Schedules are included that present trends in fares and ridership over the last ten years. The primary source of funding for Pace is sales tax receipts. A schedule is presented showing the trend in sales tax receipts over the past ten years.

Change in Fare Structure	107
System Ridership	108
Sales Tax Collection for the Six County Region	109

Debt Capacity

In 2015, Pace issued \$12 million in Special Revenue Bonds. These revenue bonds are not general obligations of Pace and must be repaid with Pace operating revenue in equal annual principal payments. The schedules include the information regarding outstanding debt, pledged revenue and legal debt margin.

Ratios of Outstanding Debt	110
Pledged-Revenue Coverage	111

SECTION THREE – STATISTICAL (continued)

Demographic and Economic Information

Population growth and personal income trends impact ridership, fare revenues and funding such as sales tax receipts. Also since many riders rely on public transportation to get to and from work, employment throughout the region plays a part in the environment in which Pace operates. Schedules are presented showing trends in population, personal income and unemployment for the last ten years.

Population, Personal Income and Unemployment	112
Principal Employers of the RTA Area	113

Operating Information

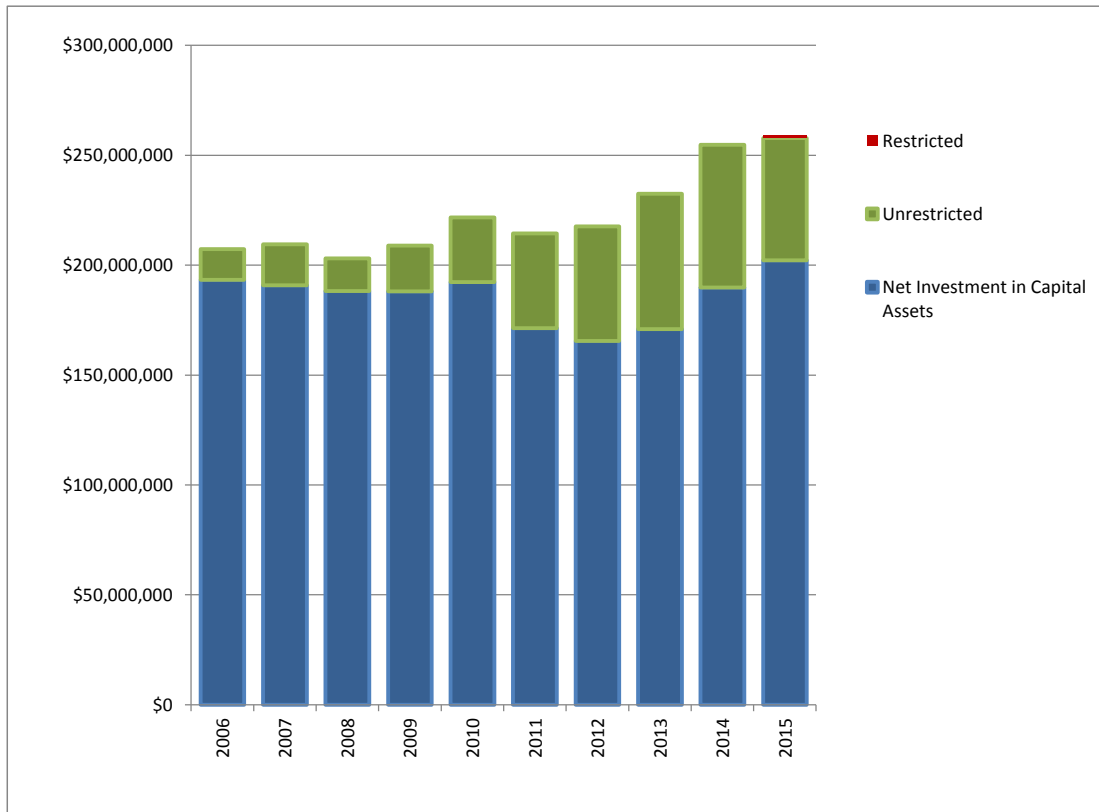
Pace operates bus transportation service over a six county region and within the City of Chicago for ADA Paratransit service. This section provides information in regard to the size and scope of Pace’s operations. The schedules include detailed capital asset and infrastructure information, number of employees and other operating indicators that relate to the service Pace provides.

Capital Assets and Infrastructure Information	114
Full-Time Equivalent Employees by Function/Program.....	115
Operating Indicators.....	116



**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NET POSITION BY COMPONENT
LAST TEN YEARS**

<u>Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2006	\$193,332,039	\$ -	\$13,919,541	\$207,251,580
2007	190,877,021	-	18,634,014	209,511,035
2008	188,268,519	-	14,744,945	203,013,464
2009	188,007,774	-	20,938,344	208,946,118
2010	192,311,667	-	29,435,568	221,747,235
2011	171,290,055	-	43,157,031	214,447,086
2012	165,446,453	-	52,161,234	217,607,687
2013	170,831,448	-	61,692,139	232,523,587
2014	189,848,707	-	64,923,906	254,772,613
2015	202,166,573	1,200,000	55,665,024	259,031,597



Source: Pace Annual Financial Reports

PACE
THE SUBURBAN BUS DIVISION
OF THE OF THE REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN NET POSITION
LAST TEN YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenue										
Pace-owned service revenue	\$24,736,330	\$26,300,141	\$22,051,988	\$25,988,557	\$26,162,982	\$28,191,535	\$28,725,933	\$29,094,500	\$32,327,470	\$32,197,304
CMAQ/JARC Services	123,482	335,124	255,321	395,654	10,209	40,292	86,473	230,763	424,192	688,967
Fixed route carrier revenue	4,748,469	4,793,409	4,700,803	4,656,466	4,066,649	3,692,221	3,014,050	3,294,462	3,412,753	3,337,954
Paratransit revenue	13,956,309	17,172,859	18,354,862	16,143,772	17,979,188	19,978,787	21,761,056	22,409,864	22,693,571	22,205,676
Vanpool revenue	3,192,134	3,420,562	3,809,750	3,845,452	3,578,691	3,675,781	3,926,622	4,158,850	4,189,130	4,035,025
Reduced fare reimbursement	3,027,143	2,704,347	3,089,197	2,350,689	2,415,786	2,571,462	2,628,912	1,977,876	3,241,648	162,469
Advertising revenue	4,334,214	4,572,340	4,666,382	2,630,182	3,930,876	4,355,475	4,483,746	4,503,458	4,534,233	3,105,226
Miscellaneous	1,312,230	1,640,461	1,733,938	2,948,948	3,864,154	6,348,239	4,510,678	4,948,947	4,845,714	6,306,187
Total Operating Revenue	<u>55,430,311</u>	<u>60,939,243</u>	<u>58,662,241</u>	<u>58,959,720</u>	<u>62,008,535</u>	<u>68,853,792</u>	<u>69,137,470</u>	<u>70,618,720</u>	<u>75,668,711</u>	<u>72,038,808</u>
Operating expenses										
Pace-owned service expenses	63,173,992	66,466,694	67,958,454	70,197,738	73,273,066	74,311,676	78,277,509	79,708,876	83,705,687	86,388,267
CMAQ/JARC expenses	533,213	1,488,088	1,779,710	1,890,135	198,665	290,232	911,980	2,034,397	2,968,329	2,692,441
Contract Payments:										
Fixed route carriers	11,941,299	12,960,065	13,251,718	13,262,046	11,639,829	10,584,807	9,060,737	9,470,685	9,848,158	10,045,768
Paratransit carriers	54,422,347	91,228,819	113,512,062	119,465,945	121,511,022	133,160,676	142,641,448	151,287,226	158,734,067	159,468,364
Vanpool expenses	2,761,250	3,271,777	3,925,979	3,374,719	3,655,554	4,529,570	4,745,135	4,669,751	4,365,908	3,486,354
Centralized operations	48,009,071	50,027,473	56,445,920	54,317,776	55,886,171	58,509,532	61,788,712	63,873,741	71,124,251	54,362,958
Administrative expenses	18,376,947	20,564,208	22,557,659	26,601,926	25,125,710	26,404,823	29,908,725	32,915,020	36,285,585	36,271,779
Depreciation	30,289,617	31,492,801	33,185,530	37,446,875	41,712,329	44,356,587	47,778,646	46,402,723	46,942,530	40,516,493
Total Operating Expenses	<u>229,507,736</u>	<u>277,499,925</u>	<u>312,617,032</u>	<u>326,557,160</u>	<u>333,002,346</u>	<u>352,147,903</u>	<u>375,112,892</u>	<u>390,362,419</u>	<u>413,974,515</u>	<u>393,232,424</u>
Operating Income (Loss)	<u>(174,077,425)</u>	<u>(216,560,682)</u>	<u>(253,954,791)</u>	<u>(267,597,440)</u>	<u>(270,993,811)</u>	<u>(283,294,111)</u>	<u>(305,975,422)</u>	<u>(319,743,699)</u>	<u>(338,305,804)</u>	<u>(321,193,616)</u>
Non Operating Revenue										
Sales Tax from RTA (85% Formula)	81,011,516	81,232,272	78,240,000	70,438,841	73,053,667	76,085,053	79,326,746	83,215,418	87,298,041	90,272,781
RTA Sales Tax/PTF (PA 95-0708)	-	2,959,732	13,380,000	28,965,867	29,784,991	31,449,703	31,429,206	31,870,642	32,957,499	33,494,733
Regional ADA Paratransit Fund	16,918,000	74,010,000	100,000,000	91,010,358	94,796,109	99,298,087	113,232,896	125,994,893	131,661,582	130,980,972
RTA Discretionary Funding	570,484	4,000,000	-	4,366,739	-	535,000	5,440,000	3,694,000	3,978,339	4,602,594
Suburban Community Mobility Fund	-	-	20,000,000	18,202,072	18,959,222	19,859,618	20,796,258	21,804,636	22,878,795	23,800,266
South Suburban Job Access Fund	-	-	3,750,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
ADA State Funding	-	2,000,000	-	-	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,394,800
Innovation Coordination and Enhancement Fund	-	-	-	4,136,823	1,431,706	6,586,687	-	-	-	1,847,711
Federal Operating Grants	39,556,501	24,230,107	3,356,770	12,341,970	5,037,856	3,596,665	1,703,169	5,600,465	6,224,430	3,539,940
Interest on Investments	1,602,341	2,230,167	1,235,617	214,343	111,382	129,548	187,728	234,506	340,606	435,784
Interest Expense	-	(207,585)	(150,891)	(58,461)	(21,570)	(7,134)	(344)	-	-	(242,500)
Interest Revenue from Leasing Transaction	6,343,918	6,480,128	5,119,406	5,432,224	5,780,382	6,051,167	6,438,942	6,851,817	4,644,052	4,232,106
Interest Expense on Leasing Transaction	(6,343,918)	(6,480,128)	(5,119,406)	(5,432,224)	(5,780,382)	(6,051,167)	(6,438,942)	(6,851,817)	(4,644,052)	(4,232,106)
Total Non-Operating Revenue (Expense)	<u>139,658,842</u>	<u>190,454,693</u>	<u>219,811,496</u>	<u>237,118,552</u>	<u>239,153,363</u>	<u>253,533,227</u>	<u>268,115,659</u>	<u>288,414,560</u>	<u>301,339,292</u>	<u>304,627,081</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(34,418,583)</u>	<u>(26,105,989)</u>	<u>(34,143,295)</u>	<u>(30,478,888)</u>	<u>(31,840,448)</u>	<u>(29,760,884)</u>	<u>(37,859,763)</u>	<u>(31,329,139)</u>	<u>(36,966,512)</u>	<u>(16,566,535)</u>
Other Revenues, Expenses, Gains, Losses and Transfers										
Capital Grant Reimbursements	35,337,476	28,365,444	27,645,724	36,411,542	44,641,565	22,460,735	41,020,364	46,245,039	51,438,723	48,879,594
Extraordinary ADA Revenue	-	-	-	-	-	-	-	-	7,776,815	-
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>35,337,476</u>	<u>28,365,444</u>	<u>27,645,724</u>	<u>36,411,542</u>	<u>44,641,565</u>	<u>22,460,735</u>	<u>41,020,364</u>	<u>46,245,039</u>	<u>59,215,538</u>	<u>48,879,594</u>
Net Change in Net Position	<u>918,893</u>	<u>2,259,455</u>	<u>(6,497,571)</u>	<u>5,932,654</u>	<u>12,801,117</u>	<u>(7,300,149)</u>	<u>3,160,601</u>	<u>14,915,900</u>	<u>22,249,026</u>	<u>32,313,059</u>
Beginning Net Position	<u>206,332,687</u>	<u>207,251,580</u>	<u>209,511,035</u>	<u>203,013,464</u>	<u>208,946,118</u>	<u>221,747,235</u>	<u>214,447,086</u>	<u>217,607,687</u>	<u>232,523,587</u>	<u>226,718,538</u>
Ending Net Position	<u>\$ 207,251,580</u>	<u>\$ 209,511,035</u>	<u>\$ 203,013,464</u>	<u>\$ 208,946,118</u>	<u>\$ 221,747,235</u>	<u>\$ 214,447,086</u>	<u>\$ 217,607,687</u>	<u>\$ 232,523,587</u>	<u>\$ 254,772,613</u>	<u>\$ 259,031,597</u>

Source: Pace Annual Financial Reports

Note: The implementation of GASB 68 in 2015 resulted in a restated Beginning Unrestricted Net Position that was reduced \$28,054,075.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
WORKING CAPITAL RATIO
LAST TEN YEARS**

	Current Assets <u>(in thousands)</u>	Current Liabilities <u>(in thousands)</u>	Working Capital <u>(in thousands)</u>	Operating Expenses <u>(in thousands)</u>	Ratio of Working Capital to Operating Expenses
2006	107,178	72,622	34,556	155,190	22.3%
2007	86,481	35,805	50,676	162,510	31.2%
2008	83,496	37,763	45,733	171,956	26.6%
2009	89,869	38,260	51,609	174,415	29.6%
2010	101,187	36,936	64,251	176,249	36.5%
2011	116,542	36,369	80,173	179,690	44.6%
2012	132,315	41,955	90,360	190,322	47.5%
2013	196,217	95,391	100,826	195,832	51.5%
2014	149,393	53,915	95,478	209,951	45.5%
2015	198,277	110,562	87,715	198,142	44.3%

Source: Pace Annual Financial Reports

Note: The GFOA defines working capital for enterprise funds as current assets less current liabilities. The GFOA recommends larger governments operate with at least two months of working capital equivalence of operating expenses, or a ratio of 17% of working capital to operating expenses.

Note: In 2006 Pace assumed the operations of the Chicago ADA services, however, did not create a separate fund to account for the Chicago ADA services until 2007. The 2006 information includes ADA services.

Note: Operating expenses exclude depreciation expense. Refer to Exhibit 3A on page 100.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN FARE STRUCTURE
CURRENT AND NINE YEARS AGO**

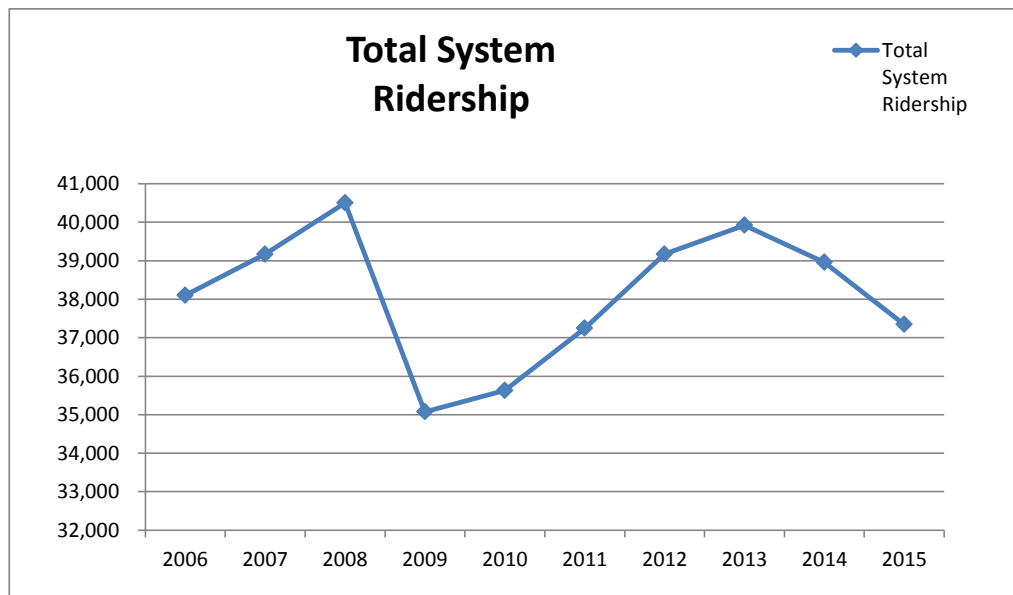
Fare Type	Effective <u>12/31/2015</u>		Effective <u>12/31/2006</u>	
	Full	Reduced	Full	Reduced
Basic Fare	\$1.75	\$0.85	\$1.50	\$0.75
Local Fare	-	-	\$1.25	\$0.60
Premium Fare	\$4.00	\$2.00		
Pace 30 Day Pass	\$60.00	\$30.00	\$50.00	\$25.00
Pace Premium 30 Day Pass	\$140.00	\$70.00	-	-
CTA/Pace 30 Day Pass	\$100.00	\$50.00	\$75.00	\$35.00
CTA/Pace 7 Day Pass	\$33.00	-		
10 Ride Plus Regular Ticket	-	-	\$15.00	\$7.50
10 Ride Plus Local Ticket	-	-	\$12.50	\$6.00
10 Ride Plus Premium Ticket	-	-	\$30.00	\$15.00
Link-up Pass	\$55.00	-	\$36.00	-
Plus Bus Pass	\$30.00	-	\$30.00	-
ADA Paratransit Regular Service Ticket	\$3.00	-	\$3.00	-
ADA Paratransit Local Service Ticket	-	-	\$2.50	-
Taxi Access Program - City of Chicago	\$5.00	-	\$1.75	-
Student Haul Pass	-	-	\$0.00	\$25.00
Student Summer Pass (valid June - August)	\$45.00	-	\$40.00	-

Source: Pace Fare Schedules

Note: Vanpool fares vary based on distance and the number of riders in the vanpool and are not included in the above schedule.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SYSTEM RIDERSHIP
(in thousands)
LAST TEN YEARS**

Year	Fixed Route	Dial A Ride	Vanpool	Total Suburban Services	Regional ADA Paratransit	Total System Ridership
2006	33,642	1,145	1,718	36,505	1,598	38,103
2007	33,542	1,126	1,877	36,545	2,624	39,169
2008	34,655	1,103	2,021	37,779	2,727	40,506
2009	29,247	1,230	1,810	32,287	2,790	35,077
2010	29,292	1,273	1,751	32,316	3,310	35,626
2011	30,630	1,293	1,778	33,701	3,546	37,247
2012	32,151	1,280	1,962	35,393	3,776	39,169
2013	32,513	1,418	2,004	35,935	3,989	39,924
2014	31,686	989	2,156	34,831	4,127	38,958
2015	30,118	938	2,060	33,116	4,227	37,343



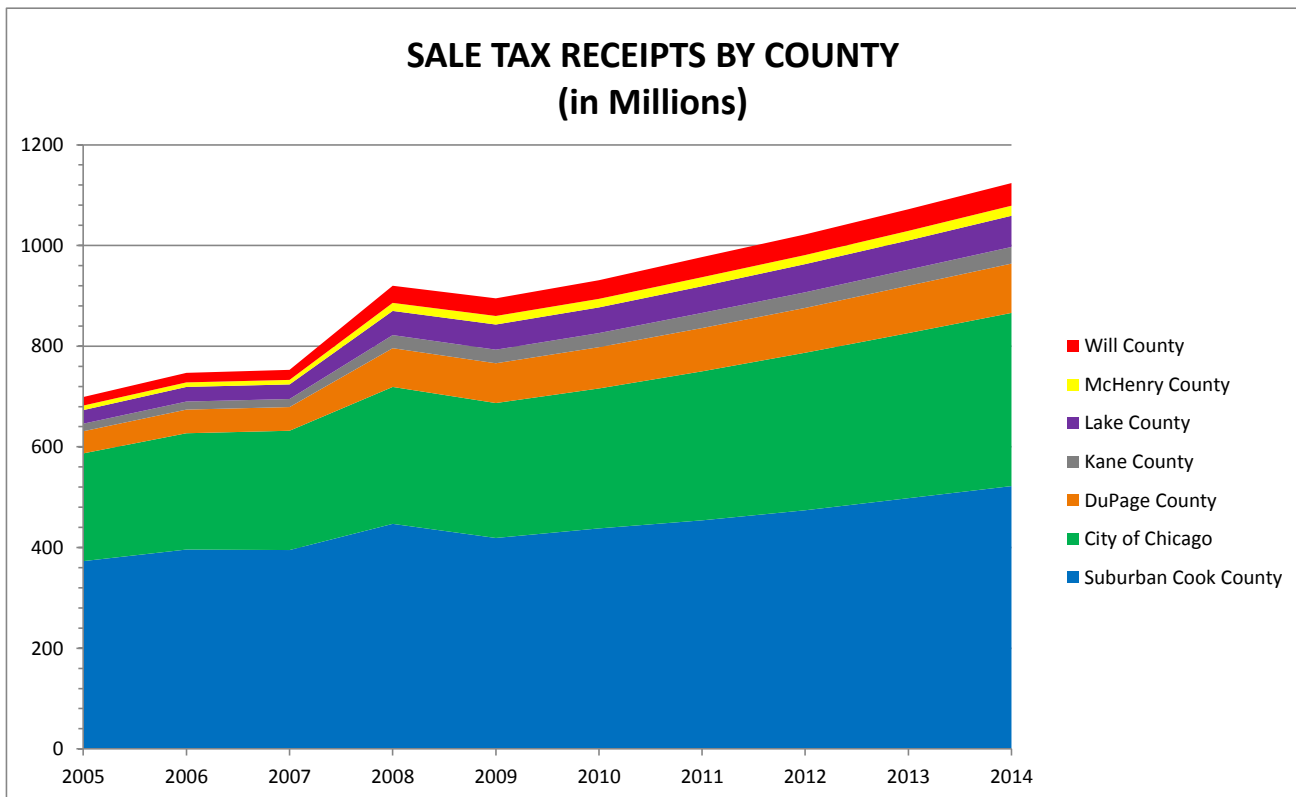
Source: Pace Budget and Ridership Reports

Note: Pace assumed City of Chicago ADA service in July 2006.

Note: Beginning in 2010, ADA includes companions and personal care attendants.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SALES TAX COLLECTIONS FOR THE SIX COUNTY REGION
(In Millions)
LAST TEN YEARS**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Chicago	\$ 214	\$ 231	\$ 237	\$ 272	\$ 268	\$ 278	\$ 296	\$ 313	\$ 328	\$ 344
Suburban Cook Count	373	396	395	447	419	438	454	474	498	522
DuPage County	44	47	47	77	79	82	86	89	94	98
Kane County	15	16	16	26	27	28	30	31	32	33
Lake County	27	29	29	48	50	51	53	56	58	62
McHenry County	9	9	9	16	17	17	18	18	19	20
Will County	17	19	20	34	35	37	40	41	43	45
Total	\$ 699	\$ 747	\$ 753	\$ 920	\$ 895	\$ 931	\$ 977	\$ 1,022	\$ 1,072	\$ 1,124



Source: RTA 2014 CAFR

Note: The Sales Tax Rate changed on April 1, 2008

Note: Actual data for 2015 was not available

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
RATIOS OF OUTSTANDING DEBT
LAST TEN YEARS**

<u>Year</u>	<u>ANNUAL DEBT SERVICE</u>	<u>OUTSTANDING SPECIAL REVENUE BONDS</u>	<u>PERCENTAGE OF OPERATING REVENUES</u>	<u>DEBT PER RIDER</u>
2006	\$ -	\$ -	-	\$ -
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	1,442,500	10,800,000	15.0%	0.29

Note: Details regarding Pace's outstanding debt can be found on page 61 of the notes to the financial statements.
 Ridership totals can be found on Table 5 in the Statistical Section.
 Operating Revenues can be found on Statement 2.
 Per capital and personal income data is not available for 2015.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
PLEDGED REVENUE COVERAGE
LAST TEN YEARS**

Year	SUBURBAN SERVICES FUND OPERATING REVENUE	PRINCIPAL	INTEREST	COVERAGE
2006	\$ 51,639,507	\$ -	\$ -	N/A
2007	53,992,760	-	-	N/A
2008	50,727,080	-	-	N/A
2009	50,417,028	-	-	N/A
2010	51,467,273	-	-	N/A
2011	55,091,642	-	-	N/A
2012	56,297,363	-	-	N/A
2013	56,985,795	-	-	N/A
2014	61,475,908	-	-	N/A
2015	55,569,605	1,200,000	242,500	2.6%

Note: Details regarding Pace's outstanding debt can be found on page 61 of the notes to the financial statements.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
POPULATION, PERSONAL INCOME AND UNEMPLOYMENT
LAST TEN YEARS**

Year	Six County Population	Personal Income (in billions)	Per Capita Personal Income	Six County Average Unemployment Rate
2005	8,200,686	342,479	41,769	5.9%
2006	8,200,659	367,003	44,761	4.5%
2007	8,219,573	386,897	47,080	4.9%
2008	8,252,073	393,609	47,708	6.2%
2009	8,289,812	374,882	45,229	10.0%
2010	8,316,650	379,479	45,578	10.4%
2011	8,345,262	397,122	47,565	9.9%
2012	8,372,591	415,326	49,595	8.7%
2013	8,397,509	422,662	50,379	9.1%
2014	8,404,358	438,734	52,203	7.0%

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Dept. of Commerce
Illinois Department of Employment Security, Local Area Unemployment Statistics
United States Census Bureau, Population Estimates by County

Note: Data for 2015 was not available.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS OF THE RTA AREA
CURRENT AND NINE YEARS AGO**

Employer	2015			2006		
	No. of Employees	Rank	Percentage of Total RTA Area Employment	No. of Employees	Rank	Percentage of Total RTA Area Employment
US Government	42,887	1	0.99%	54,448	1	1.32%
Chicago Public Schools	37,406	2	0.86%	49,504	3	1.20%
City of Chicago	30,276	3	0.70%	51,336	2	1.25%
Cook County	21,795	4	0.50%			
Advocate Heath Care	18,308	5	0.42%	13,890	9	0.34%
University of Chicago	16,197	6	0.37%			
Northwest Memorial Healthcare	15,317	7	0.35%			
State of Illinois	15,136	8	0.35%	21,081	6	0.51%
JP Morgan Chase & Co.	14,158	9	0.33%			
United Continental Holding, Inc.	14,000	10	0.32%			
Jewel/Osco				27,846	4	0.68%
United Parcel Services				24,872	5	0.60%
Motorola				19,388	7	0.47%
Aramark Serivces				14,137	8	0.34%
Sears, Roebuck & Co.				13,114	10	0.32%

Source: Crain's Chicago Business Annual List of Largest Employers
Illinois Department of Employment Security, Local Area Unemployment Statistics

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
CAPITAL ASSETS AND INFRASTRUCTURE INFORMATION
CURRENT DATA**

PACE ROLLING STOCK - ACTIVE FLEET															
<u>Fixed Route (Fully Accessible)</u>				<u>Paratransit (Fully Accessible)</u>				<u>Vanpool</u>				<u>Community Transit Vehicles</u>			
Manufacturer	Number of Vehicles	Year	Age	Manufacturer	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age
Chance Trolleys	6	2000	15	Eldorado Buses 23'	15	2008	7								
Orion I 40'	59	2000	15	Eldorado Vans 19'	10	2009	6	Vans	2	2001	14	Champion Crusader	26	2008	7
Orion I 40'	54	2001	14	Eldorado Buses 23'	19	2009	6	Vans	2	2002	13	Champion Crusader	23	2009	6
MCI 40'	8	2002	13	Eldorado Vans 19'	34	2010	5	Vans	20	2003	12	Vans	4	2012	3
Nabi 35'	77	2003	12	Eldorado Buses 23'	170	2010	5	Vans	6	2004	11	Vans	36	2013	2
Nabi 40'	96	2003	12	Eldorado Buses 25'	157	2014	1	Vans	27	2005	10	Champion Crusader	8	2015	0
Orion 40'	6	2004	11	Champion Buses 19'	98	2014	1	Vans	62	2006	9				
Nabi 40'	59	2005	10					Vans	52	2007	8				
ElDorado 30'	102	2006	9					Vans	18	2008	7				
ElDorado 30'	38	2008	7					Vans	64	2009	6				
ElDorado 32'	0	2008	7					Vans	82	2010	5				
ElDorado 30'	25	2009	6					Vans	62	2011	4				
ElDorado 30'	58	2010	5					Vans	113	2012	3				
Orion Hybrid 30'	2	2011	4					Vans	269	2013	2				
ElDorado 30'	4	2011	4												
ElDorado 40'	77	2013	2												
MCI 40'	13	2014	1												
EdDorado 40'	36	2015	0												
Total	720			Total	503			Total	779			Total	97		
Average Age	8.9			Average Age	3.1			Average	4.7			Average Age	4.2		

Facilities	
Park -N- Rides	9
Transportation Cente	8
Transfer Facilities	2
Operating Garages	9

Source: Pace 2016 Operating and Capital Program

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS**

	<u>General Administration</u>	<u>Regional ADA Paratransit</u>	<u>Vehicle Operations</u>	<u>Vehicle Maintenance</u>	<u>Non-Vehicle Maintenance</u>	<u>Total FTE</u>
2006	194	10	938	256	24	1,422
2007	200	37	947	242	23	1,449
2008	200	37	947	242	23	1,449
2009	206	36	956	243	23	1,464
2010	206	36	943	244	23	1,452
2011	206	36	943	244	23	1,452
2012	219	35	971	247	23	1,495
2013	231	35	994	248	25	1,533
2014	239	35	992	277	25	1,568
2015	239	34	1,026	277	25	1,601

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
OPERATING INDICATORS
LAST TEN YEARS**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fixed Route Service										
Number of Fixed Routes	233	232	220	213	194	194	194	199	195	209
Number of Accessible Routes	233	233	220	213	194	194	194	199	195	209
Number of Private Contractors	4	4	3	4	4	3	3	3	2	2
Number of Municipal Contractors	2	2	2	2	2	3	3	3	2	2
Paratransit										
Number of Communities Served	210	210	210	210	210	210	210	210	210	210
Number of Local Dial-a-Ride (DAR) Projects	62	62	65	65	66	68	68	68	68	67
Vanpool										
Vehicles in Service	628	673	695	690	673	708	738	781	785	767
Vehicle Miles (000's)										
Fixed Route	24,297	24,509	24,906	24,893	24,167	23,704	24,144	24,330	25,229	25,983
DAR/Ride DuPage/Kane	4,051	4,000	4,061	5,007	5,225	5,357	5,579	5,863	5,790	5,819
Vanpool	10,631	11,500	12,679	11,842	11,295	11,732	12,662	13,129	13,422	12,537
Regional ADA Paratransit *	4,477	4,719	4,974	23,517	23,298	27,581	29,779	30,815	32,768	35,960
Vehicle Hours (000's)										
Fixed Route	1,623	1,629	1,656	1,658	1,614	1,581	1,602	1,623	1,669	1,707
DAR/Ride DuPage/Kane	281	280	286	274	278	285	299	307	304	314
Regional ADA Paratransit **	308	319	1,336	1,651	1,634	1,895	1,900	1,998	2,212	2,346

Source: Pace Budgets

* Note: Beginning in 2009, vehicle miles include ADA for Chicago ADA

** Note: Beginning in 2008, vehicle hours include ADA for Chicago ADA

SECTION FOUR – OTHER INFORMATION

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Schedule of Farebox Recovery Ratio – Regional ADA
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Combining Schedule of Fixed Route Carrier Financial
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PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2015

REVENUE	
Pace-Owned Service Revenue	\$ 32,197,304
CMAQ/JARC Passenger Revenue	688,967
Fixed Route Carrier Revenue	3,337,954
Paratransit Revenue	11,396,109
Van Pool Revenue	4,035,025
Reduced Fare Reimbursement	162,469
Advertising Revenue	3,105,226
Interest on Investments	345,577
Miscellaneous	646,551
** Not-For-Profit Service Providers Revenue	4,790,465
Total System Generated Revenue	\$ 60,705,647
OPERATING EXPENSES	
Pace-Owned Service Expenses	\$ 86,388,267
CMAQ/JARC Expenses	2,692,441
Contract Payments:	
Fixed Route Carriers	10,045,768
Paratransit Carriers	18,819,879
Van Pool Expenses	3,486,354
Centralized Operations	51,303,436
Administrative Expenses	29,639,177
Indirect Overhead Allocation	(4,475,818)
** Not-For-Profit Service Providers Expense	4,790,465
Total Operating Expenses	\$ 202,689,969
FAREBOX RECOVERY RATIO	30.0%

**Pace has a relationship with entities involved in the Advantage Program in which Pace leases a vehicle to that entity in order to provide public transportation. Consistent with the opinion of the RTA, revenues and expenses incurred by such entities can be included in the computing the percentage of costs covered by revenues ("recovery ratio"). For 2015, Pace has included \$4,790,465 of revenues and expenses incurred by these entities in providing public transportation.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF FAREBOX RECOVERY RATIO
FOR THE YEAR ENDED DECEMBER 31, 2015**

REVENUE	
ADA Services Revenue	\$ 10,809,567
Interest on Investments	90,207
Miscellaneous	5,659,636
Total System Generated Revenue	\$ 16,559,410
OPERATING EXPENSES	
ADA Services Expenses	\$ 140,648,485
Centralized Operations	3,059,522
Administrative Expenses	6,632,602
Indirect Overhead Allocation	4,475,818
Total Operating Expenses	\$ 154,816,427
FAREBOX RECOVERY RATIO	10.7%

**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, 2015**

	<u>Direct Expense</u>	<u>Total Centralized Expense</u>	<u>PACE Funding</u>	<u>Net Passenger Revenue</u>	<u>Public Funding</u>
City of Highland Park	\$ 1,341,482	\$ 122,258	\$ 1,463,740	\$ 609,568	\$ 854,172
Village of Niles	1,455,628	106,852	1,562,480	524,481	1,037,999
Village of Schaumburg	359,759	29,488	389,247	278,946	110,301
	<u>3,156,869</u>	<u>258,598</u>	<u>3,415,467</u>	<u>1,412,995</u>	<u>2,002,472</u>
TOTAL	<u>\$ 3,156,869</u>	<u>\$ 258,598</u>	<u>\$ 3,415,467</u>	<u>\$ 1,412,995</u>	<u>\$ 2,002,472</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, 2015**

<u>Regular Fixed Route</u>	<u>Operating Expenses</u>	<u>Passenger Revenue</u>	<u>Net Expenses</u>
First Student	\$ 3,984,108	\$ 1,131,069	\$ 2,853,039
First Transit	657,868	116,747	541,121
MV Transportation	<u>2,246,923</u>	<u>677,143</u>	<u>1,569,780</u>
 TOTALS	 <u><u>\$ 6,888,899</u></u>	 <u><u>\$ 1,924,959</u></u>	 <u><u>\$ 4,963,940</u></u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF
PARATRANSIT MUNICIPAL - CARRIER EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>CARRIER</u>	<u>TOTAL</u> <u>REVENUE</u>	<u>TOTAL</u> <u>EXPENSE</u>	<u>OPERATING</u> <u>DEFICIT</u>	<u>PACE</u> <u>ASSISTANCE</u>	<u>NON-PACE</u> <u>ASSISTANCE</u>
Bensenville	\$ 20,985	\$ 263,602	\$ 242,617	\$ 51,072	\$ 191,545
Bloom	18,515	285,481	266,966	46,707	220,259
Crestwood	5,268	88,333	83,065	15,849	67,216
Forest Park	23,872	114,194	90,322	67,742	22,580
Fox Lake/Grant	382	1,235	853	426	427
Harvard	479	3,687	3,208	1,203	2,005
Lemont	7,915	81,528	73,613	13,560	60,053
Lyons	10,348	316,311	305,963	30,867	275,096
Norridge	7,708	137,682	129,974	18,195	111,779
Oak Park	40,065	367,371	327,306	116,031	211,275
Orland Park	18,526	235,599	217,073	26,190	190,883
Palatine	19,906	206,250	186,344	23,817	162,527
Palos Hills	7,824	60,666	52,842	11,148	41,694
Park Forest	20,876	107,486	86,610	46,908	39,702
Rich Township	40,152	633,502	593,350	47,649	545,701
Schaumburg	103,780	1,153,433	1,049,653	193,047	856,606
Stickney	22,749	251,286	228,537	60,405	168,132
Tinley Park	8,779	85,301	76,522	23,370	53,152
Vernon Township	3,467	132,248	128,781	10,113	118,668
Washington Township	5,892	49,211	43,319	6,033	37,286
Worth	9,460	252,607	243,147	26,685	216,462
Total	\$ 396,948	\$ 4,827,013	\$ 4,430,065	\$ 837,017	\$ 3,593,048

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, 2015

<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Non - Pace Assistance</u>	<u>Net Contract Cost</u>
Bloomington Township	\$ 318,370	\$ 28,797	\$ 88,512	\$ 201,061
Call Centers	731,108	-	-	731,108
Call in Rides	1,296,320	100,981	-	1,195,339
Central Lake	105,822	8,849	27,182	69,791
Central Will	576,175	62,970	140,934	372,271
Community Service Transit	50,271	103,261	-	(52,990)
Downers Grove	104,684	25,515	23,652	55,517
DuPage County	14,569	2,300	-	12,269
DuPage Township	130,417	8,421	33,261	88,735
Elk Grove	357,017	15,809	283,436	57,772
Freemont Township	388	17	104	267
Leyden Township	135,924	10,490	104,607	20,827
Marengo	17,870	1,269	-	16,601
McHenry County	440,909	26,172	311,157	103,580
Milton Township	278,058	68,943	6,415	202,700
Naperville/Lisle	1,045,675	220,387	597,593	227,695
Northeast Lake	415,971	24,925	18,945	372,101
Northeast Lake-Zion	72,610	5,715	9,584	57,311
Northwest Kane - Hampshire	18,604	943	4,415	13,246
Northwest Lake	271,379	19,155	-	252,224
Northwest Lake Demo	204,299	33,038	142,668	28,593
North Suburban Cook - Non-ADA	71,115	4,264	29,525	37,326
North Suburban Cook - Trip	235,571	30,525	-	205,046
Pioneer Center	241,212	5,072	-	236,140
Ride DuPage	1,842,574	205,262	934,749	702,563
Ride In Kane	2,762,685	354,531	1,767,698	640,456
Ride McHenry	1,697,316	165,904	896,261	635,151
Shields Township	8,936	1,272	2,188	5,476
South Cook	35,108	-	-	35,108
Southwest Lake-Wauconda	14,057	-	-	14,057
Southwest Will	19,736	1,431	6,337	11,968
TriState Park Shuttle	4,177	-	-	4,177
Village of Skokie/West Cook	171,900	-	144,792	27,108
Wayne Township	59,919	5,548	15,939	38,432
Will County	242,120	20,855	253,539	(32,274)
Total	\$ 13,992,866	\$ 1,562,621	\$ 5,843,493	\$ 6,586,752

**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, 2015**

<u>Project</u>	<u>ADA SERVICES</u>		
	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Net Contract Cost</u>
South Cook	\$ 9,453,613	\$ 868,667	\$ 8,584,946
North Suburban Cook	7,731,594	738,564	6,993,030
West Cook (Suburban)	2,616,042	299,661	2,316,381
North Lake	1,093,058	131,979	961,079
Kane County	695,515	61,671	633,844
Southwest/Central Will	616,662	59,843	556,819
DuPage County	1,841,167	174,000	1,667,167
Chicago ADA	116,600,834	8,475,182	108,125,652
Total	<u>\$ 140,648,485</u>	<u>\$ 10,809,567</u>	<u>\$ 129,838,918</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED
FROM UNRESTRICTED NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014

The Unrestricted Net Position detailed in footnote 14 on page 86 is comprised of the unexpended portion of the accumulated positive budget variance.

	<u>2015</u>	<u>2014</u>
Group I: Approved and Completed	\$ 4,049,301	\$ 5,801,404
Group II: Approved and in Progress		
Headquarters Facility	\$ -	\$ 191,034
Computer Equipment - Multiple projects	2,550,177	1,550,177
Software for Insurance System	30,000	30,000
Facilities Environmental Cleanup	451,171	451,171
Barrington Rd (1-90) BRT Ramp/underpass	2,500,000	2,500,000
I-90 Corridor Infrastructure	1,160,000	-
Milwaukee Ave Infrastructure	800,000	-
Bus Shelters/Pads	1,000,000	1,000,000
Sign & Shelters	20,000	20,000
Sales proceeds designated for Capital Projects	873,092	
A/E for Capital Projects	3,095,960	3,000,000
Land Acquisition - Markham	1,345,796	-
Facilities - NW Land Acq. & Site/Environment Review	6,800,000	6,800,000
Northshore Division Improvements	3,000,000	-
South Div CNG Construction/General Contingency	2,000,000	-
Improvements to Garages - Multiple Years	742,136	591,642
Real Time Next Bus Stop Signs	160,000	-
Real Time Link - Schedules/Next Bus Info	15,300	
Related Capital Projects/Support Services	81,883	137,317
Regional Call Center - Hardware Ph3	-	17,155
Ventra Fare System	10,800,000	10,600,000
Unanticipated Capital - Multiple Years	599,506	1,759,553
Totals Approved and in Progress	<u>38,025,021</u>	<u>28,648,049</u>
Group III: Approved But Not Yet Started		
Bus Stop Improvements	-	15,300
Bus Stop Infrastructure Improvements	1,250,000	-
Computer Equipment	-	1,000,000
Improve Security System - Systemwide	300,000	-
Improvements to Garages	-	130,344
Repl. Northwest Division Garage - Land Acquisition	4,500,000	4,500,000
Real Time Next Bus Stop Signs	-	160,000
Barrington Rd I-90 Pedestrian Bridge	654,000	-
Ventra Fare System - Vending Machines	-	1,200,000
Totals Approved But Not Yet Started	<u>6,704,000</u>	<u>7,005,644</u>
Total Commitments	48,778,322	41,455,097
Previously Recognized Expenditures	<u>(20,802,112)</u>	<u>(20,148,054)</u>
Net Commitments	<u>\$ 27,976,210</u>	<u>\$ 21,307,043</u>