

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



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014



2014 Comprehensive Annual Financial Report

Year Ended December 31, 2014



**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 29, 2015

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, 2014 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, 2014 based on the Single Audit Act of 1996 and the requirements of the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations.

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. In November of 2011, Pace in conjunction with the Illinois Department of Transportation introduced a pilot project for Bus-On-Shoulder express routes that run from Plainfield to downtown Chicago. A premium fare is charged for these routes. The routes were expanded in 2014 to address the increased demand for the service. The service expansion is funded through the Congestion Mitigation Air Quality ("CMAQ") program.

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. In December 2014, the Ride DuPage Dial-A-Ride program celebrated its one millionth ride. The program was developed in 2004 in partnership with DuPage Community Services, the Village of Glen Ellyn, Lisle Township, the City of Naperville, Naperville Township and Pace.

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, CTA assigned to Pace their existing contracts with three private companies to provide ADA service for the City of Chicago. Pace has since contracted with a fourth provider that provides overflow ADA service in the City of Chicago. In addition to the four 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. In 2014, new contracts went into effect for the private carriers that provide ADA service 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. In 2014, Pace continued 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 has nine transportation and transfer centers, eighteen bus turnaround facilities and eight 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 31 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 2014 is detailed on page 25 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 six-county RTA region, which comprises Pace's service area, is the largest component of the Chicago Metropolitan Area. Economic forecasts for 2015 predict the Chicago area economy will improve at a slower rate than the nation as a whole. Crain's Chicago Business reports the Chicago Purchasing Managers Index to be at its strongest level in years, indicating confidence in an expanding economy. The Chicago region's lag in economic recovery stems from its unique mix of business and professional services, which according to the Chicago Federal Reserve, tend to recover slower than other types of business. Furthermore, the area's supplier of electricity, Commonwealth Edison is predicting greater consumption of electricity for 2015, which they say is an indication of consumers' confidence in their economic security.

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. 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.

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. Equipment installed on the buses and at the rail stations allow the rider to tap their Ventra card to pay for their ride. The system reads the fare product or stored value associated with the card and grants access to the bus or rail system. An intergovernmental agreement is in place that outlines the revenue allocation between CTA and Pace for shared passes. Effective July 1, 2014, Pace fully transitioned to the Ventra Fare Payment system and legacy fare cards were no longer accepted. In 2014, it was estimated that approximately 70% of Pace rides are now taken using the Ventra payment system.

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. Transit users will be able to access their account from their smartphone and add passes or stored value to their Ventra card. The app will be available on Apple and Android smartphones and tablets in 2015. The Ventra app will also allow Metra riders to purchase and display their tickets on their smartphone. Later phases in the project include additional account management features and eventually the ability to use a smartphone as a virtual ticket.

Pace continued to expand its Bus-On-Shoulder program. In 2011, legislation was passed to allow Pace to begin a pilot Bus-On-Shoulder program along Interstate 55, an expressway linking the southwest suburbs to Chicago's central business district, the Loop. This program became so popular in the southwest suburbs that service was expanded to meet the growing demand. In 2014, the Illinois General Assembly passed legislation making the Bus on Shoulder pilot project permanent and also included provisions for expansion of the program to other highways and tollways in the region.

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 will begin public outreach for its new Pulse arterial bus rapid transit (“ART”) service. Pulse will offer faster travel times through limited stops, express service and enhanced station design. There are 24 corridors selected for the new Pulse service. The first corridor that will be addressed is Milwaukee Avenue and it will be funded by a federal Congestion Mitigation and Air Quality (“CMAQ”) grant. The Pace Rapid Transit Network, which includes Pulse and expansion of the Bus on Shoulder project, was submitted to the U.S. Department of Transportation in late 2014 for inclusion in the list of Projects of National Regional Significance.

Pace will begin construction on its South Division garage and convert it into a compressed natural gas facility. A bond issuance was completed in early 2015 to fund the cost of this construction.

Finally, Pace will continue to expand its vanpool program and has budgeted funds to replace several fixed route buses, paratransit vehicles and vans.

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, 2013. 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



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

**LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2014**

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 Claar
- Bradley Stephens
- Jeffery D. Schielke
- Aaron T. Shepley
- Christopher S. Canning
- Richard Welton
- Karen Tamley

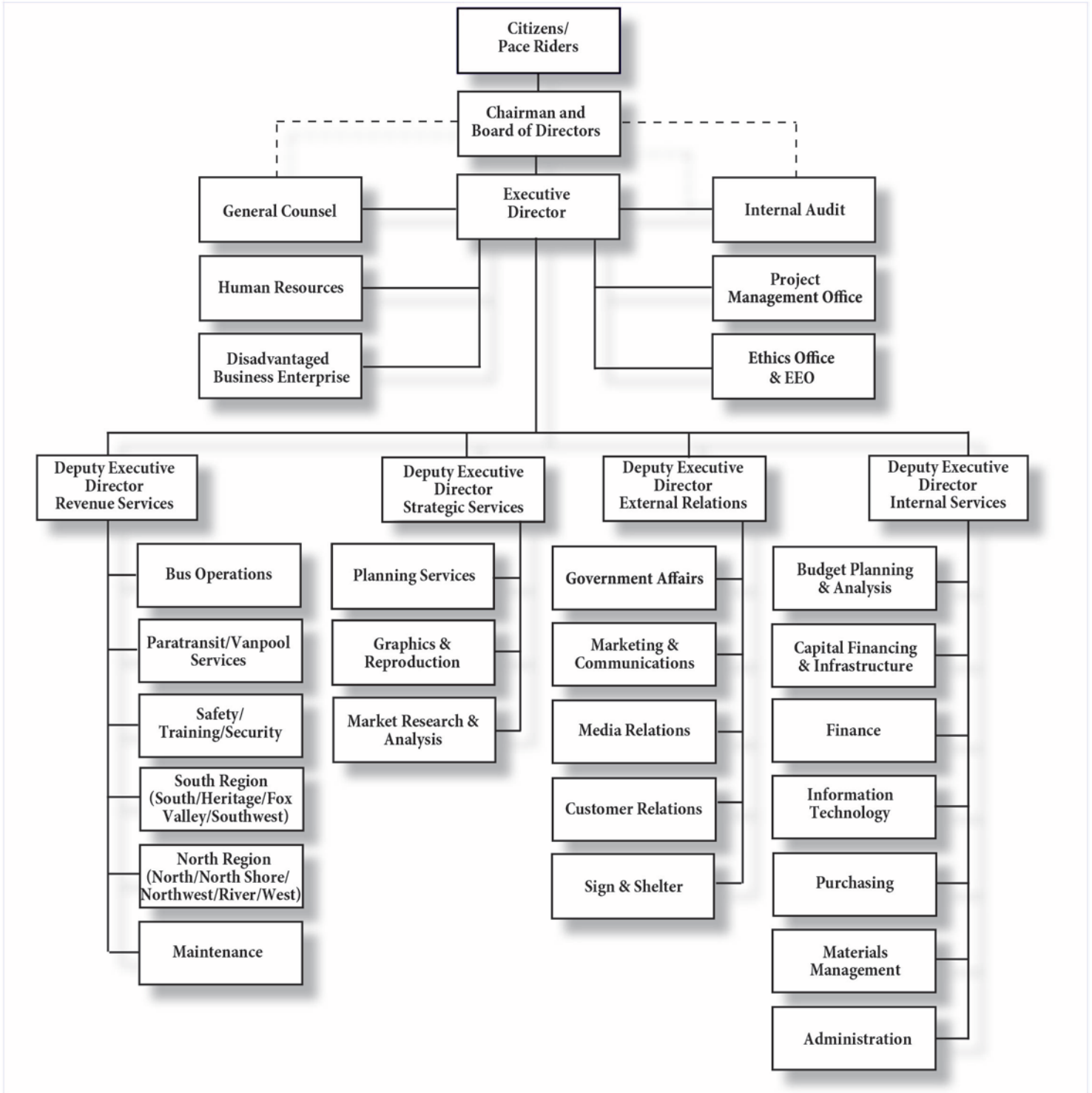
Administration

- 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

Pace
The Suburban Bus Division
Of the Regional Transportation Authority

ORGANIZATIONAL CHART



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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, 2013

Executive Director/CEO

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FINANCIAL SECTION

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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, 2014, 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, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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, 2013, 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 and the Schedule of Funding Progress, 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 74, 75, and 101 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 29, 2015 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 29, 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, 2014

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, 2014. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 34.

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 34 - 39) 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 22. 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 2014 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, 2014

Financial Highlights

- **Net Position increased by \$22.2 million** to \$254.8 million at the end of 2014. Net Position represents Total Assets and Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows of Resources.
- **Total Operating Revenues for 2014 were \$75.7 million** which represented a 7.2% increase from 2013.
- **Non-Operating Revenues increased \$18.1 million** (or 5.4%) to \$352.8 million in 2014.
- **Total Operating Expenses increased by \$23.6 million** (or 6.0%) to \$414.0 million during 2014.
- **Pace met the RTA mandated recovery ratio of 30.0%** for Suburban Services during 2014. 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 2014.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2014

Ridership

Pace had a decrease in ridership for 2014. Lower gas prices and extreme cold weather in early 2014 contributed to the decrease. Some of the highlights are as follows:

Highlights:

- **Pace service 38.9 million passengers** in 2014 which reflected a 2.5% decrease below the 2013 ridership total of 39.9 million.
- **Pace enhanced the Bus on Shoulder routes** based on feedback from customers. One of the routes was split into three different routes based on the park-n-ride locations that the routes serve. Additional service was also added in response to the continued ridership growth.
- **The Lake County Restructuring Plan was completed in early 2014** resulting in changes to eleven existing routes and the creation of one new route.
- **Pace implemented three new seasonal route to Brookfield Zoo** during the summer months through a partnership with the Cook County Forest Preserve District.
- **ADA Paratransit ridership increased 3.4% in 2014** with ridership of 4,126,760 for Chicago and Suburban ADA versus ridership of 3,990,870 in 2013.
- **Vanpool ridership decreased 3.6% in 2014** to 2,155,943. The total number of active vans at the end of 2014 was 796.
- **Pace's Rideshare Program continued to grow** with 160 carpool groups registered on the website and 65 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, 2014

The Agency as a Whole

	<u>2014</u>	<u>2013</u>	<u>Change</u>
ASSETS			
Current Assets	\$ 176,929,487	\$ 214,342,930	\$ (37,413,443)
Noncurrent Assets	254,232,565	234,378,163	19,854,402
Total Assets	<u>431,162,052</u>	<u>448,721,093</u>	<u>(17,559,041)</u>
LIABILITIES			
Current Liabilities	81,407,024	118,624,109	(37,217,085)
Total Other Liabilities	94,982,415	97,573,397	(2,590,982)
Total Liabilities	<u>176,389,439</u>	<u>216,197,506</u>	<u>(39,808,067)</u>
NET POSITION			
Net Investment in Capital Assets	189,848,707	170,831,448	19,017,259
Unrestricted	64,923,906	61,692,139	3,231,767
Total Net Position	<u>\$ 254,772,613</u>	<u>\$ 232,523,587</u>	<u>\$ 22,249,026</u>

Assets and Liabilities

Net Position at December 31, 2014 increased to \$254.8 million from \$232.5 million in 2013 due to a \$19.0 million increase in Net Investment in Capital Assets and a \$3.2 million increase in Unrestricted Net Position. The increase in Net Investment in Capital Assets is comprised of \$51.4 million in capital grants reimbursements and \$14.5 million in Pace funded capital projects less \$46.9 million in depreciation.

Total Assets decreased \$17.6 million in 2014 to \$431.2 million. The \$37.4 million decrease in Current Assets is attributed to a \$14.9 million increase in cash and a \$.2 million increase in inventory offset by a \$2.9 million decrease in accounts receivable, \$1.9 million decrease in prepaid expenses and a \$47.8 million decrease in current portion of assets restricted for the repayment of leasing commitments. Noncurrent Assets increased \$19.9 million due to a \$1.2 million increase in land, a \$43.7 million increase in capital assets acquisitions, a \$6.6 million increase in capital projects in progress and a \$.8 million increase in the noncurrent portion of assets restricted for repayment of leasing commitments offset by a \$32.5 million increase in accumulated depreciation.

Current Liabilities decreased \$37.2 million in 2014 primarily due to a \$10.2 million decrease in accounts payable, a \$14.6 million increase in accrued expenses, a \$.5 million increase in unearned revenue, a \$5.7 million increase in current portion of insurance reserves and a \$47.8 million decrease in current portion of the capital lease obligation.

Other Liabilities decreased \$2.6 million as of the end of 2014. The decrease was comprised of a \$.5 million increase in other post employment benefits obligation, a \$.5 million increase in advance from state, a \$.2 million increase in other liabilities, a \$.7 million increase in long term portion of the capital lease obligation offset by a \$4.4 million decrease in the non-current portion of the insurance reserve.

Pace
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Capital Assets

Pace received \$51.4 million in capital grant reimbursements in 2014 including:

- \$36.1 million from the Federal Transit Administration (FTA),
- \$15.3 million from the Regional Transportation Authority (RTA)

In addition, Pace used \$14.5 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

Equipment:

- \$15.4 million in fixed route buses,
- \$11.7 million in paratransit vehicles
- \$10.4 million in capital parts and maintenance,
- \$4.3 million in vanpool vehicles,
- \$2.9 million in computer equipment and software,
- \$1.8 million in building and improvements,
- \$1.0 million in project administration,
- \$1.2 million in land acquisitions
- \$.9 million in ART corridor projects
- \$.7 million in shelters
- \$.6 million in radio systems,
- \$.3 million in community transit vehicles, and
- \$.2 million in transit signal priority equipment.

Pace purchased 32 fixed route buses totaling \$15.4 million, 208 paratransit vehicles totaling \$11.7 million, 134 vanpool vehicles totaling \$4.3 million, and 4 community transit vehicles for \$.3 million.

Information regarding capital asset activity for 2014 can be found in the notes to the financial statements on page 47 through 48 and page 71 and Schedule 7 on page 101.

Pace
The Suburban Bus Division of the Regional Transportation Authority
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For the Year Ended December 31, 2014

OPERATING RESULTS FOR THE YEARS ENDED

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
<u>Operating Revenue</u>				
Pace-Owned Service Revenue	\$ 32,327,470	\$ 29,094,500	\$ 3,232,970	11.1%
CMAQ/JARC Services	424,192	230,763	193,429	83.8%
Fixed Route Carrier Revenue	3,412,753	3,294,462	118,291	3.6%
Paratransit Revenue	22,693,571	22,409,864	283,707	1.3%
Vanpool Revenue	4,189,130	4,158,850	30,280	0.7%
Reduced Fare Reimbursement	3,241,648	1,977,876	1,263,772	63.9%
Advertising Revenue	4,534,233	4,503,458	30,775	0.7%
Miscellaneous	4,845,714	4,948,947	(103,233)	-2.1%
Total Operating Revenue	<u>75,668,711</u>	<u>70,618,720</u>	<u>5,049,991</u>	<u>7.2%</u>
<u>Operating Expenses</u>				
Pace-Owned Service Expenses	83,705,687	79,708,876	3,996,811	5.0%
CMAQ/JARC Expenses	2,968,329	2,034,397	933,932	45.9%
Contract Payments:				
Fixed Route Carriers	9,848,158	9,470,685	377,473	4.0%
Paratransit Carriers	158,734,067	151,287,226	7,446,841	4.9%
Vanpool Expenses	4,365,908	4,669,751	(303,843)	-6.5%
Centralized Operations	71,124,251	63,873,741	7,250,510	11.4%
Administrative Expenses	36,285,585	32,915,020	3,370,565	10.2%
Depreciation	46,942,530	46,402,723	539,807	1.2%
Total Operating Expenses	<u>413,974,515</u>	<u>390,362,419</u>	<u>23,612,096</u>	<u>6.0%</u>
Operating Income (Loss)	<u>(338,305,804)</u>	<u>(319,743,699)</u>	<u>(18,562,105)</u>	<u>5.8%</u>
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	87,298,041	83,215,418	4,082,623	4.9%
RTA Sales Tax/PTF (PA 95-0708)	32,957,499	31,870,642	1,086,857	3.4%
Regional ADA Paratransit Fund	131,661,582	125,994,893	5,666,689	4.5%
RTA Discretionary Funding	3,978,339	3,694,000	284,339	7.7%
Suburban Community Mobility Fund (SCMF)	22,878,795	21,804,636	1,074,159	4.9%
South Suburban Job Access Fund	7,500,000	7,500,000	-	0.0%
ADA State Funding	8,500,000	8,500,000	-	0.0%
Federal Operating Grants	6,224,430	5,600,465	623,965	11.1%
Capital Grants Reimbursements	51,438,723	46,245,039	5,193,684	11.2%
Interest on Investments	340,606	234,506	106,100	45.2%
Interest Revenue from Leasing Transaction	4,644,052	6,851,817	(2,207,765)	-32.2%
Interest Expense on Leasing Transaction	(4,644,052)	(6,851,817)	2,207,765	-32.2%
Total Non-Operating Revenue (Expenses)	<u>352,778,015</u>	<u>334,659,599</u>	<u>18,118,416</u>	<u>5.4%</u>
Income Before Extraordinary Item	<u>14,472,211</u>	<u>14,915,900</u>	<u>(443,689)</u>	<u>-3.0%</u>
<u>Extraordinary Item</u>				
Other ADA Revenue	7,776,815	-	7,776,815	-
Total Extraordinary Item	<u>7,776,815</u>	<u>-</u>	<u>7,776,815</u>	<u>-</u>
Change in Net Position	22,249,026	14,915,900	7,333,126	49.2%
Beginning Net Position	<u>232,523,587</u>	<u>217,607,687</u>	<u>14,915,900</u>	<u>6.9%</u>

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Comparison of Results: FY2014 vs. FY2013

Operating Revenue

Total Operating Revenue increased 7.2% or \$5.0 million in 2014. Specific changes in operating revenue are noted as follows:

- **Pace-Owned Service Revenue** – The \$3.2 million increase is primarily due to increased revenue from CTA/Pace 30 Day and CTA/Pace 7 Day passes based on the new revenue sharing agreement that was implemented in 2013.
- **CMAQ/JARC Services** – The revenue increased in 2014 due to the addition of new routes.
- **Reduced Fare Reimbursement** – The \$1.3 million increase is due to additional subsidies provided by the State in 2014 for the reduced fare rides.

Operating Expenses

Total Operating Expenses increased by \$23.6 million (or 6.0%) in 2014 which is comprised of the following changes:

- **Pace-Owned Service Expenses** – The \$4.0 million increase in expense is due to an increase in operator wages, other salaries and fringe benefits and bus parts expense.
- **CMAQ/JARC Services** – The \$.9 million increase is due to the addition of new routes.
- **Paratransit Carrier Expenses** – The \$7.4 million increase in expense is attributed to increased ridership in 2014.
- **Centralized Operations** – The \$7.3 million increase is due to increased radio system maintenance and Ventra fees and an increase in salaries, fringe benefits and pension expense.
- **Administrative Expenses** – The \$3.4 million increase is comprised of increases in salaries, fringe benefits and pension expense.
- **Depreciation Expense** – The \$.5 million increase in expense is due to the acquisition of new assets.

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Non-Operating Revenue

Non-Operating Revenue increased \$18.1 million or 5.4% to \$352.8 million in 2014. Specific factors contributing to the increase are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased \$4.1 million in 2014.
- **RTA Sales Tax/PTF (PA 95-0708)** – Pace received \$33.0 million in RTA Sales Tax/PTF funding as outlined in PA 95-0708 which was an increase of \$1.1 million from 2013.
- **Regional ADA Paratransit Fund** – Funding from the Regional ADA Paratransit Fund increased \$5.7 million in 2014.
- **RTA Discretionary Funding** – The RTA Discretionary Funding increased \$.3 million in 2014.
- **Suburban Community Mobility Fund (SCMF)** – Funding increased by \$1.1 million in 2014.
- **South Suburban Job Access Fund** – Pace received \$7.5 million in funding from the RTA for services in South Suburban Cook County in 2014.
- **ADA State Funding** – Pace received \$8.5 million from the State to fund ADA service in 2014.
- **Federal Operating Grants** – The \$.6 million increase is due to new call-n-ride routes funded through the JARC program.
- **Capital Grant Reimbursements** – The \$5.2 million increase is due to an increase in the number of assets acquired in 2014.

Extraordinary Item

Pace recorded \$7.8 million in Other ADA Revenue that related to Medicaid eligible rides for 2009 through 2012 reimbursed by the State of Illinois at the federal share of Pace's costs. The number of eligible rides and the corresponding reimbursement were not finalized by the Department of Human Services until 2014.

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For the Year Ended December 31, 2014

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 \$87.3 million in RTA Sales Tax in 2014 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 2014, the RTA provided \$131.7 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 2014, the RTA provided \$22.9 million in funding.
- *Innovation Coordination and Enhancement Fund (ICE)* – The fund was established for projects intended to improve or enhance ridership or customer service, for transit improvements intended to promote transfers, increase ridership and for transit-oriented land development. The ICE Fund started at \$10 million for 2008 and adjusts annually based on regional sales tax performance. For 2014, there was no funding provided to Pace from the ICE Fund.
- *New Sales Tax and Public Transportation Funds (PTF)* – After all monies are allocated to the above funds, the remaining amount is distributed as a New Sales Tax and PTF to the three Service Boards. Pace's allocation of the New Sales Tax and PTF is equal to 13% of the remaining amount. For 2014, Pace received \$33.0 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 2014, the RTA provided \$7.5 million in funding for the South Suburban Job Access program.

The RTA also provided \$4.0 million in Discretionary Funding in 2014.

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The allocation of the funds established for 2014 and 2013 is as follows:

RTA OPERATING FUNDING (000's)

	<u>2014</u>	<u>2013</u>
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	\$ 87,298	\$ 83,215
RTA Sales Tax/PTF (PA 95-0708)	32,957	31,871
RTA Discretionary Funding	3,978	3,694
Suburban Community Mobility Fund	22,879	21,805
South Suburban Job Access Fund	<u>7,500</u>	<u>7,500</u>
Total Suburban Services Funding	<u>\$154,612</u>	<u>\$148,085</u>
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	<u>\$131,662</u>	<u>\$ 125,995</u>
Total RTA Funding	<u>\$286,274</u>	<u>\$274,080</u>

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis
For the Year Ended December 31, 2014

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, 2014
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013

ASSETS	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and Investments	\$ 111,424,794	\$ 96,529,495
Accounts Receivable:		
Regional Transportation Authority	44,123,878	45,465,517
Capital Grant Projects-FTA & IDOT	106,676	26,969
Other	10,039,157	11,631,801
Total Accounts Receivable	54,269,711	57,124,287
<u>Other Current Assets</u>		
Prepaid Expenses	2,063,883	3,916,127
Inventory - Spare Parts	5,261,164	5,018,875
Assets Restricted for Repayment of Leasing Commitments - Current	3,909,935	51,754,146
Total Other Current Assets	11,234,982	60,689,148
Total Current Assets	176,929,487	214,342,930
<u>Noncurrent Assets</u>		
Capital Assets not Being Depreciated		
Land	17,285,187	16,078,591
Capital Projects in Progress	10,678,924	4,039,298
Total Capital Assets not Being Depreciated	27,964,111	20,117,889
Capital Assets Being Depreciated, Net		
Equipment	401,812,282	361,252,635
Building and Improvements	164,337,441	161,219,261
Less Accumulated Depreciation	(404,265,127)	(371,758,337)
Total Capital Assets Being Depreciated, Net	161,884,596	150,713,559
<u>Other Noncurrent Assets</u>		
Assets Restricted for Repayment of Leasing Commitments - Noncurrent	63,835,189	63,101,072
Net Pension Asset	548,669	445,643
Total Other Noncurrent Assets	64,383,858	63,546,715
Total Noncurrent Assets	254,232,565	234,378,163
Total Assets	\$ 431,162,052	\$ 448,721,093

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013

LIABILITIES	<u>2014</u>	<u>2013</u>
<u>Current Liabilities</u>		
Accounts Payable:		
Operating	\$ 678,428	\$ 8,806,254
Capital	3,833,656	5,889,354
Accrued Payroll Expenses	8,867,607	8,152,745
Other Accrued Expenses	37,735,609	23,826,225
Unearned Revenue	1,760,962	1,284,620
Current Portion of Insurance Reserves	24,620,827	18,910,765
Current Portion of Capital Lease Obligation	<u>3,909,935</u>	<u>51,754,146</u>
Total Current Liabilities	<u>81,407,024</u>	<u>118,624,109</u>
<u>Other Liabilities</u>		
Insurance Reserve, Non-Current Portion	12,646,810	17,090,474
Net Pension Obligation	2,091,023	2,065,360
Net Other Post Employment Benefits (OPEB) Obligation	3,997,602	3,525,898
Advance From State	9,937,928	9,488,055
Capital Lease Obligation, Less Current Portion	63,835,189	63,101,072
Other Liabilities	<u>2,473,863</u>	<u>2,302,538</u>
Total Other Liabilities	<u>94,982,415</u>	<u>97,573,397</u>
Total Liabilities	<u>176,389,439</u>	<u>216,197,506</u>
 NET POSITION		
Net Investment in Capital Assets	189,848,707	170,831,448
Unrestricted	<u>64,923,906</u>	<u>61,692,139</u>
Total Net Position	<u><u>\$ 254,772,613</u></u>	<u><u>\$ 232,523,587</u></u>

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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenue</u>		
Pace-Owned Service Revenue	\$ 32,327,470	\$ 29,094,500
CMAQ/JARC Services	424,192	230,763
Fixed Route Carrier Revenue	3,412,753	3,294,462
Paratransit Revenue	22,693,571	22,409,864
Vanpool Revenue	4,189,130	4,158,850
Reduced Fare Reimbursement	3,241,648	1,977,876
Advertising Revenue	4,534,233	4,503,458
Miscellaneous	4,845,714	4,948,947
Total Operating Revenue	<u>75,668,711</u>	<u>70,618,720</u>
<u>Operating Expenses:</u>		
Pace-Owned Service Expenses	83,705,687	79,708,876
CMAQ/JARC Expenses	2,968,329	2,034,397
Contract Payments:		
Fixed Route Carriers	9,848,158	9,470,685
Paratransit Carriers	158,734,067	151,287,226
Vanpool Expenses	4,365,908	4,669,751
Centralized Operations	71,124,251	63,873,741
Administrative Expenses	36,285,585	32,915,020
Depreciation	46,942,530	46,402,723
Total Operating Expenses	<u>413,974,515</u>	<u>390,362,419</u>
Operating Income (Loss)	<u>(338,305,804)</u>	<u>(319,743,699)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Retailers' occupation and use tax from RTA (85% Formula)	87,298,041	83,215,418
RTA Sales Tax/PTF (PA 95-0708)	32,957,499	31,870,642
Regional ADA Paratransit Fund	131,661,582	125,994,893
RTA Discretionary Funding	3,978,339	3,694,000
Suburban Community Mobility Fund (SCMF)	22,878,795	21,804,636
South Suburban Job Access Fund	7,500,000	7,500,000
ADA State Funding	8,500,000	8,500,000
Federal Operating Grants	6,224,430	5,600,465
Capital Grants Reimbursements	51,438,723	46,245,039
Interest on Investments	340,606	234,506
Interest Revenue from Leasing Transaction	4,644,052	6,851,817
Interest Expense on Leasing Transaction	(4,644,052)	(6,851,817)
Total Non-Operating Revenue (Expenses)	<u>352,778,015</u>	<u>334,659,599</u>
Income Before Extraordinary Item	<u>14,472,211</u>	<u>14,915,900</u>
<u>Extraordinary Item</u>		
Other ADA Revenue	7,776,815	-
Total Extraordinary Item	<u>7,776,815</u>	<u>-</u>
Change in Net Position	22,249,026	14,915,900
Beginning Net Position	232,523,587	217,607,687
Ending Net Position	<u>\$ 254,772,613</u>	<u>\$ 232,523,587</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

Increase (Decrease) in cash and temporary investments	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fares	\$ 68,388,747	\$ 59,155,882
Cash received from other operating items	9,984,173	8,882,357
Cash payments to and on behalf of employees for services	(134,293,060)	(123,615,339)
Cash payment to contractual service providers and suppliers	<u>(222,825,427)</u>	<u>(232,337,687)</u>
Net cash used for operating activities	<u>(278,745,567)</u>	<u>(287,914,787)</u>
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	86,535,044	81,034,948
Cash received from RTA Sales Tax/PTF (New)	32,957,499	31,870,642
Cash received from Suburban Community Funding	23,164,688	22,032,014
Cash received from South Suburban Job Access	7,500,000	7,500,000
Payment of interest	-	(344)
ADA Regional Paratransit Funding	148,140,239	134,839,177
Cash received from Federal Funding	10,202,769	9,294,464
Cash Advance on Sales Tax	<u>449,874</u>	<u>356,349</u>
Net cash provided by non-capital financing activities	<u>308,950,113</u>	<u>286,927,250</u>
Cash flows from capital and related financing activities:		
Capital contributed from capital grants	52,371,690	47,406,751
Acquisition and construction of capital assets	<u>(68,021,541)</u>	<u>(48,925,238)</u>
Net cash used by capital and related financing activities	<u>(15,649,851)</u>	<u>(1,518,487)</u>
Cash flows from investing activities:		
Cash received from interest on short-term investments	<u>340,604</u>	<u>234,503</u>
Net cash provided by investing activities	<u>340,604</u>	<u>234,503</u>
Net increase (decrease) in cash and short-term investments	14,895,299	(2,271,521)
Cash and short-term investments at beginning of year	<u>96,529,495</u>	<u>98,801,016</u>
Cash and short-term investments at end of year	<u>\$ 111,424,794</u>	<u>\$ 96,529,495</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	\$ (338,305,804)	\$ (319,743,699)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	46,942,530	46,402,723
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	2,196,870	(2,498,765)
(Increase) decrease in inventory	(242,290)	(590,636)
(Increase) decrease in prepaid expenses	1,851,094	(1,426,166)
(Increase) decrease in other assets	1,150	69,207
Increase (decrease) in accounts payable	(8,127,825)	7,593,552
Increase (decrease) in accrued payroll	714,862	572,806
Increase (decrease) in self insurance liability	1,266,398	810,038
Increase (decrease) in other liabilities	14,957,448	(19,103,847)
Total adjustments	<u>59,560,237</u>	<u>31,828,912</u>
Net cash used by operating activities	<u><u>(\$278,745,567)</u></u>	<u><u>(\$287,914,787)</u></u>

Non-Cash Operating, Investing and Financing Activities:

Interest revenue on leasing transactions	\$ 4,644,052	\$ 6,851,817
Interest expense on leasing transactions	(4,644,052)	(6,851,817)
(Increase) decrease in assets restricted for repayment of leasing commitments	47,110,094	(6,851,817)
Increase (decrease) in capital lease obligation	(47,110,094)	6,851,817
Purchase of capital assets in accrued expenses at year end	3,824,983	3,024,255

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, 2014**

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.

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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.

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

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

In January 2013, GASB released Statement No. 69 "Government Combinations and Disposals of Government Operations". This Statement is effective for financial reporting periods beginning after December 15, 2013. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The adoption of this standard did not have a material impact on Pace.

In April 2013, GASB released Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This Statement is effective for reporting periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees in order to enhance the comparability of financial statements among those governments. The adoption of this standard did not have a material impact on Pace.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

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 will be implemented for fiscal year ending December 31, 2015.

In February 2015, the 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.

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.

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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 and Unrestricted. Revenues and expenses of the proprietary fund types are recognized using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

Pace's operating revenues are made up of 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 funds, Suburban Services Fund and Regional ADA Paratransit Services Fund. The Suburban Services Enterprise Fund includes revenues and expenses generated from its Fixed Route, Dial-A-Ride and Vanpool Services. The Regional ADA Paratransit Services Enterprise Fund includes revenues and expenses related to the ADA services provided in the City of Chicago and the six county region. Separate activity for each Enterprise Fund is presented in the supplementary exhibits presented on pages 74 - 79.

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Public Funding (Continued)

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

f. Contract Payments to Private Transportation Carriers

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

g. Compensated Absences

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Property and Equipment and Accumulated Depreciation (Continued)

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 \$10,678,924 at December 31, 2014 and \$4,039,298 at December 31, 2013. The balance at December 31, 2014 represents the following projects in process: Oracle HR and Hyperion implementation totaling \$2,400,354 and phase one construction work of Toyota Park Transportation Center totaling \$1,027,351. The remaining balance consists of fifteen conversion lift vans totaling \$564,880; ten transit buses totaling \$4,008,165, sixteen community vans totaling \$630,869 and forty seven Paratransit vehicles totaling \$2,047,305. In 2014, Pace had contracts in place with Donlen Corp. for \$23,032,967 to purchase vans, Central States Bus Sales Inc. for \$1,401,930 to purchase community vans, Midwest Transit for \$10,881,356 and Central States for \$5,879,510 to purchase Paratransit vehicles, and Eldorado National (California) Inc. for \$66,585,039 to purchase transit buses.

l. Capital Grants

Pace receives capital grants for asset acquisition, rehabilitation and construction of public transportation facilities and equipment, under Sections 5307 and 5309 of the Federal Transit Act. As for local capital, in 2005 both the IDOT bond and RTA bond programs, which match the Federal programs, expired. Therefore, Pace heavily relied on the Federal programs to meet their capital needs. The Illinois Department of Transportation continues to contribute capital grant funding from past years' appropriations in addition to the RTA for the acquisition of certain capital assets. Pace may fund from its own accumulated resources a portion of a capital grant project when federal, state, and RTA grants are not sufficient or eligible for the total cost of the project. Pace funded \$14,521,068 for capital projects from its positive budget variance account in 2014.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

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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3. DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was \$83,404,342 at December 31, 2014, while the bank balances were \$84,501,678. At December 31, 2014, Pace's petty cash fund totaled \$4,023. 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 \$26,528,509 at December 31, 2014. 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, 2014.

<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	\$1,251,131	\$1,251,131	\$ -	\$ -	
State Investment Pool	<u>236,789</u>	<u>236,789</u>	<u>-</u>	<u>-</u>	AAA
Total	<u>\$1,487,920</u>	<u>\$1,487,920</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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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, 2014, 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.

4. RELATIONSHIP WITH REGIONAL TRANSPORTATION AUTHORITY

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

	<u>2014</u>
Amounts due from RTA:	
Sales tax and public funding	\$41,602,552
Operating and capital grants	644,323
Reduced fare reimbursement	1,426,369
Regional ADA funding	440,471
Other	<u>10,163</u>
	<u>\$44,123,878</u>

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5. RISK MANAGEMENT

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

There were no settlements in the past three years that exceeded the allotted coverage. There were also no significant reductions in coverage in 2014. Pace's specific self-insured retentions as of December 31, 2014 are structured as follows:

General Liability	\$2,500,000 Each Occurrence
Pollution Legal Liability	\$25,000 Each Occurrence
Underground Storage Tank Liability	\$25,000 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, 2014 is as follows:

	<u>Specific Stop Loss</u>	<u>Aggregate Stop Loss</u>
Corporate and all Divisions	<u>\$150,000</u>	<u>\$4,413,071</u>

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5. RISK MANAGEMENT (Continued)

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

The reserves on larger cases, particularly those in litigation, are reviewed with 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 3 percent per year. Reserves for employee health and welfare coverage are established based on historical claim experience. The ultimate liability for general liability, automobile liability, workers compensation, and the employee health and welfare plan is approximately \$37,267,637 and \$36,001,239 as of December 31, 2014 and 2013, respectively. Cash is intended to pay for general liability, automobile liability, and workers compensation at a present value of \$31,024,089 and \$30,077,876 for this liability at December 31, 2014 and 2013, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 36,001,239	\$ 35,191,200
Current year claims and changes in estimates	26,895,773	24,027,291
Claim payments	<u>(25,629,375)</u>	<u>(23,217,252)</u>
	<u>\$ 37,267,637</u>	<u>\$ 36,001,239</u>
Current portion of insurance reserves	\$ 24,620,827	\$ 18,910,765
Non-current portion of insurance reserves	<u>12,646,810</u>	<u>17,090,474</u>
Total insurance reserves	<u>\$ 37,267,637</u>	<u>\$ 36,001,239</u>

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6. 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 less accumulated depreciation of \$62.1 million for a net book value of \$.1 million at December 31, 2014. 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 \$32.1 million and is reflected in the accompanying December 31, 2014 Statement of Net Position as the total of the current and long term portions 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 less accumulated depreciation of \$28.4 million for a net book value of \$.6 million at December 31, 2014. 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 \$35.6 million and is reflected in the accompanying December 31, 2014 Statement of Net Position as the total of the current and long term portions of the Capital Lease Obligation.

2014	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	\$ 81,426,844	\$ 2,432,526	\$51,754,146	\$ 32,105,224	\$ 2,432,526	\$ 3,909,935
2003 (Buses)	\$ 33,428,374	\$ 2,211,526	\$ -	\$ 35,639,900	\$ 2,211,526	\$ -
Total	\$ 114,855,218	\$ 4,644,052	\$ 51,754,146	\$ 67,745,124	\$ 4,644,052	\$ 3,909,935

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6. LEASING TRANSACTIONS (Continued)

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

	<u>Capital Leases</u>
2015	\$ 3,909,935
2016	<u>68,735,833</u>
Total minimum lease payments	72,645,768
Less interest	<u>4,900,644</u>
Present value of minimum lease payments	<u>\$ 67,745,124</u>
A reconciliation of the Statement of Net Position to amount presented above:	
Capital Lease Obligation, less current portion	\$ 63,835,189
Capital Lease Obligation, current portion	<u>3,909,935</u>
Total	<u>\$ 67,745,124</u>

7. 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 \$9,937,928 and \$9,488,055, respectively, for this advance for the year ended December 31, 2014 and December 31, 2013.

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8. COMMITMENTS AND CONTINGENCIES

- a. Agreements with Pace's paratransit public funded carriers generally provide that Pace will reimburse the lesser of the approved budget, \$3.00 per ride, or up to 75% of defined operating deficits incurred, within defined service guidelines, in the provision of specified demand response public transportation services.
- b. Grant agreements with Pace's public contract carriers provide that Pace reimburse defined operating expenses, limited to their approved budget level, incurred in providing public transportation services.
- c. Pace receives significant financial assistance from federally assisted programs, principal of which is FTA. These programs are subject to audit under the requirements of *OMB Circular A-133* for which a separate report is issued.
- d. Pace issued \$12 million in Special Revenue Bonds through a competitive bid process utilizing the Illinois Finance Authority's direct bank placement program. The closing took place on February 24, 2015. The bond proceeds will be used to finance the conversion of South Division in Markham into a compressed natural gas facility. The ten-year revenue bonds' annual debt service (level principal payments) will be paid from Pace operating revenues. 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 will begin on June 15, 2015, and annual principal payment on December 15, 2015.

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9. NET POSITION

a. 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 for the detail of these designations. The figures below reflect the Unrestricted Net Position for Suburban Services only.

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Unrestricted Net Position	\$ 64,923,906	\$ 66,829,100
Less: Management Designated Net Position	<u>(21,307,043)</u>	<u>(28,786,670)</u>
Undesignated Unrestricted Net Position	<u>\$ 43,616,863</u>	<u>\$ 38,042,430</u>

b. Working Cash

In order to provide sufficient working cash balances to allow payment of Pace's obligations in a timely manner, in August 2004 the Board of Directors ordained that the amount of Unrestricted Net Position 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>2014</u>	<u>2013</u>
Unrestricted Net Position	\$ 64,923,906	\$ 66,829,100
Less: Earnings Retained for Working Cash Purposes	(17,180,711)	(16,620,880)
Less: Management Designated Net Position	<u>(21,307,043)</u>	<u>(28,786,670)</u>
Available Unrestricted Net Position	<u>\$ 26,436,152</u>	<u>\$21,421,550</u>

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10. RETIREMENT PLANS

DEFINED BENEFIT PLANS

a. RTA Plan

(1) Plan Description

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

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

(2) Funding Policy

Employee contributions are neither required nor allowed by the plan. The employer is required to contribute at an actuarially determined rate. Pace made a pension contribution of \$11,729,671 in 2014. The employer contribution requirements are established and may be amended by the RTA Pension Plan Board of Trustees.

(3) Schedule of Required Contributions

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Contributed By Employer	Net Pension Obligation
2014	\$11,729,671	100%	\$0
2013	8,375,110	100%	0
2012	7,256,452	100%	0

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10. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

a. RTA Plan (Continued)

(4) Funded Status and Funded Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability was \$233,751,698 and the actuarial value of assets was \$180,317,254 resulting in an unfunded actuarial accrued liability (UAAL) of \$53,434,444. The covered payroll (annual payroll of active employees covered by the plan) was \$74,809,822 and the ratio of the UAAL to the covered payroll was 71.4%.

Information regarding the Schedule of Funding Progress can be found on page 73.

(5) Actuarial Assumptions

The information presented above and in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. The required Schedule of Funding Progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date	1/1/14
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	30
Amortization method	Open basis
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases (including inflation)	3.5%

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10. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

b. Pace West Division Plan

(1) Plan Description

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

(2) Funding Policy

Employee and employer contributions are required by the plan. The employer and employee contribution requirements are established and may be amended through the Collective Bargaining Agreement. On August 2, 2013, a new Collective Bargaining Agreement was signed which resulted in increases to both the employee and employer contributions. There were three different levels of increase in the employer contribution outlined in the Collective Bargaining Agreement. Effective the first full pay period after January 1, 2011, the employer contribution increased from 3.5% to 5.5%. Effective the first full pay period after January 1, 2012, the employer contribution increased to 6.0% and effective the first full pay period after January 1, 2013, it increased to 6.5%. The employee's contribution increased from 5.4% to 6.5% effective the first full pay period following January 1, 2013.

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10. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

b. Pace West Division Plan (Continued)

(3) Annual Net Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 765,374
Interest on net pension obligation	165,229
Adjustment to the annual required contribution	<u>(169,871)</u>
Annual pension cost	760,732
Employer contributions	<u>(735,069)</u>
Increase in the net pension obligation	25,663
Net pension obligation at 01/01/13	<u>2,065,360</u>
Net pension obligation at 01/01/14	<u>\$ 2,091,023</u>

Schedule of Employer Contributions

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage Contributed By Employer	Net Pension Obligation
2013	\$760,732	96.6%	\$2,091,023
2012	887,375	70.8%	2,065,360
2011	845,160	80.9%	1,806,337

(4) Funded Status and Funded Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability was \$29,416,269 and the actuarial value of assets was \$19,628,708 resulting in an unfunded actuarial accrued liability (UAAL) of \$9,787,561. The covered payroll (annual payroll of active employees covered by the plan) was \$12,048,134 and the ratio of the UAAL to the covered payroll was 81.24%. Based on the requirements for Illinois Statute 40 ILCS 5/22-103, there was a contribution surplus and no additional contribution was needed in 2014.

Information regarding the Schedule of Funding Progress can be found on page 73.

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10. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

b. Pace West Division Plan (Continued)

(5) Actuarial Assumptions

The information presented above and in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. The required Schedule of Funding Progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date	1/1/14
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30
Amortization method	Open basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases (including inflation)	3.5%

c. Pace North Division Plan

(1) Plan Description

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

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10. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

c. Pace North Division Plan (Continued)

(2) Funding Policy

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

(3) Annual Net Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 36,922
Interest on net pension obligation	(33,423)
Adjustment to the annual required contribution	<u>35,101</u>
Annual pension cost	38,600
Actual contributions	<u>(141,626)</u>
Decrease in the net pension obligation	(103,026)
Net pension obligation at 01/01/13	<u>(445,643)</u>
Net pension obligation at 01/01/14	<u><u>\$ (548,669)</u></u>

Schedule of Employer Contributions

Plan Year Ending	Annual Pension Cost (APC)	Percentage Contributed APC Contributed	Net Pension Obligation
12/31/2013	\$ 38,600	366.91%	\$(548,669)
12/31/2012	35,481	441.26%	(445,643)
12/31/2011	68,784	182.31%	(324,562)

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10. RETIREMENT PLANS (Continued)

DEFINED BENEFIT PLANS (Continued)

c. Pace North Division Plan (continued)

(4) Funded Status and Funded Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability was \$4,447,304 and the actuarial value of assets was \$4,465,592 resulting in an overfunded actuarial accrued liability (UAAL) of \$18,288. The covered payroll (annual payroll of active employees covered by the plan) was \$3,541,201 and the ratio of the UAAL to the covered payroll was -.52%.

Information regarding the Schedule of Funding Progress can be found on page 73.

(5) Actuarial Assumptions

The information presented above and in the supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The required Schedule of Funding Progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	1/1/14
Actuarial cost method	Entry age normal
Amortization method	Straight-line
Remaining amortization period	20
Amortization method	Open basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases (including inflation)	4.0%

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10. RETIREMENT PLANS (Continued)

DEFINED CONTRIBUTION PLANS

a. Plan Description

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

b. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

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10. RETIREMENT PLANS (Continued)

DEFINED CONTRIBUTION PLANS (Continued)

b. Summary of Significant Accounting Policies (Continued)

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

<u>Plan Name</u>	<u>Type of Plan</u>	<u>Number of Covered Employees</u>	<u>Employer Contribution Requirement</u>	<u>Employee Contribution Requirement</u>	<u>Employer Contribution Amount</u>	<u>Employee Contribution Amount</u>
Pace Fox Valley Division	401k	54	4% of Compensation*	None	\$91,640	\$64,595
	Defined					
Pace Fox Valley Division	Contribution	2	4% of Compensation	4% of Compensation	\$3,880	\$3,880
Pace Heritage Division	401k	54	4% of Compensation	4% of Compensation	\$91,815	\$131,074
Pace North Shore Division	401k	46	4% of Compensation	None	\$88,485	\$134,894
Pace Northwest Division	401k	231	4.5% of Compensation**	4% of Compensation	\$505,631	\$636,491
Pace River Division	401k	69	4% of Compensation***	None	\$118,791	\$120,005
	Defined					
Pace River Division	Contribution	7	4% of Compensation	4% of Compensation	\$14,409	\$14,409
Pace South Division	401k	214	4% of Compensation	4% of Compensation	\$411,865	\$570,135
Pace Southwest Division	401k	107	4% of Compensation	2% of Compensation	\$172,653	\$168,399

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

** The Northwest 401k Plan totals include retroactive employer contributions of \$19,389 and retroactive employee contributions of \$17,235 that pertain to settlement of the union contract.

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

For 2014, the maximum employee pre-tax 401(k) contribution was \$17,500. For 2014, participants age 50 or older can contribute an additional \$5,500 as a catch-up 401(k) contribution.

Pace Administrative Plan

In addition to the RTA Defined Benefit Plan, all Pace employees who are not covered by a retirement plan which is the subject of a Collective Bargaining Agreement, are eligible to participate in a voluntary 401(K) Plan. Employees are eligible to participate after 60 days of service. A participant is fully vested in his/her account immediately. Contributions to the plan are voluntary for each participant. The Internal Revenue Code places limits on the amounts which employees may elect to contribute. There is no employer obligation to contribute. Plan provisions and contribution requirements are established and may be amended by the Administrative Plan Committee. For 2014, Pace contributed \$196,054 and the participants contributed \$1,439,353 which includes \$48,530 contributed to the Roth 401(K).

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11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. West Plan

(1) Plan Description

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

(2) Funding Policy

The contractual obligation to contribute to the West Plan is under the Collective Bargaining Agreement with Pace West Division and Local 241, Amalgamated Transit Union. Effective January 1, 2004, Pace contributes 2.5% of earnings to cover the costs of 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.

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11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

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

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

Annual required contribution	\$ 901,087
Interest on net OPEB obligation	107,361
Adjustment to annual required contribution	<u>(111,103)</u>
Annual OPEB cost	897,345
Contributions made	<u>(425,641)</u>
Increase in net OPEB obligation	471,704
Net OPEB obligation - beginning of year	<u>3,525,898</u>
Net OPEB obligation - end of year	<u>\$3,997,602</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
12/31/2014	\$897,345	47.4%	\$3,997,602
12/31/2013	877,275	72.7%	3,525,898
12/31/2012	888,085	50.1%	3,286,159

(4) Funded Status and Funded Progress

As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability was \$14,893,808 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$14,893,808. The covered payroll (annual payroll of active employees covered by the plan) was \$12,048,134 and the ratio of the UAAL to the covered payroll was 123.62%.

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11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

(4) Funded Status and Funded Progress (Continued)

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

(5) Actuarial Methods and Assumptions

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

In the January 1, 2013 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	4.5%
Retirees Over Age 65	4.5%

Mortality – Life expectancies were based on RP-2000 Combined Healthy Mortality Table for Males and Females and were projected to 2013 using Scale BB.

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

(5) Actuarial Methods and Assumptions

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

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

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

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

12. CHANGES IN CAPITAL ASSETS

<u>Type</u>	<u>1/1/2014 Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>12/31/2014 Balance</u>
Capital Assets not Being Depreciated					
Land	\$ 16,078,591	\$ 1,206,596	\$ -	\$ -	\$ 17,285,187
Capital Projects in Progress	<u>4,039,298</u>	<u>10,678,924</u>	<u>(4,039,298)</u>	<u>-</u>	<u>10,678,924</u>
Total Capital Assets not Being Depreciated	<u>20,117,889</u>	<u>11,885,520</u>	<u>(4,039,298)</u>	<u>-</u>	<u>27,964,111</u>
Capital Assets Being Depreciated					
Equipment	361,252,635	50,956,089	4,039,298	(14,435,740)	401,812,282
Buildings and Improvements	<u>161,219,261</u>	<u>3,118,180</u>	<u>-</u>	<u>-</u>	<u>164,337,441</u>
Total Capital Assets Being Depreciated	<u>522,471,896</u>	<u>54,074,269</u>	<u>4,039,298</u>	<u>(14,435,740)</u>	<u>566,149,723</u>
Accumulated Depreciation					
Equipment	(281,825,511)	(41,888,095)	-	14,435,740	(309,277,866)
Buildings and Improvements	<u>(89,932,826)</u>	<u>(5,054,435)</u>	<u>-</u>	<u>-</u>	<u>(94,987,261)</u>
Total Accumulated Depreciation	<u>(371,758,337)</u>	<u>(46,942,530)</u>	<u>-</u>	<u>14,435,740</u>	<u>(404,265,127)</u>
Total Capital Assets Being Depreciated, Net	<u>150,713,559</u>	<u>7,131,739</u>	<u>4,039,298</u>	<u>-</u>	<u>161,884,596</u>
Net Capital Assets	<u>\$ 170,831,448</u>	<u>\$ 19,017,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,848,707</u>

13. EXTRAORDINARY ITEM

In 2014, Pace received \$7,776,815 in reimbursement for the federal cost share of Medicaid eligible ADA trips. The State of Illinois, through the Illinois Department of Healthcare and Family Services (“HFS”) administers the Medicaid fee-for service program in Illinois. Medicaid funding is shared between the federal government and states. In Illinois, the costs are split 50% federal and 50% state. Since Pace is considered a public entity, the 50% state share is assumed by Pace. Pace contracts with a Recipient Eligible Vendor to prepare and submit medically-related, non-emergency transportation claims to Illinois HFS for reimbursement. The vendor uses data to review the rides and determine which are eligible, however, the federal match and the reimbursement varies by individual and can vary by ride. Due to the variables in the reimbursement amounts and the large lag time between submission of the claims and determination by HFS, Pace is unable to estimate the revenue related to the Medicaid reimbursement until final determination by HFS. The revenue recorded as an Extraordinary Item relates to the reimbursements received in 2014 from HFS for rides from 2009 - 2012.

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**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Regional Transportation Authority Pension Plan</u>						
01/01/14	\$ 180,317,254	\$ 233,751,698	\$ 53,434,444	77.14%	\$ 74,809,822	71.43%
01/01/13	155,997,793	221,397,986	65,400,193	70.46%	70,634,459	92.59%
01/01/12	141,387,904	200,844,966	59,457,062	70.40%	67,176,064	88.51%
01/01/11	127,343,037	185,373,843	58,030,806	68.70%	66,490,058	87.28%
01/01/10	118,805,281	166,663,123	47,857,842	71.28%	68,389,409	69.98%
01/01/09	106,021,198	153,284,576	47,263,378	69.17%	66,010,613	71.60%
<u>Pace West Division Pension Plan</u>						
01/01/14	\$ 19,628,708	\$ 29,416,269	\$ 9,787,561	66.73%	\$ 12,048,134	81.24%
01/01/13	18,297,679	27,620,603	9,322,924	66.25%	11,252,916	82.85%
01/01/12	17,095,989	26,673,720	9,577,731	64.09%	11,313,595	84.66%
01/01/11	16,365,933	25,521,570	9,155,637	64.13%	11,467,539	79.84%
01/01/10	15,391,195	24,327,270	8,936,075	63.27%	12,187,546	73.32%
01/01/09	14,646,163	23,227,827	8,581,664	63.05%	11,349,851	75.61%
<u>Pace North Division Pension Plan</u>						
01/01/14	\$ 4,465,592	\$ 4,447,304	\$ (18,288)	100.41%	\$ 3,541,201	-0.52%
01/01/13	3,821,529	4,022,990	201,461	94.99%	3,540,500	5.69%
01/01/12	3,309,584	3,814,739	505,155	86.76%	3,165,576	15.96%
01/01/11	3,109,830	3,522,640	412,810	88.28%	3,063,755	13.47%
01/01/10	2,683,394	3,213,280	529,886	83.51%	3,064,019	17.29%
01/01/09	2,064,461	2,912,728	848,267	70.88%	3,126,297	27.13%
<u>Pace West Division Health Plan</u>						
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%
01/01/09	-	13,695,661	13,695,661	0.00%	11,349,851	120.67%

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013

ASSETS	Suburban Services Fund <u>2014</u>	Regional ADA Paratransit Services Fund <u>2014</u>	Total <u>2014</u>	Unaudited Total <u>2013</u>
<u>Current Assets</u>				
Cash and Investments	\$ 84,528,260	\$ 26,896,534	\$ 111,424,794	\$ 96,529,495
Accounts Receivable:				
Regional Transportation Authority	43,683,407	440,471	44,123,878	45,465,517
Interfund Receivable	421,401	-	421,401	1,854,562
Capital Grant Projects-FTA & IDOT	106,676	-	106,676	26,969
Other	9,839,102	200,055	10,039,157	11,631,801
Total Accounts Receivable	54,050,586	640,526	54,691,112	58,978,849
<u>Other Current Assets</u>				
Prepaid Expenses	1,642,632	421,251	2,063,883	3,916,127
Inventory-Spare Parts	5,261,164	-	5,261,164	5,018,875
Assets Restricted for Repayment of Leasing Commitment - Current	3,909,935	-	3,909,935	51,754,146
Total Other Current Assets	10,813,731	421,251	11,234,982	60,689,148
Total Current Assets	149,392,577	27,958,311	177,350,888	216,197,492
<u>Noncurrent Assets</u>				
Capital Assets not Being Depreciated				
Land	17,285,187	-	17,285,187	16,078,591
Capital Projects in Progress	10,678,924	-	10,678,924	4,039,298
Total Capital Assets not Being Depreciated	27,964,111	-	27,964,111	20,117,889
Capital Assets Being Depreciated, Net				
Equipment	375,837,878	25,974,404	401,812,282	361,252,635
Building and Improvements	164,337,441	-	164,337,441	161,219,261
Less Accumulated Depreciation	(379,159,271)	(25,105,856)	(404,265,127)	(371,758,337)
Total Capital Assets Being Depreciated, Net	161,016,048	868,548	161,884,596	150,713,559
<u>Other Noncurrent Assets</u>				
Assets restricted for repayment of leasing commitments - Noncurrent	63,835,189	-	63,835,189	63,101,072
Net Pension Asset	548,669	-	548,669	445,643
Total Other Noncurrent Assets	64,383,858	-	64,383,858	63,546,715
Total Noncurrent Assets	253,364,017	868,548	254,232,565	234,378,163
Total Assets	402,756,594	28,826,859	431,583,453	450,575,655

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND (Continued)
DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013

LIABILITIES	Suburban Services Fund 2014	Regional ADA Paratransit Services Fund 2014	Total 2014	Unaudited Total 2013
<u>Current Liabilities</u>				
Accounts Payable:				
Operating	\$ 579,440	\$ 98,988	\$ 678,428	\$ 8,806,254
Capital	3,833,656	-	3,833,656	5,889,354
Accrued Payroll Expenses	8,733,962	133,645	8,867,607	8,152,745
Other Accrued Expenses	11,691,715	26,043,894	37,735,609	23,826,225
Unearned Revenue	781,141	979,821	1,760,962	1,284,620
Interfund Payable	-	421,401	421,401	1,854,562
Current Portion of Insurance Reserves	24,384,667	236,160	24,620,827	18,910,765
Current Portion of Capital Lease Obligation	3,909,935	-	3,909,935	51,754,146
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Total Current Liabilities	53,914,516	27,913,909	81,828,425	120,478,671
<u>Other Liabilities</u>				
Insurance Reserve, Non-Current Portion	12,646,810	-	12,646,810	17,090,474
Net Pension Obligation	2,091,023	-	2,091,023	2,065,360
Net Other Post Employment Benefits (OPEB) Obligation	3,997,602	-	3,997,602	3,525,898
Advance From State	9,937,928	-	9,937,928	9,488,055
Capital Lease Obligation, Less Current Portion	63,835,189	-	63,835,189	63,101,072
Other Liabilities	2,429,461	44,402	2,473,863	2,302,538
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Total Other Liabilities	94,938,013	44,402	94,982,415	97,573,397
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Total Liabilities	148,852,529	27,958,311	176,810,840	218,052,068
<u>NET POSITION</u>				
Net Investment in Capital Assets	188,980,159	868,548	189,848,707	170,831,448
Unrestricted	64,923,906	-	64,923,906	61,692,139
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Total Net Position	\$ 253,904,065	\$ 868,548	\$ 254,772,613	\$ 232,523,587

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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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	Suburban Services Fund <u>2014</u>	Regional ADA Paratransit Services Fund <u>2014</u>	Total <u>2014</u>	Total <u>2013</u>
<u>Operating Revenue</u>				
Pace-owned service revenue	\$ 32,327,470	\$ -	\$ 32,327,470	\$ 29,094,500
CMAQ/JARC Services	424,192	-	424,192	230,763
Fixed route carrier revenue	3,412,753	-	3,412,753	3,294,462
Paratransit revenue	12,218,205	10,475,366	22,693,571	22,409,864
Vanpool revenue	4,189,130	-	4,189,130	4,158,850
Reduced fare reimbursement	3,241,648	-	3,241,648	1,977,876
Advertising revenue	4,534,233	-	4,534,233	4,503,458
Miscellaneous	1,128,277	3,717,437	4,845,714	4,948,947
Total Operating Revenue	<u>61,475,908</u>	<u>14,192,803</u>	<u>75,668,711</u>	<u>70,618,720</u>
<u>Operating expenses:</u>				
Pace-owned service expenses	83,705,687	-	83,705,687	79,708,876
CMAQ/JARC expenses	2,968,329	-	2,968,329	2,034,397
Contract Payments:				
Fixed route carriers	9,848,158	-	9,848,158	9,470,685
Paratransit carriers	18,711,909	140,022,158	158,734,067	151,287,226
Vanpool expenses	4,365,908	-	4,365,908	4,669,751
Centralized operations	66,384,118	4,740,133	71,124,251	63,873,741
Administrative expenses	29,554,123	6,731,462	36,285,585	32,915,020
Depreciation	44,281,543	2,660,987	46,942,530	46,402,723
Indirect overhead allocation	(5,587,145)	5,587,145	-	-
Total Operating Expenses	<u>254,232,630</u>	<u>159,741,885</u>	<u>413,974,515</u>	<u>390,362,419</u>
Operating Income (Loss)	<u>(192,756,722)</u>	<u>(145,549,082)</u>	<u>(338,305,804)</u>	<u>(319,743,699)</u>
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	87,298,041	-	87,298,041	83,215,418
RTA Sales Tax/PTF (PA 95-0708)	32,957,499	-	32,957,499	31,870,642
Regional ADA Paratransit Fund	-	131,661,582	131,661,582	125,994,893
RTA Discretionary Funding	3,978,339	-	3,978,339	3,694,000
ADA State Funding	-	8,500,000	8,500,000	8,500,000
Suburban Community Mobility Fund (SCMF)	22,878,795	-	22,878,795	21,804,636
South Suburban Job Access Fund	7,500,000	-	7,500,000	7,500,000
Federal Operating Grants	6,224,430	-	6,224,430	5,600,465
Capital Grants Reimbursements	51,438,723	-	51,438,723	46,245,039
Interfund Asset Allocation	(1,845,389)	1,845,389	-	-
Interest on Investments	253,948	86,658	340,606	234,506
Interest Revenue from Leasing Transaction	4,644,052	-	4,644,052	6,851,817
Interest Expense on Leasing Transaction	(4,644,052)	-	(4,644,052)	(6,851,817)
Total Non-Operating Revenue (Expenses)	<u>210,684,386</u>	<u>142,093,629</u>	<u>352,778,015</u>	<u>334,659,599</u>
Income Before Extraordinary Item	<u>17,927,664</u>	<u>(3,455,453)</u>	<u>14,472,211</u>	<u>14,915,900</u>
<u>Extraordinary Item</u>				
Other ADA Revenue	-	7,776,815	7,776,815	-
Total Extraordinary Item	<u>-</u>	<u>7,776,815</u>	<u>7,776,815</u>	<u>-</u>
Change in Net Position	17,927,664	4,321,362	22,249,026	14,915,900
Beginning Net Position	235,976,401	(3,452,814)	232,523,587	217,607,687
Ending Net Position	<u>\$ 253,904,065</u>	<u>\$ 868,548</u>	<u>\$ 254,772,613</u>	<u>\$ 232,523,587</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
Pace-Owned Service Revenue	\$ 32,327,470	\$ 29,690,304	\$ 2,637,166
CMAQ/JARC Passenger Revenue	424,192	128,855	295,337
Fixed Route Carrier Revenue	3,412,753	3,310,495	102,258
Paratransit Revenue	12,218,205	13,161,423	(943,218)
Vanpool Revenue	4,189,130	4,228,845	(39,715)
Reduced Fare Reimbursement	3,241,648	2,731,000	510,648
Advertising Revenue	4,534,233	4,654,325	(120,092)
Interest on Investments	253,948	231,139	22,809
Miscellaneous/Other Revenue	1,128,277	1,093,500	34,777
Total Operating Revenue	61,729,856	59,229,886	2,499,970
<u>Operating Expenses</u>			
Pace-Owned Service Expenses	83,705,687	86,171,265	2,465,578
CMAQ/JARC Expenses	2,968,329	2,571,529	(396,800)
Contract Payments:			
Fixed Route Carriers	9,848,158	10,447,636	599,478
Paratransit Carriers	18,711,909	19,992,736	1,280,827
Vanpool Expenses	4,365,908	5,248,472	882,564
Centralized Operations	66,384,118	67,247,630	863,512
Indirect Overhead Allocation	(5,587,145)	(5,360,108)	227,037
Administrative Expenses	29,554,123	28,440,726	(1,113,397)
Total Operating Expenses	209,951,087	214,759,886	4,808,799
Operating Income (Loss)	(148,221,231)	(155,530,000)	7,308,769
<u>Non-Operating Revenue</u>			
Retailers' occupation and use tax from RTA (85% Formula)	87,298,041	85,388,000	1,910,041
RTA Sales Tax/PTF (PA 95-0708)	32,957,499	31,757,000	1,200,499
RTA Discretionary Funding	3,978,339	3,838,000	140,339
Suburban Community Mobility Fund (SCMF)	22,878,795	22,376,000	502,795
South Suburban Job Access Fund	7,500,000	7,500,000	-
Federal Operating Grants - Suburban Services	6,224,430	4,671,000	1,553,430
Total Non-Operating Revenue	160,837,104	155,530,000	5,307,104
Increase (Decrease) in Net Position	\$ 12,615,873	\$ -	\$ 12,615,873
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(44,281,543)		
Capital Grants Non-Operating Revenue	51,438,723		
Interfund Asset Allocation	(1,845,389)		
Increase (Decrease) in Net Position - GAAP Basis	\$ 17,927,664		

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
ADA Service Revenue	\$ 10,475,366	\$ 10,414,570	\$ 60,796
Interest on Investments	86,658	-	86,658
Miscellaneous/Other Revenue	3,717,437	2,504,726	1,212,711
Total Operating Revenue	<u>14,279,461</u>	<u>12,919,296</u>	<u>1,360,165</u>
<u>Operating Expenses</u>			
ADA Service Expenses	140,022,158	144,530,346	4,508,188
Centralized Operations	4,740,133	3,701,827	(1,038,306)
Indirect Overhead Allocation	5,587,145	5,360,108	(227,037)
Administrative Expenses	6,731,462	6,493,015	(238,447)
Total Operating Expenses	<u>157,080,898</u>	<u>160,085,296</u>	<u>3,004,398</u>
Operating Income (Loss)	<u>(142,801,437)</u>	<u>(147,166,000)</u>	<u>4,364,563</u>
<u>Non-Operating Revenue</u>			
Regional ADA Paratransit Funding from RTA	131,661,582	138,666,000	(7,004,418)
ADA State Funding	8,500,000	8,500,000	-
Total Non-Operating Revenue	<u>140,161,582</u>	<u>147,166,000</u>	<u>(7,004,418)</u>
Income Before Extraordinary Item	<u>(2,639,855)</u>	<u>-</u>	<u>(2,639,855)</u>
<u>Extraordinary Item</u>			
Other ADA Revenue	7,776,815	-	7,776,815
Total Extraordinary Item	<u>7,776,815</u>	<u>-</u>	<u>7,776,815</u>
Increase (Decrease) in Net Position	<u>\$ 5,136,960</u>	<u>\$ -</u>	<u>\$ 5,136,960</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(2,660,987)		
Interfund Asset Allocation	1,845,389		
Increase (Decrease) in Net Position - GAAP Basis	<u>\$ 4,321,362</u>		

STATISTICAL SECTION

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	82
Change in Net Position	83
Working Capital Ratio	84

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	85
System Ridership	86
Sales Tax Collection for the Six County Region	87

Debt Capacity

Pace is authorized to borrow up to \$100 million effective January 1, 2013 for four specific projects. Pace did not issue bonds as of December 31, 2014 so there is no outstanding debt.

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	88
Principal Employers of the RTA Area	89

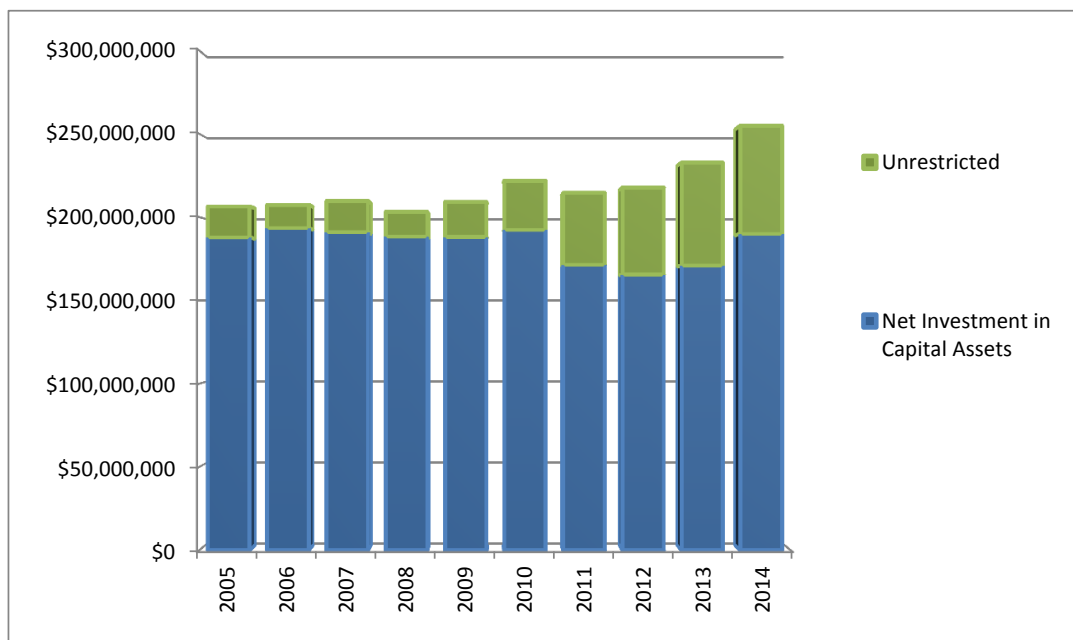
Operating Information

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	90
Full-Time Equivalent Employees by Function/Program	91
Operating Indicators.....	92

**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 Primary Government Net Position</u>
2005	\$187,771,773	-	\$18,560,914	\$206,332,687
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



Source: Pace Annual Financial Reports

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenue										
Pace-owned service revenue	\$27,605,939	\$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
CMAQ/JARC Services	245,345	123,482	335,124	255,321	395,654	10,209	40,292	86,473	230,763	424,192
Fixed route carrier revenue	4,635,410	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
Paratransit revenue	11,093,172	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
Vanpool revenue	2,694,295	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
Reduced fare reimbursement	3,236,102	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
Advertising revenue	4,084,183	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
Miscellaneous	1,222,446	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
Total Operating Revenue	54,816,892	55,430,311	60,939,243	58,662,241	58,959,720	62,008,535	68,853,792	69,137,470	70,618,720	75,668,711
Operating expenses										
Pace-owned service expenses	70,701,982	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
CMAQ/JARC expenses	933,059	533,213	1,488,088	1,779,710	1,890,135	198,665	290,232	911,980	2,034,397	2,968,329
Contract Payments:										
Fixed route carriers	11,585,232	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
Paratransit carriers	26,156,760	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
Vanpool expenses	2,530,884	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
Centralized operations	32,361,699	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
Administrative expenses	15,354,274	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
Depreciation	31,567,767	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
Total Operating Expenses	191,191,657	229,507,736	277,499,925	312,617,032	326,557,160	333,002,346	352,147,903	375,112,892	390,362,419	413,974,515
Operating Income (Loss)	(136,374,765)	(174,077,425)	(216,560,682)	(253,954,791)	(267,597,440)	(270,993,811)	(283,294,111)	(305,975,422)	(319,743,699)	(338,305,804)
Non Operating Revenue										
Sales Tax from RTA (85% Formula)	76,398,719	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
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
Regional ADA Paratransit Fund	1,000,000	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
RTA Discretionary Funding	2,653,281	570,484	4,000,000	-	4,366,739	-	535,000	5,440,000	3,694,000	3,978,339
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
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
ADA State Funding	-	-	2,000,000	-	-	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Innovation Coordination and Enhancement Fund	-	-	-	-	4,136,823	1,431,706	6,586,687	-	-	-
Federal Operating Grants	24,502,086	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
Capital Grants Reimbursements	34,112,483	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
Interest on Investments	965,652	1,602,341	2,230,167	1,235,617	214,343	111,382	129,548	187,728	234,506	340,606
Interest Expense	-	-	(207,585)	(150,891)	(58,461)	(21,570)	(7,134)	(344)	-	-
Interest Revenue from Leasing Transaction	6,718,171	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
Interest Expense on Leasing Transaction	(6,718,171)	(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)
Total Non-Operating Revenue (Expense)	139,632,221	174,996,318	218,820,137	247,457,220	273,530,094	283,794,928	275,993,962	309,136,023	334,659,599	352,778,015
Income Before Extrordinary Item	3,257,456	918,893	2,259,455	(6,497,571)	5,932,654	12,801,117	(7,300,149)	3,160,601	14,915,900	14,472,211
Extraordinary Item										
Other ADA Revenue	-	-	-	-	-	-	-	-	-	7,776,815
Net Change in Net Position	3,257,456	918,893	2,259,455	(6,497,571)	5,932,654	12,801,117	(7,300,149)	3,160,601	14,915,900	22,249,026
Beginning Net Position	203,075,231	206,332,687	207,251,580	209,511,035	203,013,464	208,946,118	221,747,235	214,447,086	217,607,687	232,523,587
Ending Net Position	\$ 206,332,687	\$ 207,251,580	\$ 209,511,035	\$ 203,013,464	\$ 208,946,118	\$ 221,747,235	\$ 214,447,086	\$ 217,607,687	\$ 232,523,587	\$ 254,772,613

Source: Pace Annual Financial Reports

**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
2005	\$68,981	\$32,349	\$36,632	\$159,624	22.9%
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%

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 78.

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

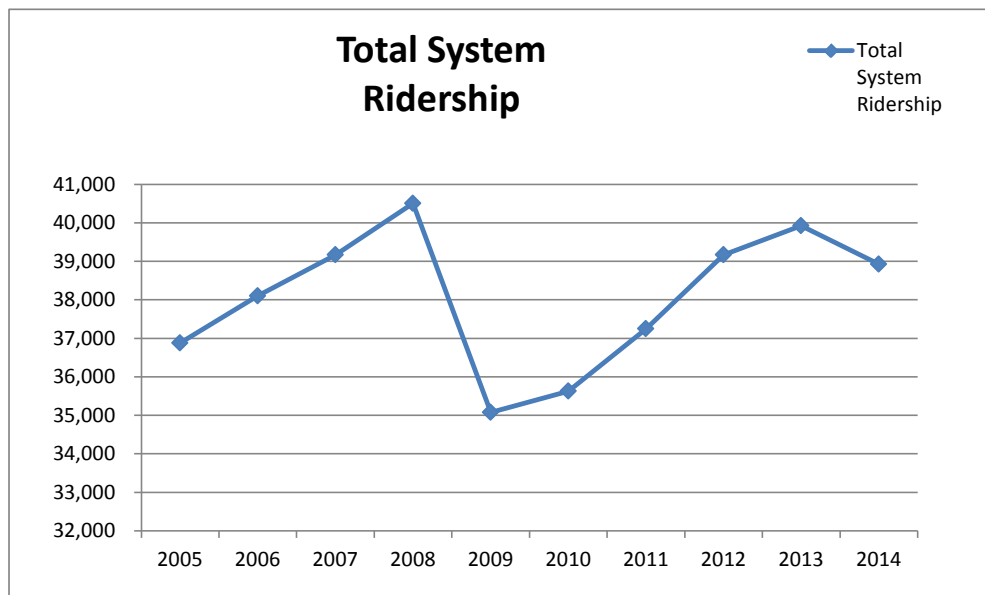
Fare Type	Effective <u>12/31/2014</u>		Effective <u>12/31/2005</u>	
	Full	Reduced	Full	Reduced
Basic Fare	\$1.75	\$0.85	\$1.50	\$0.75
Local Fare	-	-	\$1.25	\$0.60
Premium Fare	\$4.00	\$2.00	\$3.00	\$1.50
Pace 30 Day Pass	\$60.00	\$30.00	\$50.00	\$25.00
Pace Premium 30 Day Pass	\$140.00	\$70.00	-	-
CTA/Pace 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	-	-	-
Student Haul Pass	-	-	-	\$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
2005	33,770	1,122	1,529	36,421	459	36,880
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	31,649	990	2,156	34,795	4,127	38,922



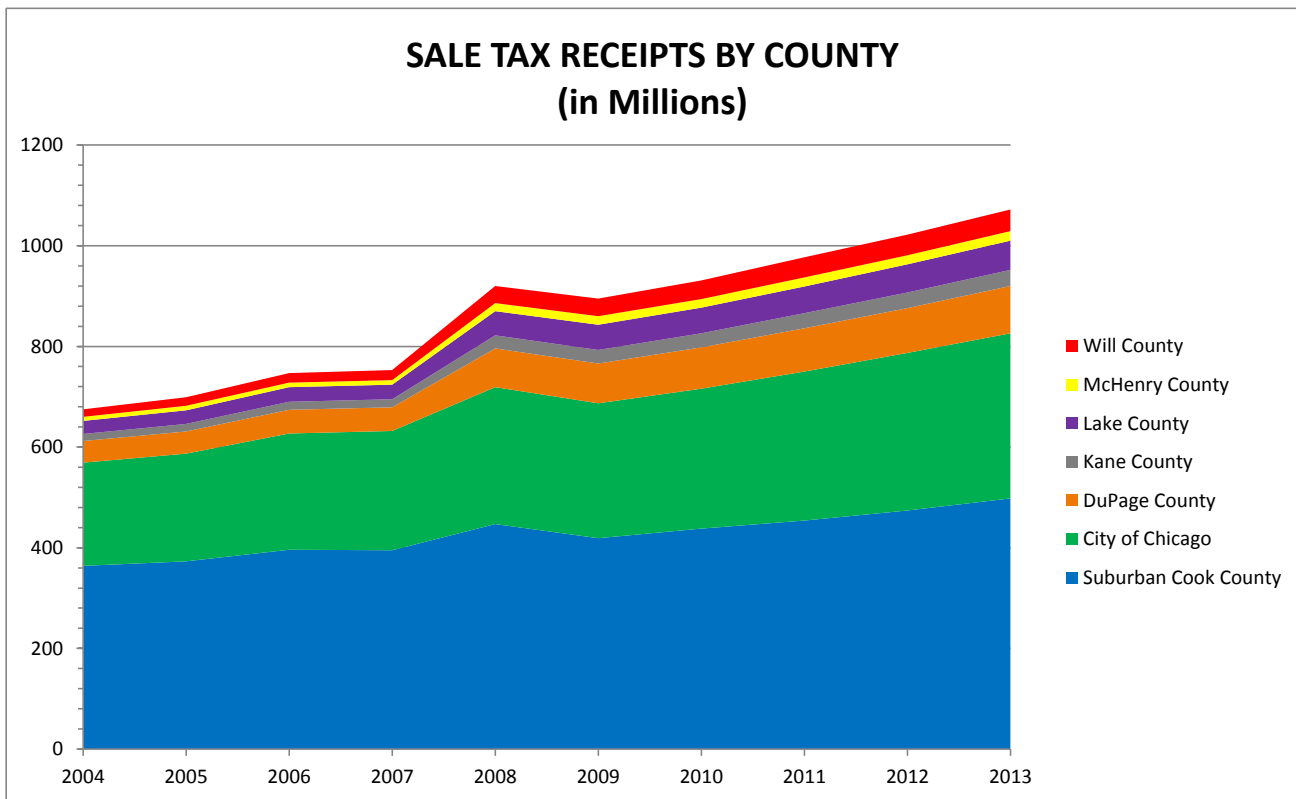
Source: Pace Budget and Ridership Reports

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>2004</u>	<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>
City of Chicago	\$ 205	\$ 214	\$ 231	\$ 237	\$ 272	\$ 268	\$ 278	\$ 296	\$ 313	\$ 328
Suburban Cook County	364	373	396	395	447	419	438	454	474	498
DuPage County	43	44	47	47	77	79	82	86	89	94
Kane County	14	15	16	16	26	27	28	30	31	32
Lake County	26	27	29	29	48	50	51	53	56	58
McHenry County	8	9	9	9	16	17	17	18	18	19
Will County	15	17	19	20	34	35	37	40	41	43
Total	\$ 675	\$ 699	\$ 747	\$ 753	\$ 920	\$ 895	\$ 931	\$ 977	\$ 1,022	\$ 1,072



Source: RTA Budget

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

Note: Actual data for 2014 was not available

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

<u>Year</u>	<u>Six County Population</u>	<u>Personal Income (in millions)</u>	<u>Per Capita Personal Income</u>	<u>Six County Average Unemployment Rate</u>
2004	8,204,511	\$ 325,602	\$ 39,692	6.3%
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	8,367,254	415,326	49,595	8.7%
2013	8,389,726	422,662	50,379	9.1%

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 2014 was not available.

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

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>No. of Employees</u>	<u>Rank</u>	<u>Percentage of Total RTA Area Employment</u>	<u>No. of Employees</u>	<u>Rank</u>	<u>Percentage of Total RTA Area Employment</u>
US Government	45,673	1	1.05%	78,000	1	1.97%
Chicago Public Schools	38,933	2	0.90%	-	-	-
City of Chicago	30,345	3	0.70%	-	-	-
Cook County	21,622	4	0.50%	25,482	3	0.64%
Advocate Heath Care	18,556	5	0.43%	25,279	4	0.64%
University of Chicago	16,025	6	0.37%	-	-	-
JP Morgan Chase & Co.	15,015	7	0.35%	15,366	10	0.39%
State of Illinois	14,925	8	0.34%	17,056	6	0.43%
Northwestern Memorial Healthcare	14,550	9	0.34%	-	-	-
United Continental Holding, Inc.	14,000	10	0.32%	-	-	-
Jewel/Osco	-	-	-	34,037	2	0.86%
United Parcel Services	-	-	-	19,346	5	0.49%
SBC Communications	-	-	-	16,500	7	0.42%
Walmart Stores Inc.	-	-	-	16,350	8	0.41%
United Airlines	-	-	-	15,431	9	0.39%
Total	<u>229,644</u>		<u>5.30%</u>	<u>262,847</u>		<u>6.64%</u>

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>			
Manufacturer	Number of Vehicles	Year	Age	Manufacturer	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age
Chance Trolleys	6	2000	14	Eldorado Buses 23'	49	2008	6	Vans	1	1998	15
Orion I 40'	85	2000	14	Eldorado Vans 19'	23	2009	5	Vans	3	2001	13
Orion I 40'	65	2001	13	Eldorado Buses 23'	58	2009	5	Vans	5	2002	12
MCI 40'	8	2002	12	Eldorado Vans 19'	18	2010	4	Vans	21	2003	11
Nabi 35'	83	2003	11	Eldorado Buses 23'	160	2010	4	Vans	8	2004	10
Nabi 40'	97	2003	11	Eldorado Buses 25'	147	2014	0	Vans	27	2005	9
Orion 40'	6	2004	10					Vans	65	2006	8
Nabi 40'	60	2005	9					Vans	52	2007	7
Eldorado 30'	102	2006	8					Vans	19	2008	6
Eldorado 30'	38	2008	6					Vans	64	2009	5
Eldorado 32'	5	2008	6					Vans	83	2010	4
Eldorado 30'	25	2009	5					Vans	62	2011	3
Eldorado 30'	58	2010	4					Vans	113	2012	2
Orion Hybrid 30'	2	2011	3					Vans	270	2013	1
Eldorado 30'	4	2011	2								
Eldorado 40'	77	2013	1								
MCI 40'	13	2014	0								
Total	734			Total	455			Total	793		
Average Age	8.6			Average Age	3.1			Average	3.8		

Facilities	
Park -N- Rides	9
Transportation Centers	9
Transfer Facilities	2
Operating Garages	11

Source: Pace 2015 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>
2005	194	-	947	248	23	1,412
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

PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
OPERATING INDICATORS
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>
Fixed Route Service										
Number of Fixed Routes	239	233	232	220	213	194	194	194	199	195
Number of Accessible Routes	239	233	233	220	213	194	194	194	199	195
Number of Private Contractors	5	4	4	3	4	4	3	3	3	2
Number of Municipal Contractors	2	2	2	2	2	2	3	3	3	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	62	65	65	66	68	68	68	68
Vanpool										
Vehicles in Service	540	628	673	695	690	673	708	738	781	785
Vehicle Miles (000's)										
Fixed Route	24,649	24,297	24,509	24,906	24,893	24,167	23,704	24,144	24,330	25,229
DAR/Ride DuPage/Kane	4,047	4,051	4,000	4,061	5,007	5,225	5,357	5,579	5,863	5,790
Vanpool	9,315	10,631	11,500	12,679	11,842	11,295	11,732	12,662	13,129	13,422
Regional ADA Paratransit *	4,403	4,477	4,719	4,974	23,517	23,298	27,581	29,779	30,815	32,768
Vehicle Hours (000's)										
Fixed Route	1,628	1,623	1,629	1,656	1,658	1,614	1,581	1,602	1,623	1,669
DAR/Ride DuPage/Kane	266	281	280	286	274	278	285	299	307	304
Regional ADA Paratransit **	300	308	319	1,336	1,651	1,634	1,895	1,900	1,998	2,212

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

OTHER INFORMATION

SECTION FOUR – OTHER INFORMATION

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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, 2014

REVENUE	
Pace-Owned Service Revenue	\$ 32,327,470
CMAQ/JARC Passenger Revenue	424,192
Fixed Route Carrier Revenue	3,412,753
Paratransit Revenue	12,218,205
Van Pool Revenue	4,189,130
Reduced Fare Reimbursement	3,241,648
Advertising Revenue	4,534,233
Interest on Investments	253,948
Miscellaneous	1,128,277
** Not-For-Profit Service Providers Revenue	1,642,400
Total System Generated Revenue	\$ 63,372,256
OPERATING EXPENSES	
Pace-Owned Service Expenses	\$ 83,705,687
CMAQ/JARC Expenses	2,968,329
Contract Payments:	
Fixed Route Carriers	9,848,158
Paratransit Carriers	18,711,909
Van Pool Expenses	4,365,908
Centralized Operations	66,384,118
Administrative Expenses	29,554,123
Indirect Overhead Allocation	(5,587,145)
** Not-For-Profit Service Providers Expense	1,642,400
Total Operating Expenses	\$ 211,593,487
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 2014, Pace has included \$1,642,400 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, 2014

REVENUE	
ADA Services Revenue	\$ 10,475,366
Interest on Investments	86,658
Miscellaneous	3,717,437
Total System Generated Revenue	\$ 14,279,461
OPERATING EXPENSES	
ADA Services Expenses	\$ 140,022,158
Centralized Operations	4,740,133
Administrative Expenses	6,731,462
Indirect Overhead Allocation	5,587,145
* Capital Cost Of Contracting	(14,288,304)
Total Operating Expenses	\$ 142,792,594
FAREBOX RECOVERY RATIO	10.0%

* Under a 2008 change in legislation, the ADA Paratransit recovery ratio calculation now includes an expense credit for costs incurred by ADA Paratransit contractors for their capital expenses. In 2014, there is \$14,288,304 of Capital Cost of Contracting funding included in the recovery ratio calculation.

**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, 2014**

	<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	\$ 1,337,046	\$ 184,961	\$ 1,522,007	\$ 618,696	\$ 903,311
Village of Downers Grove	211,607	-	211,607	56,571	155,036
Village of Niles	1,392,021	147,360	1,539,381	522,179	1,017,202
Village of Schaumburg	352,573	40,448	393,021	269,263	123,758
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	<u>\$ 3,293,247</u>	<u>\$ 372,769</u>	<u>\$ 3,666,016</u>	<u>\$ 1,466,709</u>	<u>\$ 2,199,307</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, 2014

<u>Regular Fixed Route</u>	<u>Operating Expenses</u>	<u>Passenger Revenue</u>	<u>Net Expenses</u>
First Student	\$ 4,042,543	\$ 1,183,809	\$ 2,858,734
First Transit	1,221,970	425,131	796,839
MV Transportation	<u>1,290,398</u>	<u>337,104</u>	<u>953,294</u>
TOTALS	<u><u>\$ 6,554,911</u></u>	<u><u>\$ 1,946,044</u></u>	<u><u>\$ 4,608,867</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, 2014

<u>CARRIER</u>	<u>TOTAL REVENUE</u>	<u>TOTAL EXPENSE</u>	<u>OPERATING DEFICIT</u>	<u>PACE ASSISTANCE</u>	<u>NON-PACE ASSISTANCE</u>
Bensenville	\$ 22,763	\$ 269,372	\$ 246,609	\$ 46,776	\$ 199,833
Bloom	18,679	320,951	302,272	52,047	250,225
Crestwood	7,080	103,451	96,371	17,657	78,714
Ela	11,647	173,079	161,432	24,678	136,754
Forest Park	22,707	111,944	89,237	51,516	37,721
Fox Lake/Grant	1,728	5,342	3,614	1,875	1,739
Harvard	3,086	19,415	16,329	7,632	8,697
Lemont	5,678	80,222	74,544	15,900	58,644
Lyons	13,565	365,045	351,480	36,498	314,982
Norridge	7,951	141,934	133,983	20,556	113,427
Oak Park	39,973	394,099	354,126	116,106	238,020
Orland Park	18,955	260,791	241,836	29,283	212,553
Palatine	18,514	218,799	200,285	23,637	176,648
Palos Hills	6,988	62,667	55,679	12,264	43,415
Park Forest	22,317	114,625	92,308	52,308	40,000
Rich Township	28,900	686,340	657,440	51,852	605,588
Schaumburg	91,480	1,171,946	1,080,466	190,470	889,996
Stickney	25,045	229,510	204,465	51,690	152,775
Tinley Park	9,676	93,259	83,583	25,140	58,443
Vernon Township	3,422	134,298	130,876	9,585	121,291
Washington Township	5,935	49,819	43,884	4,260	39,624
Worth	9,264	276,907	267,643	21,468	246,175
Total	\$ 395,353	\$ 5,283,815	\$ 4,888,462	\$ 863,198	\$ 4,025,264

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, 2014

<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Non - Pace Assistance</u>	<u>Net Contract Cost</u>
Barrington	\$ 79,647	\$ 5,293	\$ 39,095	\$ 35,259
Bloomington Township	333,074	29,909	91,619	211,546
Call Centers	665,114	-	2,678	662,436
Call in Rides	1,146,173	79,625		1,066,548
Central Lake	99,513	10,051	28,493	60,969
Central Will	694,027	72,098	181,783	440,146
Community Service Transit	54,366	104,922	-	(50,556)
Downers Grove	103,980	26,075	23,400	54,505
DuPage County	9,265	1,805	-	7,460
DuPage Township	177,332	10,646	48,150	118,536
Elk Grove	332,888	20,660	270,949	41,279
Freemont Township	922	35	394	493
Hampshire Township	17,184	870	4,078	12,236
Hometown	6,179	645	5,712	(178)
Leyden Township	148,398	12,301	117,108	18,989
Marengo	63,114	4,917	-	58,197
McHenry County	336,585	25,643	299,163	11,779
Milton Township	288,013	66,959	7,697	213,357
Naperville/Lisle	1,083,302	215,580	598,382	269,340
North Suburban Cook	87,269	3,046	30,352	53,871
Northeast Lake-Warren	362,989	21,546	21,320	320,123
Northeast Lake-Zion	68,900	5,073	9,842	53,985
Northwest Lake	253,034	16,725	-	236,309
Northwest Lake Demo	249,143	37,793	178,490	32,860
Northwest Suburban Cook	242,678	27,726	-	214,952
Pioneer Center	245,189	6,036	-	239,153
Ride DuPage	1,522,502	178,933	898,562	445,007
Ride In Kane	2,853,207	366,359	2,005,426	481,422
Ride McHenry	1,372,598	154,720	924,181	293,697
Shields Township	3,308	312	915	2,081
Southwest Lake-Wauconda	40,564	4,946	10,625	24,993
Southwest Will	41,058	3,543	22,857	14,658
TriState Park Shuttle	2,960	-	-	2,960
Village of Skokie/West Cook	165,078	-	181,340	(16,262)
Wayne Township	60,656	5,024	16,235	39,397
Will County	217,885	17,608	241,318	(41,041)
Total	\$ 13,428,094	\$ 1,537,424	\$ 6,260,164	\$ 5,630,506

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, 2014

	ADA SERVICES		
<u>Project</u>	<u>Contract</u> <u>Expense</u>	<u>Passenger</u> <u>Revenue</u>	<u>Net Contract</u> <u>Cost</u>
South Cook	\$ 10,346,912	\$ 810,535	\$ 9,536,377
North Suburban Cook	8,482,040	680,583	7,801,457
West Cook (Suburban)	2,582,657	287,805	2,294,852
North Lake	1,055,652	126,243	929,409
Kane County	635,905	55,070	580,835
Southwest/Central Will	542,795	46,898	495,897
DuPage County	1,712,759	147,195	1,565,564
Chicago ADA	114,663,438	8,321,037	106,342,401
Total	\$ 140,022,158	\$ 10,475,366	\$ 129,546,792

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, 2014
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013

The Unrestricted Net Position detailed in footnote 9 on page 57 is comprised of the unexpended portion
of the accumulated positive budget variance.

	<u>2014</u>	Unaudited <u>2013</u>
Group I: Approved and Completed	\$ 5,801,404	\$ 4,970,550
Group II: Approved and in Progress		
Headquarters Facility	\$ 191,034	\$ 191,034
Computer Equipment - Multiple projects	1,550,177	1,934,300
Software for Insurance System	30,000	30,000
Facilities Environmental Cleanup	451,171	451,171
Facilities Site review, EIS, Environmental Compliance	-	1,800,000
Service Restructuring Study	-	180,037
Improvements to Garages - Multiple Years	591,642	591,642
Land Acquisition - Markham	-	1,650,000
Facilities - NW Land Acq. & Site/Environment Review	6,800,000	-
Barrington Rd (1-90) BRT Ramp/underpass	2,500,000	-
Bus Shelters/Pads	1,000,000	1,000,000
Sign & Shelters	20,000	20,000
A/E for Capital Projects	3,000,000	3,000,000
Project Administration - Multiple Grants	-	6,000
Related Capital Projects/Support Services	137,317	137,317
Regional Call Center - Hardware Ph3	17,155	17,155
Ventra Fare System	10,600,000	-
Associated Capital - Multiple Years	-	75,654
Unanticipated Capital - Multiple Years	1,759,553	1,139,897
Totals Approved and in Progress	<u>28,648,049</u>	<u>12,224,207</u>
Group III: Approved But Not Yet Started		
Bus Stop Improvements	15,300	15,300
Computer Equipment	1,000,000	-
Improvements to Garages	130,344	-
Northwest Division Garage - Land Acquisition	-	7,500,000
Repl. Northwest Division Garage - Land Acquisition	4,500,000	-
Real Time Next Bus Stop Signs	160,000	160,000
Regional Call Center - Hardware phase 3	-	17,155
Unanticipated Capital	-	250,000
Ventra Fare System	-	10,600,000
Ventra Fare System - Vending Machines	1,200,000	1,200,000
Totals Approved But Not Yet Started	<u>7,005,644</u>	<u>19,742,455</u>
Total Commitments	41,455,097	36,937,212
Previously Recognized Expenditures	<u>(20,148,054)</u>	<u>(8,150,542)</u>
Net Commitments	<u>\$ 21,307,043</u>	<u>\$ 28,786,670</u>