

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



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2016



2016 Comprehensive Annual Financial Report

Year Ended December 31, 2016



**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 24, 2017

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, 2016 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. Baker Tilly Virchow Krause, LLP performed the audit and issued an unmodified opinion on Pace’s financial statements. The independent auditors’ report is located at the front of the financial section of this report. Baker Tilly Virchow Krause, LLP also conducted an audit of Pace’s major federal programs for the year ended December 31, 2016 based on the Single Audit Act of 1996 and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

PROFILE OF THE GOVERNMENT

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

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

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

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

Structure

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

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

Services

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

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

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

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

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

Organization

Pace operates its directly provided transportation services out of nine operating divisions. Each operating division has its own collective bargaining agreement, which covers wages, fringe benefits and working conditions as well as retirement plans for bus operators, mechanics and servicers. Pace also has a location in East Dundee that houses buses for the I-90 service.

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

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

Revenue and Funding

Pace generates operating income through a formal fare structure based on the bus and vanpool service that it provides. Pace also relies on operating assistance received from federal and local funding sources. Pace's primary source of non-operating assistance comes from the RTA in the form of sales taxes. Sales taxes authorized by the RTA Act are collected by the Illinois Department of Revenue and apportioned to the three service boards by the RTA. Legislation passed in 2008 established new sales tax and PTF funding that designated monies for an ADA Paratransit Fund as well as other funding to support additional service and projects that enhance ridership and improve transit. Details regarding Sales Tax and PTF funding can be found on page 34 of the Management's Discussion & Analysis ("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 2016 is detailed on page 29 of the MD&A.

Financial Planning

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

Local Economy

The economic growth in Illinois has continued to lag the nation and is expected to continue absent any major reforms. Illinois' budget problems suggest limited upside potential even as other parts of the economy improve. The State has the lowest credit rating and worst funded pension system among all 50 states. Fiscal 2016 tax revenue was off by 6% compared with the previous year. Job growth is expected to pick up in the State but will trail the regional and national averages. The Chicago area will account for the bulk of job and income gains. The State's distribution and transportation network will remain an integral part of the economy and will help drive growth. Northern Illinois remains the nation's rail hub and it benefits from stronger demand as well as the Chicago area's well developed transportation facilities.

Financial Policies

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

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

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

Major Initiatives

In 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. New buses with Wi-Fi and USB charging ports were purchased and the service started in 2016 after completion of the tollway construction. In addition, a new park-n-ride facility was constructed at the intersection of I-90 and Randall Road. Also improvements were made to the Rosemont Transit Center that included passenger boarding that accommodates two buses in each bay, upgraded sidewalks and boarding areas for ADA compliance, improved pedestrian access and improved traffic flow.

In 2017, other transit enhancements will be implemented as part of the I-90 project including the construction of two additional park-n-ride facilities and a pedestrian overpass at Barrington Road. Additionally, flexible infrastructure will be implemented to enable the Tollway to add new “smart” features as they are needed or become available. The SmartRoad feature will integrate transit with Pace and allow Pace buses to travel in flex lanes on the inside lanes and shoulders of I-90. This will allow the buses to go around congestion and provide more reliable service.

Pace became the first transit agency in the Chicagoland area to operate Compressed Natural Gas (“CNG”) buses. A new fueling facility in Markham was constructed and operational in 2016 and the first buses entered service. Pace issued bonds to cover the cost of converting the facility. The new buses will cost more to purchase but savings will be realized in lower fuel costs.

In 2015, Pace began public outreach for its new Pulse Arterial Bus Rapid Transit program. Pulse will provide enhancements to fixed route service including limited stops, express service and improved station design. Pulse will not include dedicated bus lanes but instead will utilize transit signal priority (“TSP”) technology. TSP will enable Pace buses to communicate with the traffic signal system to either shorten a red light or extend a green light. Seven routes have been identified as a priority for development over the next ten years. The first route along the Milwaukee Avenue corridor has been designed and construction is planned for 2017. Pace has also started planning work on the Dempster Line which connects Evanston and O’Hare Airport. Pending approval of funding for the construction, this line is anticipated to go into service in 2019.

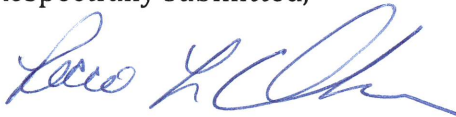
AWARDS AND ACKNOWLEDGEMENTS

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, 2015. 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,



Rocco Donahue
Deputy Executive Director, External Relations
and Acting Deputy Executive Director, Internal Services



Dominick Cuomo
Chief Financial Officer

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

**LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2016**

Board of Directors

Chairman

Richard A. Kwasneski

Directors

Central Suburban Cook County

Alan Nowaczyk

South Suburban Cook County

Terry R. Wells

Southwest Suburban Cook County

Kyle R. Hastings

Northwest Suburban Cook County

Al Larson

DuPage County

Thomas D. Marcucci

Will County

Roger C. Claar

North Central Suburban Cook County

Bradley Stephens

Kane County

Jeffery D. Schielke

McHenry County

Aaron T. Shepley

North Shore Suburban Cook County

Christopher S. Canning

Lake County

Linda Soto

Mayor's Office for People with Disabilities,

Karen Tamley

City of Chicago

Administration

Executive Director

Thomas J. Ross

Deputy Executive Director, Revenue Services

Melinda J. Metzger

Deputy Executive Director, Strategic Services

Lorraine Snorden

Deputy Executive Director, External Relations and

Acting Deputy Executive Director, Internal Services

Rocco Donahue

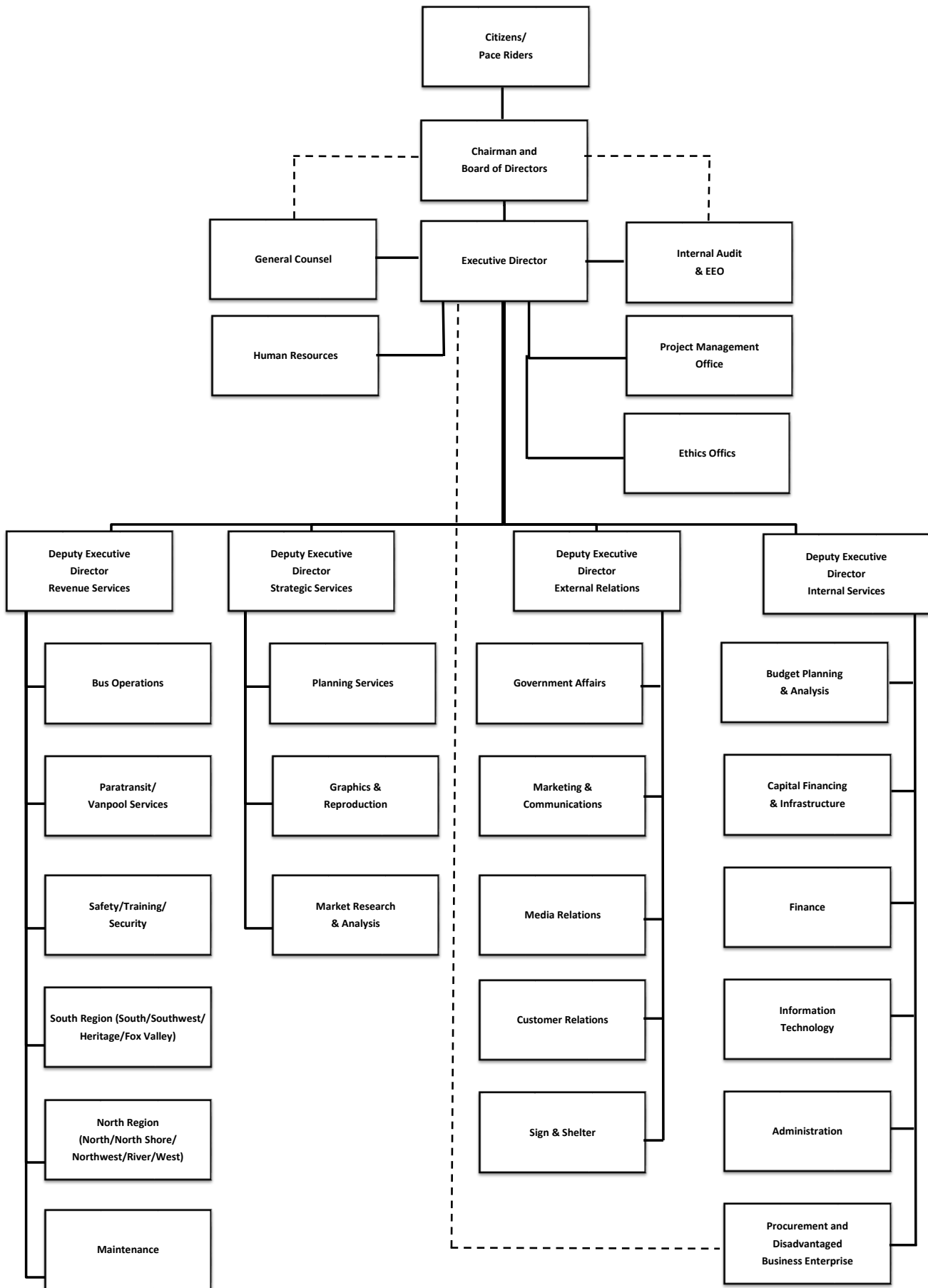
Chief Financial Officer

Dominick Cuomo

Department Manager, Accounting

Laura LaDuke

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Government Finance Officers Association

**Certificate of
Achievement
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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, 2015

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2016, 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.

Auditors' 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 auditors' 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 over financial reporting 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 Pace'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.

To the Board of Directors
Pace, the Suburban Bus Division of the Regional Transportation Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pace as of December 31, 2016 and the respective 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 the 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 Other Supplementary Exhibits as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 Supplementary Exhibits are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other 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, Statistical, and Other Information sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has 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 it.

To the Board of Directors
Pace, the Suburban Bus Division of the Regional Transportation Authority

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all the information required to constitute a presentation in accordance 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, 2015, from which such summarized information was derived. Pace's 2015 financial statements were audited by a predecessor auditor, who issued an unmodified audit opinion in their report dated May 26, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
May 24, 2017

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

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, 2016. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 38.

Using This Report

This annual report consists of a series of financial statements. The *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows* (on pages 38 - 43) provide information about the activities of Pace as a whole and present a long term view of the agency's finances. Since Pace operates as a single governmental program in two enterprise funds, fund financial statements are not required.

Reporting on the Agency as a Whole

Our analysis of Pace as a whole – which consists of two enterprise funds – begins on page 24. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* can be used to determine whether Pace as a whole is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the agency's net position and changes in them. The net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure Pace's financial health or financial position. Over time, increases or decreases in Pace's net position are one indicator of whether its financial health is improving or deteriorating. Other financial factors should be considered as well, such as, the level of public funding received from the RTA, sales tax revenue and working cash balances. Based on Pace's current year financial and operating performance, the agency's overall financial position improved during 2016.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

Financial Highlights

- **Net Position increased by \$26.8 million** in 2016. Net Position represents Total Assets and Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows of Resources.
- **Total Operating Revenues for 2016 were \$71.0 million** which represented a 1.4% decrease from 2015.
- **Non-Operating Revenues increased \$8.3 million** (or 2.7%) to \$313.0 million in 2016.
- **Total Operating Expenses increased by \$25.7 million** (or 6.5%) to \$418.9 million during 2016.
- **Pace met the RTA mandated recovery ratio of 30%** for Suburban Services during 2016. 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 2016.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

Ridership

Pace ridership decreased overall in 2016. Lower gas prices contributed to the decrease. Some of the highlights are as follows:

Highlights:

- **Pace served 35.3 million passengers** in 2016 which reflected a 5.3% decrease below the 2015 ridership total of 37.3 million.
- **The Bus On Shoulder service operated by Heritage Division** continued to grow in ridership. Pace provided 458,461 rides in 2016 compared to 378,071 in 2015 resulting in an increase of 21.3%. Pace expanded the service in October with a new service that operates between the Toyota Park Transit Center in Bridgeview and Chicago's East Loop district.
- **Pace introduced a new Call-n-Ride** in the Aurora and Naperville areas. Pace now operates ten Call-n-Ride services throughout the six county region.
- **Phase Two of the I-90 Expansion Program launched** in December which included six new bus routes, three express routes and three local routes. In addition, there were improvements made to the service on five existing routes and a new Park-n-Ride was constructed at I-90 and Randall Road.
- **ADA Paratransit ridership decreased 1.2% in 2016** with ridership of 4,177,506 for Chicago and Suburban ADA service versus 2015 ridership of 4,227,028.
- **Vanpool ridership decreased 8.7% in 2016** to 1,880,960. The total number of active vans at the end of 2016 was 696.
- **A new \$2 cash fare was implemented** on January 1, 2016. The cash fare is 25 cents more than the single ride fare for riders that use the Ventra card.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

The Agency as a Whole

	<u>2016</u>	<u>2015</u>	<u>Change</u>
ASSETS			
Current Assets	\$ 175,482,970	\$ 240,788,488	\$ (65,305,518)
Capital Assets	238,263,379	204,898,385	33,364,994
Total Other Noncurrent Assets	1,155,980	8,068,188	(6,912,208)
Total Assets	<u>414,902,329</u>	<u>453,755,061</u>	<u>(38,852,732)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	22,439,035	39,140,269	(16,701,234)
Total Deferred Outflows of Resources	<u>22,439,035</u>	<u>39,140,269</u>	<u>(16,701,234)</u>
LIABILITIES			
Current Liabilities	90,593,361	153,446,022	(62,852,661)
Total Other Liabilities	58,832,309	79,169,462	(20,337,153)
Total Liabilities	<u>149,425,670</u>	<u>232,615,484</u>	<u>(83,189,814)</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	2,112,906	1,248,249	864,657
Total Deferred Inflows of Resources	<u>2,112,906</u>	<u>1,248,249</u>	<u>864,657</u>
NET POSITION			
Net Investment in Capital Assets	229,819,359	202,166,573	27,652,786
Restricted for Bond Repayment	1,200,000	1,200,000	-
Unrestricted	54,783,429	55,665,024	(881,595)
Total Net Position	<u>\$ 285,802,788</u>	<u>\$ 259,031,597</u>	<u>\$ 26,771,191</u>

Net Position at December 31, 2016 increased to \$285.8 million from \$259.0 million due to a \$27.7 million increase in Net Investment in Capital Assets offset by a \$.9 million decrease in Unrestricted Net Position. The increase in Net Investment in Capital Assets is comprised of \$61.7 million in capital grants reimbursements, \$12.2 million in Pace funded capital projects and \$1.2 million in bond payments offset by \$6.9 million in expended bond proceeds and \$40.5 million in depreciation. Restricted Net Position represents one year of bonds payable that is legally restricted. Information regarding the adjustment to Net Position can be found on page 88 of the notes to the financial statements.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

The Agency as a Whole (Continued)

Total Assets decreased \$ 38.9 million in 2016 to \$414.9 million. The \$65.3 million decrease in Current Assets is attributed to a \$3.0 million increase in accounts receivable, a \$.6 million increase in inventory and a \$.2 million increase in prepaid expenses offset by a \$1.1 million decrease in cash and a \$68.1 million decrease in the current portion of assets restricted for repayment of leasing commitments. Capital Assets increased \$33.4 million in 2016 due to a \$13.5 million increase in capital projects in progress, a \$26.1 million increase in equipment and buildings and improvements offset by a \$6.2 million increase in accumulated depreciation. Information regarding capital asset activity can be found on page 29. Other Noncurrent Assets decreased \$6.9 million due to a decrease in restricted cash for bond proceeds. Restricted cash of \$1.2 million represents the unexpended portion of the bond proceeds.

Deferred outflows of resources decreased \$16.7 million in 2016 due to a decrease in deferred outflows related to pensions. The decrease is comprised of a \$10.6 million increase in deferred outflows due to differences between actual and projected earnings and a \$3.0 million increase in deferred outflows due to a change in the employer proportionate share offset by a \$30.3 million decrease in deferred outflows due to pension contributions made after the measurement date.

Current Liabilities decreased \$62.9 million in 2016. The decrease is comprised of a \$5.4 million increase in accounts payable, a \$.6 million increase in accrued payroll and a \$13.7 million increase in the current portion of insurance reserves offset by a \$14.1 million decrease in other accrued expenses, \$.4 million decrease in unearned revenue and a \$68.1 million decrease in the current portion of capital lease obligations. The capital lease obligations were paid in full in 2016.

Other Liabilities decreased \$20.3 million as of the end of 2016. The decrease was due to an increase of \$.3 million in other post employment benefits obligation and a \$.6 million increase in advance from state offset by a \$6.8 million decrease in the noncurrent portion of insurance reserves, a \$13.2 million decrease in net pension obligation and a \$1.2 million decrease in the long term portion of bonds payable.

Deferred inflows of resources related to pension increased \$.9 million in 2016. The increase is due to a \$.7 million increase in deferred inflows due to change in employer proportionate share and a \$.4 million increase in deferred inflows due to differences between actual and projected experience offset by a \$.2 million decrease in deferred inflows due to assumption changes.

Information regarding the defined benefit pension plans and the associated pension liability, deferred outflows of resources and deferred inflows of resources can be found beginning on page 64 of the notes to the financial statements and pages 92 - 97 in the Required Supplementary Information section.

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

Capital Assets

Pace received \$61.7 million in capital grant reimbursements in 2016 including:

- \$59.7 million from the Federal Transit Administration (FTA),
- \$ 2.0 million from the Regional Transportation Authority (RTA)

In addition, Pace used \$12.2 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

Equipment:

- \$37.2 million in fixed route buses,
- \$6.8 million in bus equipment,
- \$4.4 million in garage and park-n-ride design,
- \$3.8 million in paratransit vehicles,
- \$2.6 million in vanpool vehicles,
- \$1.7 million in Safety Vision equipment and consulting,
- \$1.4 million in building and improvements,
- \$0.9 million in computer equipment and software,
- \$0.7 million in capital parts and maintenance,
- \$0.7 million in shelters,
- \$0.7 million in Non-Revenue Vehicles,
- \$0.5 million in project administration,
- \$0.2 million in transit signal priority equipment and consulting, and
- \$0.1 million in community transit vehicles,

Pace purchased 88 fixed route buses totaling \$37.2 million, 60 paratransit vehicles totaling \$3.8 million, 73 vanpool vehicles totaling \$2.6 million, and 2 community transit vehicles for \$0.1 million.

Information regarding capital asset activity for 2016 can be found in the notes to the financial statements on page 53 through 54 and page 58 as well as in Schedule 7 on page 127.

Long Term Debt

On February 24, 2015 Pace issued \$12 million in Revenue Bonds Series of 2015 to be used for converting the South Division Garage into a compressed natural gas facility. The outstanding debt is backed by the operating revenues of the Suburban Services Fund. The debt must be repaid in annual principal payments of \$1,200,000. Pace currently does not have a credit rating. Its only debt issue was a taxable bank direct placement which did not require a credit rating.

Details regarding long term debt can be found on page 62 and 63 of the notes to the financial statements and pages 112 - 113 of the Statistical Section.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>%</u>
<u>Operating Revenue</u>				
Pace-Owned Service Revenue	\$ 32,110,815	\$ 32,197,304	\$ (86,489)	-0.3%
CMAQ/JARC Services	199,889	688,967	(489,078)	-71.0%
Fixed Route Carrier Revenue	3,350,679	3,337,954	12,725	0.4%
Paratransit Revenue	22,428,374	22,205,676	222,698	1.0%
Vanpool Revenue	3,267,864	4,035,025	(767,161)	-19.0%
Reduced Fare Reimbursement	1,345,862	162,469	1,183,393	728.4%
Advertising Revenue	2,766,255	3,105,226	(338,971)	-10.9%
Miscellaneous	5,538,076	6,306,187	(768,111)	-12.2%
Total Operating Revenue	71,007,814	72,038,808	(1,030,994)	-1.4%
<u>Operating Expenses:</u>				
Pace-Owned Service Expenses	92,806,319	86,388,267	6,418,052	7.4%
CMAQ/JARC Expenses	2,952,131	2,692,441	259,690	9.6%
Contract Payments:				
Fixed Route Carriers	9,955,326	10,045,768	(90,442)	-0.9%
Paratransit Carriers	164,327,776	159,468,364	4,859,412	3.0%
Vanpool Expenses	3,037,343	3,486,354	(449,011)	-12.9%
Centralized Operations	65,825,451	54,362,958	11,462,493	21.1%
Administrative Expenses	39,461,949	36,271,779	3,190,170	8.8%
Depreciation	40,562,165	40,516,493	45,672	0.1%
Total Operating Expenses	418,928,460	393,232,424	25,696,036	6.5%
Operating Income (Loss)	(347,920,646)	(321,193,616)	(26,727,030)	8.3%
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	91,559,244	90,272,781	1,286,463	1.4%
RTA Sales Tax/PTF (PA 95-0708)	34,002,247	33,494,733	507,514	1.5%
Regional ADA Paratransit Fund	140,923,975	130,980,972	9,943,003	7.6%
RTA Discretionary Funding	4,901,422	4,602,594	298,828	6.5%
Suburban Community Mobility Fund (SCMF)	24,124,103	23,800,266	323,837	1.4%
South Suburban Job Access Fund	7,500,000	7,500,000	-	0.0%
ADA State Funding	3,825,004	8,394,800	(4,569,796)	-54.4%
Innovation Coordination and Enhancement Fund (ICE)	1,632,237	1,847,711	(215,474)	-11.7%
Federal Operating Grants	4,174,296	3,539,940	634,356	17.9%
Interest on Investments	613,890	435,784	178,106	40.9%
Interest Expense	(283,200)	(242,500)	(40,700)	16.8%
Interest Revenue from Leasing Transaction	668,538	4,232,106	(3,563,568)	-84.2%
Interest Expense on Leasing Transaction	(668,538)	(4,232,106)	3,563,568	-84.2%
Total Non-Operating Revenue (Expenses)	312,973,218	304,627,081	8,346,137	2.7%
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	(34,947,428)	(16,566,535)	(18,380,893)	111.0%
Other Revenues, Expenses, Gains, Losses and Transfers				
Capital Grant Reimbursements	61,718,619	48,879,594	12,839,025	26.3%
Total Other Revenues, Expenses, Gains, Losses and Transfers	61,718,619	48,879,594	12,839,025	26.3%
Change in Net Position	26,771,191	32,313,059	(5,541,868)	-17.2%
Beginning Net Position	259,031,597	226,718,538	32,313,059	14.3%
Ending Net Position	\$ 285,802,788	\$ 259,031,597	26,771,191	10.3%

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

Comparison of Results: FY2016 vs. FY2015

Operating Revenue

Total Operating Revenue decreased 1.4% or \$1.0 million in 2016. Significant changes in operating revenue are noted as follows:

- **Vanpool Revenue** – The \$.8 million decrease in revenue is due to a drop in the number of vanpools.
- **Reduced Fare Reimbursement** – The \$1.2 million increase is due to appropriation of funds by the State in 2016. The funding had been eliminated in 2015.
- **Miscellaneous Income** – The \$.8 million decrease is due a decline in the number of Medicaid trips reimbursed in 2016.

Operating Expenses

Total Operating Expenses increased by \$25.7 million (or 6.5%) in 2016 which is comprised primarily of the following changes:

- **Pace-Owned Service Expenses** – The \$6.4 million increase in expense is due to increased service which resulted in an increase in operator wages, other salaries and fringe benefits as well as a reduction in salary credits.
- **Paratransit Carrier Expenses** – The \$4.9 million increase in expense is due to increased costs for providing the Chicago ADA service.
- **Centralized Operations** – The \$11.5 million increase is mainly due to increased salaries, pension, health insurance and auto liability claims expenses offset by decreases in fuel prices , workers compensation claims and employment liability claims.
- **Administrative Expense** – The \$3.2 million increase is primarily due to increased salaries, pension and data processing communication and software expenses.

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

Non-Operating Revenue

Non-Operating Revenue increased \$8.3 million or 2.7% to \$313.0 million in 2016. Specific factors contributing to the increase are outlined below:

- **Operating Assistance from the RTA** – RTA Sales Tax under the 85% Formula increased \$1.3 million in 2016.
- **RTA Sales Tax/PTF (PA 95-0708)** – Pace received \$34.0 million in RTA Sales Tax/PTF funding in 2016 as outlined in PA 95-0708 which was an increase of \$.5 million from 2015.
- **Regional ADA Paratransit Fund** – Funding from the Regional ADA Paratransit Fund increased \$9.9 million in 2016.
- **RTA Discretionary Funding** – The RTA Discretionary Funding increased \$.3 million in 2016.
- **Suburban Community Mobility Fund (SCMF)** – Funding increased by \$.3 million in 2016.
- **South Suburban Job Access Fund** – Pace received \$7.5 million in funding from the RTA for services in South Suburban Cook County in 2016.
- **ADA State Funding** – Funding for ADA service decreased by \$4.6 million due to reductions made by the State.
- **Innovation, Coordination and Enhancement Fund (ICE)** – Pace received \$1.6 million in funding from the ICE fund in 2016.
- **Federal Operating Grants** – Pace received \$4.2 million in JARC and CMAQ funding in 2016.

Other Revenues, Expenses, Gains, Losses and Transfers

- **Capital Grant Reimbursements** – The \$12.8 million increase is due to an increase in the number of capital funded assets acquired in 2016 which included \$44.0 million in buses and bus equipment.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

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 \$91.6 million in RTA Sales Tax in 2016 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 2016, the RTA provided \$140.9 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 2016, the RTA provided \$24.1 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 2016, there was \$1.6 million in funding provided to Pace from the ICE Fund.
- *New Sales Tax and Public Transportation Funds (PTF)* - After all monies are allocated to the above funds, the remaining amount is distributed as a New Sales Tax and PTF to the three Service Boards. Pace's allocation of the New Sales Tax and PTF is equal to 13% of the remaining amount. For 2016, Pace received \$34.0 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 2016, the RTA provided \$7.5 million in funding for the South Suburban Job Access program. The RTA also provided \$4.9 million in Discretionary Funding in 2016.

Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

The allocation of the funds established for 2016 and 2015 is as follows:

RTA OPERATING FUNDING (000's)

	<u>2016</u>	<u>2015</u>
Suburban Services Fund:		
RTA Sales Tax (85% Formula)	\$ 91,559	\$ 90,273
RTA Sales Tax/PTF (PA 95-0708)	34,002	33,495
RTA Discretionary Funding	4,901	4,603
Suburban Community Mobility Fund	24,124	23,800
South Suburban Job Access Fund	7,500	7,500
Innovation, Coordination & Enhancement Fund	<u>1,632</u>	<u>1,848</u>
Total Suburban Services Funding	<u>\$163,718</u>	<u>\$161,519</u>
Regional ADA Paratransit Fund:		
RTA Paratransit Fund	<u>140,924</u>	<u>\$130,981</u>
Total RTA Funding	<u>\$304,642</u>	<u>\$292,500</u>

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Pace
The Suburban Bus Division of the Regional Transportation Authority
Management's Discussion & Analysis (Unaudited)
For the Year Ended December 31, 2016

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, 2016
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
Cash:		
Cash and Investments	\$ 95,088,450	\$ 96,156,797
Restricted Cash	1,201,242	1,201,157
Total Cash	<u>96,289,692</u>	<u>97,357,954</u>
Accounts Receivable:		
Regional Transportation Authority	52,893,882	59,063,743
Capital Grant Projects-FTA & IDOT	6,046,302	499,258
Other	11,805,203	8,154,822
Total Accounts Receivable	<u>70,745,387</u>	<u>67,717,823</u>
<u>Other Current Assets</u>		
Prepaid Expenses	2,100,386	1,894,506
Inventory - Spare Parts	6,347,505	5,750,910
Assets Restricted for Repayment of Leasing Commitments - Current	-	68,067,295
Total Other Current Assets	<u>8,447,891</u>	<u>75,712,711</u>
Total Current Assets	<u>175,482,970</u>	<u>240,788,488</u>
<u>Noncurrent Assets</u>		
Capital Assets not Being Depreciated		
Land	17,375,188	17,366,888
Capital Projects in Progress	30,495,225	16,952,783
Total Capital Assets not Being Depreciated	<u>47,870,413</u>	<u>34,319,671</u>
Capital Assets Being Depreciated, Net		
Equipment	441,205,508	426,228,250
Building and Improvements	182,482,155	171,359,320
Less Accumulated Depreciation	<u>(433,294,697)</u>	<u>(427,008,856)</u>
Total Capital Assets Being Depreciated, Net	<u>190,392,966</u>	<u>170,578,714</u>
<u>Other Noncurrent Assets</u>		
Restricted Cash - Bond Proceeds	<u>1,155,980</u>	<u>8,068,188</u>
Total Other Noncurrent Assets	<u>1,155,980</u>	<u>8,068,188</u>
Total Noncurrent Assets	<u>239,419,359</u>	<u>212,966,573</u>
Total Assets	<u>414,902,329</u>	<u>453,755,061</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	<u>22,439,035</u>	<u>39,140,269</u>
Total Deferred Outflows of Resources	<u>22,439,035</u>	<u>39,140,269</u>

See accompanying notes to the Financial Statements.

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015

LIABILITIES	<u>2016</u>	<u>2015</u>
<u>Current Liabilities</u>		
Accounts Payable:		
Operating	\$ 554,774	\$ 740,308
Capital	6,529,221	943,746
Accrued Payroll Expenses	10,008,768	9,387,012
Other Accrued Expenses	38,296,829	52,381,935
Unearned Revenue	2,830,321	3,225,009
Bonds Payable - Current	1,200,000	1,200,000
Current Portion of Insurance Reserves	31,173,448	17,500,717
Current Portion of Capital Lease Obligation	-	68,067,295
	<hr/>	<hr/>
Total Current Liabilities	90,593,361	153,446,022
<u>Other Liabilities</u>		
Insurance Reserve, Non-Current Portion	5,648,331	12,498,198
Net Pension Liability	26,906,093	40,145,831
Net Other Post Employment Benefits (OPEB) Obligation	4,658,962	4,331,584
Advance From State	10,950,723	10,415,123
Bonds Payable, Non-current	8,400,000	9,600,000
Other Liabilities	2,268,200	2,178,726
	<hr/>	<hr/>
Total Other Liabilities	58,832,309	79,169,462
	<hr/>	<hr/>
Total Liabilities	149,425,670	232,615,484
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension	<hr/> 2,112,906	<hr/> 1,248,249
	<hr/>	<hr/>
Total Deferred Inflows of Resources	2,112,906	1,248,249
 NET POSITION		
Net Investment in Capital Assets	229,819,359	202,166,573
Restricted for Bond Repayment	1,200,000	1,200,000
Unrestricted	<hr/> 54,783,429	<hr/> 55,665,024
	<hr/>	<hr/>
Total Net Position	\$ 285,802,788	\$ 259,031,597

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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
<u>Operating Revenue</u>		
Pace-Owned Service Revenue	\$ 32,110,815	\$ 32,197,304
CMAQ/JARC Services	199,889	688,967
Fixed Route Carrier Revenue	3,350,679	3,337,954
Paratransit Revenue	22,428,374	22,205,676
Vanpool Revenue	3,267,864	4,035,025
Reduced Fare Reimbursement	1,345,862	162,469
Advertising Revenue	2,766,255	3,105,226
Miscellaneous	5,538,076	6,306,187
Total Operating Revenue	<u>71,007,814</u>	<u>72,038,808</u>
<u>Operating Expenses:</u>		
Pace-Owned Service Expenses	92,806,319	86,388,267
CMAQ/JARC Expenses	2,952,131	2,692,441
Contract Payments:		
Fixed Route Carriers	9,955,326	10,045,768
Paratransit Carriers	164,327,776	159,468,364
Vanpool Expenses	3,037,343	3,486,354
Centralized Operations	65,825,451	54,362,958
Administrative Expenses	39,461,949	36,271,779
Depreciation	40,562,165	40,516,493
Total Operating Expenses	<u>418,928,460</u>	<u>393,232,424</u>
Operating Income (Loss)	<u>(347,920,646)</u>	<u>(321,193,616)</u>
<u>Non-Operating Revenue (Expenses)</u>		
Retailers' occupation and use tax from RTA (85% Formula)	91,559,244	90,272,781
RTA Sales Tax/PTF (PA 95-0708)	34,002,247	33,494,733
Regional ADA Paratransit Fund	140,923,975	130,980,972
RTA Discretionary Funding	4,901,422	4,602,594
Suburban Community Mobility Fund (SCMF)	24,124,103	23,800,266
South Suburban Job Access Fund	7,500,000	7,500,000
ADA State Funding	3,825,004	8,394,800
Innovation Coordination and Enhancement Fund (ICE)	1,632,237	1,847,711
Federal Operating Grants	4,174,296	3,539,940
Interest on Investments	613,890	435,784
Interest Expense	(283,200)	(242,500)
Interest Revenue from Leasing Transaction	668,538	4,232,106
Interest Expense on Leasing Transaction	(668,538)	(4,232,106)
Total Non-Operating Revenue (Expenses)	<u>312,973,218</u>	<u>304,627,081</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(34,947,428)</u>	<u>(16,566,535)</u>
Other Revenues, Expenses, Gains, Losses and Transfers		
Capital Grant Reimbursements	<u>61,718,619</u>	<u>48,879,594</u>
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>61,718,619</u>	<u>48,879,594</u>
Change in Net Position	26,771,191	32,313,059
Beginning Net Position	259,031,597	226,718,538
Ending Net Position	<u>\$ 285,802,788</u>	<u>\$ 259,031,597</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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

Increase (Decrease) in cash and temporary investments	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from fares	\$ 58,652,515	\$ 67,407,471
Cash received from other operating items	8,298,963	9,408,224
Cash payments to and on behalf of employees for services	(137,550,006)	(155,820,386)
Cash payment to contractual service providers and suppliers	<u>(243,695,878)</u>	<u>(216,525,559)</u>
Net cash used for operating activities	<u>(314,294,406)</u>	<u>(295,530,250)</u>
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	89,164,709	88,319,425
Cash received from RTA Sales Tax/PTF	34,000,647	33,494,733
Cash received from Suburban Community Mobility Funding	24,031,128	18,014,319
Cash received from South Suburban Job Access	7,500,000	7,500,000
Cash received from Innovation Coordination and Enhancement	1,632,237	1,847,711
ADA Regional Paratransit Funding from RTA	144,861,554	139,108,007
Cash received from Federal Funding	9,076,151	8,142,536
Cash Advance on Sales Tax	<u>535,600</u>	<u>477,196</u>
Net cash provided by non-capital financing activities	<u>310,802,026</u>	<u>296,903,927</u>
Cash flows from capital and related financing activities:		
Capital contributed from capital grants	64,722,904	40,131,039
Acquisition and construction of capital assets	(68,341,684)	(58,496,649)
Proceeds from bond issuance	-	12,000,000
Payment of bond interest	(283,200)	(242,500)
Principal payments on bonds payable	<u>(1,200,000)</u>	<u>(1,200,000)</u>
Net cash used by capital and related financing activities	<u>(5,101,980)</u>	<u>(7,808,110)</u>
Cash flows from investing activities:		
Cash received from interest on short-term investments	<u>613,890</u>	<u>435,781</u>
Net cash provided by investing activities	<u>613,890</u>	<u>435,781</u>
Net increase (decrease) in cash and short-term investments	(7,980,470)	(5,998,652)
Cash and short-term investments at beginning of year	<u>105,426,142</u>	<u>111,424,794</u>
Cash and short-term investments at end of year	<u>\$ 97,445,672</u>	<u>\$ 105,426,142</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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating Income (Loss)	\$ (347,920,646)	\$ (321,193,616)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	40,562,165	40,516,493
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,650,184)	3,305,859
(Increase) decrease in inventory	(596,595)	(489,745)
(Increase) decrease in prepaid expenses	(204,193)	211,506
(Increase) decrease in other assets	(7,252)	(40,473)
(Increase) decrease in deferred outflows related to pension	16,701,235	(39,140,269)
Increase (decrease) in accounts payable	(185,534)	61,879
Increase (decrease) in accrued payroll	621,756	519,405
Increase (decrease) in self insurance liability	6,822,864	(7,268,722)
Increase (decrease) in pension and other post employment obligations	(12,791,610)	10,780,665
Increase (decrease) in other liabilities	(14,511,069)	15,958,519
Increase (decrease) in deferred inflows related to pension	864,657	1,248,249
Total adjustments	<u>33,626,240</u>	<u>25,663,366</u>
Net cash used by operating activities	<u>\$ (314,294,406)</u>	<u>\$ (295,530,250)</u>
Non-cash Operating, Investing and Financing Activities:		
Interest revenue on leasing transactions	\$ 668,538	\$ 4,232,106
Interest expense on leasing transactions	(668,538)	(4,232,106)
(Increase) decrease in assets restricted for repayment of leasing commitments	67,745,124	(322,171)
Increase (decrease) in capital lease obligation	(67,745,124)	322,171
Purchase of capital assets in accrued expenses at year end	894,505	894,505

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, 2016**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF OPERATIONS

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

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

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

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

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

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

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

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

b. Change in Accounting Principles

In February 2015, GASB issued Statement No. 72 "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the Pace's financial periods beginning after June 15, 2015. This Statement was implemented for fiscal year ending December 31, 2016. The disclosures for Deposits and Investments can be found on pages 55 - 57.

In June 2015, GASB issued Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68". The objective of this statement is to improve the usefulness of information about pensions included in the financial reports of state and local governments. It establishes requirements for defined benefit pensions that are not within the scope of GASB 68 "Accounting and Financial Reporting for Pensions". This Statement is effective for fiscal years beginning after June 15, 2016. Adoption of this Statement is not anticipated to have a material effect on Pace.

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

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

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

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

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

In December 2015, GASB issued Statement No. 79 "Certain External Investment Pools and Pool Participants". This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015. This Statement was implemented for fiscal year ending December 31, 2016 and did not have a material impact on Pace.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles (Continued)

In January 2016, GASB issued Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. This Statement is effective for reporting periods beginning after June 15, 2016. Adoption of the Statement is not anticipated to have a material effect on Pace.

In March 2016, GASB issued Statement No. 81 “Irrevocable Split-Interest Agreements”. This Statement provides recognition and measurement guidance for situations in which a government is the beneficiary of an irrevocable split-interest agreement. This Statement is effective for reporting periods beginning after December 31, 2016. Adoption of the Statement is not anticipated to have a material effect on Pace.

In March 2016, GASB issued Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73”. This Statement addresses issues that have been raised regarding presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee contribution requirements. This Statement is effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In November 2016, GASB issued Statement No. 83 “Certain Asset Retirement Obligations”. This Statement addresses accounting and financial reporting for certain asset retirement obligations. This Statement is effective for reporting periods beginning after June 15, 2018. Adoption of this Statement is not anticipated to have a material effect on Pace.

In January 2017, GASB issued Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In March 2017, GASB issued Statement No. 85 “Omnibus 2017”. This Statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements and addresses a variety of topics such as component units, goodwill, fair value measurements and postemployment benefits. This Statement is effective for reporting periods beginning after June 15, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting

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

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

Proprietary Fund Type

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

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

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

Pace segregates activities into two separate enterprise subfunds, Suburban Services Fund and Regional ADA Paratransit Services Fund. The Suburban Services Enterprise Fund includes revenues and expenses generated from its Fixed Route, Dial-A-Ride and Vanpool Services. The Regional ADA Paratransit Services Enterprise Fund includes revenues and expenses related to the ADA services provided in the City of Chicago and the six county region. Separate activity for each Enterprise Fund is presented in the supplementary exhibits presented on pages 98 - 103.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Public Funding

Public funding for Pace's operations is provided by Sales and Use Taxes, payments from the State's Public Transportation Fund (PTF), Federal Operating Assistance under the Transit Act (FTA), Suburban Community Mobility Funding, South 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.

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

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

e. Reimbursement of Public Contract Carriers Expense

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In September 2016, the policy was amended to allow a cash payout of the sick pay balance upon termination instead of a 401k contribution. The eligibility requirements did not change. The maximum total sick time that can be accrued by an employee is 72 days. The compensated absences for sick pay are presented in current and long term liabilities.

h. Restricted Assets

Pace entered into two leasing transactions in 2003. These agreements, which provide certain cash and tax benefits to the third party, also provide for Pace to lease the related capital assets to an equity investor trust, which would then lease the capital assets back to Pace under a separate lease. Pace received certain funds as prepayment by the equity investor trust. These funds were deposited in designated investment accounts sufficient to meet the payments required under the leases and were recorded as assets restricted for repayment of leasing commitments. These funds were held in custodian accounts or with a payment undertaker and Pace did not have any direct control over these funds. The lease obligations were paid in full in 2016.

In 2015, Pace issued \$12 million in bonds for capital projects. The restricted cash of \$1.2 million at December 31, 2016 represents the unexpended portion of the bond proceeds and \$1.2 million is restricted for debt repayment.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost associated with prepaid items is recorded as an expense when consumed rather than when purchased.

k. Property and Equipment and Accumulated Depreciation

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

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

The estimated useful lives are as follows:

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Capital Projects in Progress

Capital projects in progress represent ongoing capital grant projects in various stages of completion. Capital projects in progress totaled \$30,495,225 at December 31, 2016 and \$16,952,783 at December 31, 2015. The balance at December 31, 2016 represents the following projects in process: Oracle HR and Hyperion implementation totaling \$4,297,750, expansion of the Bolingbrook Park and Ride totaling \$773,635, improvements to the Randall Road Park and Ride of \$472,383, Elgin Transportation Center improvements of \$1,514,565, South Division CNG improvement project totaling \$8,931,637, stand by generators at four garages for \$34,313, and fuel improvements at Fox Valley totaling \$36,933. The remaining balance consists of twelve conversion lift vans totaling \$425,044, two minivans totaling \$81,526, twenty Eldorado 40 foot transit buses totaling \$13,354,667, and eight community vans totaling \$572,772. In 2016, Pace had contracts in place with Midwest Specialty for \$3,211,700, to purchase vans, Eldorado National (California) Inc. for \$45,417,235 to purchase CNG transit buses and \$2,862,118 to purchase 30 foot Trolleys, and MCI Service Parts Inc. for \$3,211,700 to purchase over the road coach buses.

m. Capital Grants

Pace receives capital grants for asset acquisition, rehabilitation and construction of public transportation facilities and equipment from the Federal Transit Administration through 5307 Urbanized Area Formula Grants, 5309 Capital Investment Grants, 5316 Job Access and Reverse Commute Programs, 5339 Buses and Bus Facilities Grants and USC 149 Congestion Mitigation and Air Quality Improvement (CMAQ) Program. 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 \$12,208,540 for capital projects from its positive budget variance account and from bond proceeds in 2016.

n. Centralized Operations

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

o. 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.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

q. 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. State statutes require this fund to comply with the Illinois Public Funds Investment Act (30 ILCS 235).

Pace categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Pace has the following recurring fair value measurements as of December 31, 2016:

- External Investment Pools of \$22,294 are valued by using observable inputs of similar securities. (Level 2)
- Illinois Metropolitan Investment Fund of \$1,188,128 are valued using unobservable inputs. (Level 3)

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 3 DEPOSITS AND INVESTMENTS

a. Cash

The carrying amount of cash was \$58,691,881 at December 31, 2016, while the bank balances were \$63,681,578. At December 31, 2016, Pace's petty cash fund totaled \$3,590. 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. In 2016, \$1.2 million of Restricted Cash is in a bond reserve fund and was restricted for repayment of debt. Restricted Cash for Bond Proceeds of \$1.2 million represents the unexpended portion of the bond proceeds.

b. Certificates of Deposit

Certificates of Deposit amounted to \$37,539,779 at December 31, 2016. 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, 2016.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>Quality Rating</u>
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-5</u>	
Illinois Metropolitan Investment Fund	\$1,188,128	\$1,188,128	\$ -	\$ -	Aaa
State Investment Pool	<u>22,294</u>	<u>22,294</u>	-	-	AAA
Total	<u>\$1,210,422</u>	<u>\$1,210,422</u>	<u>\$ -</u>	<u>\$ -</u>	

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NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

c. Investments (Continued)

The \$1.2 million for Illinois Metropolitan Investment Fund (IMET) represents 100% of the carrying value of the investment. In 2014, IMET reported that fraud had occurred with one of the investors First Farmers Financial (FFF). At December 31, 2016, IMET reflected a net realizable value of 47.6% of Pace's investment which represents the estimated amount of asset recovery to date, realized mostly from the sale of hotels. Pace expects that additional funds will be realized in the future in addition to potential recoveries from insurance mediation talks between Pennant (advisor responsible for IMET's investment in FFF), its parent companies and insurance carriers.

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.

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, 2016, 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.

NOTE 4 RELATIONSHIP WITH REGIONAL TRANSPORTATION AUTHORITY

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

	<u>2016</u>
Amounts Due from RTA:	
Sales Tax and Public Funding	\$51,830,533
Operating and Capital Grants	448,970
Regional ADA Funding	595,661
Other	<u>18,718</u>
Total Due from RTA	<u>\$52,893,882</u>

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NOTE 5 CHANGES IN CAPITAL ASSETS

<u>Type</u>	<u>1/1/2016</u> <u>Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>12/31/2016</u> <u>Balance</u>
Capital Assets not Being Depreciated					
Land	\$ 17,366,888	\$ 8,300	\$ -	\$ -	\$ 17,375,188
Capital Projects in Progress	16,952,783	30,495,225	(16,952,783)	-	30,495,225
Total Capital Assets not Being Depreciated	<u>34,319,671</u>	<u>30,503,525</u>	<u>(16,952,783)</u>	<u>-</u>	<u>47,870,413</u>
Capital Assets Being Depreciated					
Equipment	426,228,250	32,380,948	16,872,634	(34,276,324)	441,205,508
Buildings and Improvements	171,359,320	11,042,686	80,149	-	182,482,155
Total Capital Assets Being Depreciated	<u>597,587,570</u>	<u>43,423,634</u>	<u>16,952,783</u>	<u>(34,276,324)</u>	<u>623,687,663</u>
Accumulated Depreciation					
Equipment	(327,637,018)	(38,937,002)	-	34,276,324	(332,297,696)
Buildings and Improvements	(99,371,838)	(1,625,163)	-	-	(100,997,001)
Total Accumulated Depreciation	<u>(427,008,856)</u>	<u>(40,562,165)</u>	<u>-</u>	<u>34,276,324</u>	<u>(433,294,697)</u>
Total Capital Assets Being Depreciated, Net	<u>170,578,714</u>	<u>2,861,469</u>	<u>16,952,783</u>	<u>-</u>	<u>190,392,966</u>
Net Capital Assets	<u>\$ 204,898,385</u>	<u>\$ 33,364,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,263,379</u>

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NOTE 6 RISK MANAGEMENT

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

There were no settlements in the past three years that exceeded the allotted coverage. There were also no significant reductions in coverage in 2016. Pace's specific self-insured retentions as of December 31, 2016 are structured as follows:

General Liability	\$2,500,000 Each Occurrence
Pollution Legal Liability	\$25,000 Each Occurrence
Underground Storage Tank Liability	\$50,000 Each Occurrence Tanks Under 30 Years Old \$100,00 Each Occurrence Tanks Over 30 Years Old
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, 2016 is as follows:

	<u>Specific Stop Loss</u>	<u>Aggregate Stop Loss</u>
Corporate and all Divisions	<u>\$150,000</u>	<u>\$4,827,933</u>

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NOTE 6 RISK MANAGEMENT (Continued)

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

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

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

General liability, automobile liability, and workers compensation claim liabilities for incurred losses to be settled by a lump-sum payment or other agreement, represent their present value using an expected future investment yield of 2.5% per year. Reserves for employee health and welfare coverage are established based on historical claim experience. In 2015, a claim lag analysis was completed to determine an incurred but not reported reserve for health, dental and prescription drug claims and the health insurance reserve was adjusted accordingly. The ultimate liability for general liability, automobile liability, workers compensation, and the employee health and welfare plan is approximately \$36,821,779 and \$29,998,915 as of December 31, 2015 and 2014, respectively. Cash is intended to pay for general liability, automobile liability, and workers compensation at a present value of \$36,206,679 and \$29,448,315 for this liability at December 31, 2016 and 2015, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 29,998,915	\$ 37,267,637
Current year claims and changes in estimates	33,076,656	19,617,892
Claim payments	<u>(26,253,792)</u>	<u>(26,886,614)</u>
	<u>\$36,821,779</u>	<u>\$29,998,915</u>
Current portion of insurance reserves	\$ 31,173,448	\$ 17,500,717
Non-current portion of insurance reserves	<u>5,648,331</u>	<u>12,498,198</u>
Total insurance reserves	<u>\$ 36,821,779</u>	<u>\$ 29,998,915</u>

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NOTE 7 LEASING TRANSACTIONS

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

The first lease and leaseback agreement with a third party pertained to certain buses (lot 1, 2, and 3) having an original cost of \$62.2 million has been fully depreciated as of December 31, 2016. 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. All payments were made in 2016 resulting in no Capital Lease Obligation as of December 31, 2016.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) having an original cost of \$29.0 million has been fully depreciated as of December 31, 2016. 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. All payments were made in 2016 resulting in no Capital Lease Obligation as of December 31, 2016.

2016	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	\$ 30,068,135	\$290,714	\$30,358,849	\$ 0	\$ 290,714	\$ 0
2003 (Buses)	\$ 37,999,160	\$ 377,824	\$38,376,984	\$ 0	\$ 377,824	\$ 0
Total	\$ 68,067,295	\$ 668,538	\$ 68,735,833	\$ 0	\$ 668,538	\$ 0

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NOTE 8 LONG TERM DEBT

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

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

A requirement of the bond covenant is that Pace deposit \$1.2 million into a reserve account. In addition, Pace is required to make a monthly deposit that represents one-twelfth of the annual principal payment and one-sixth of the semiannual interest payment into a debt service account held at the bond depository bank. Semi-annual interest payments began on June 15, 2015 and continued semi-annually each June and December going forward. The annual principal payment was made on December 31, 2016.

Revenue bonds currently outstanding as of year ending December 31, 2016 are as follows:

Bond Issuance	Fund Debt Retired By	Beginning Balance	Issuances	Retirements	Ending Balance at 12/31/2016	Due In One Year
Taxable Revenue Bond Series of 2015, the South Cook Compressed Natural Gas facility project, authorized issue of \$12,000,000, due in annual installments of \$1,200,000, interest payable June 15 and December 15 at rates ranging from 1.40% to 3.50%, through December 15, 2024	Suburban Services	\$ 10,800,000	\$ -	\$ 1,200,000	\$ 9,600,000	\$ 1,200,000

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NOTE 8 LONG TERM DEBT (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,200,000	264,000	1,464,000
2018	1,200,000	241,800	1,441,800
2019	1,200,000	216,000	1,416,000
2020	1,200,000	186,600	1,386,600
2021	1,200,000	154,200	1,354,200
2022	1,200,000	119,400	1,319,400
2023	1,200,000	82,200	1,282,200
2024	1,200,000	42,000	1,242,000
Total	<u>\$ 9,600,000</u>	<u>\$ 1,306,200</u>	<u>\$ 10,906,200</u>

NOTE 9 ADVANCE FROM STATE

Pace receives a one month advance from the Illinois Department of Revenue to compensate for the delay in the processing of sales tax payments. The advance is forwarded to the Regional Transportation Authority and is then allocated among the three Service Boards. Pace reported a liability of \$10,950,723 and \$10,415,123 respectively, for this advance for the year ended December 31, 2016 and December 31, 2015.

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NOTE 10 PENSION PLANS

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

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

The aggregate amount of pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the North Division and West Division single-employer plans and Pace’s proportionate share for the RTA Pension Plan as of December 31, 2016 are as follows:

	Amalgamated Transit Union Local 900 Pension Plan	Retirement Plan for Pace West Division Employees	The Regional Transportation Authority (“RTA”) Pension Plan	Total
Net Pension Liability	\$ 1,455,647	\$ 11,929,618	\$ 13,520,828	\$ 26,906,093
Deferred Outflows of Resources related to Pensions	\$ 478,589	\$ 2,811,290	\$ 19,149,156	\$ 22,439,035
Deferred Inflows of Resources related to Pensions	\$ -	\$ 359,226	\$ 1,753,680	\$ 2,112,906
Pension Expense	\$ 226,263	\$ 1,261,329	\$ 7,369,810	\$ 8,857,402

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

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NOTE 10 PENSION PLANS (Continued)

a. North Division

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

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

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

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

The Plan provides normal early retirement and disability benefits based upon years and hours of service credited to the participant during each year of service. Benefits fully vest upon attaining 5 years of service. Normal retirement age is 65 and entitles an employee to 100% of his vested benefits. An employee may retire after age 55 with 10 years of service and receive reduced benefits. Pension benefit payments are based upon the employee's benefit service and monthly benefit rates. The benefit level based on Employer contributions is \$22 for each year of service. The benefit level based on employee contributions is \$30 for each year of service after December 31, 1997, in which an employee works 1,500 hours or more, and \$22 for each year of service after December 31, 1997, in which an employee works 1,000 to 1,499 hours.

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NOTE 10 PENSION PLANS (Continued)

a. North Division (Continued)

The actuarial valuation report date is December 31, 2015. Measurements as of the reporting date are based on fair value of assets as of December 31, 2015 and the Total Pension Liability as of the valuation date of December 31, 2014, updated to December 31, 2015. The table below shows the changes in Total Pension Liability, the Plan Fiduciary Net Position and the Net Pension Liability during the measurement year based on the measurement date of December 31, 2015.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2015	\$ 5,982,717	\$ 4,880,990	\$ 1,101,727
Changes for year:			
Service Cost	195,168	-	195,168
Interest	449,547	-	449,547
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	10,612	-	10,612
Contributions - Employer	-	165,936	(165,936)
Contributions - Member	-	204,980	(204,980)
Net Investment Income	-	6,897	(6,897)
Benefit Payments	(193,903)	(193,903)	-
Administrative Expense	-	(76,406)	76,406
Net Changes	<u>461,424</u>	<u>107,504</u>	<u>353,920</u>
Balances at 12/31/2015	<u>\$ 6,444,141</u>	<u>\$ 4,988,494</u>	<u>\$ 1,455,647</u>

There were no changes in assumptions during the year. During the measurement year there was an experience loss of \$10,612. The experience loss, service cost, interest cost and administrative expenses exceeded total contributions and investment income resulting in an increase in the Net Pension Liability of \$353,920.

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NOTE 10 PENSION PLANS (Continued)

a. North Division (Continued)

In 2016, there was \$164,182 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date. The contribution will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2017.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was a difference between projected and actual investment earnings of \$362,882. Approximately \$72,576 of that difference was recognized in the current year and an identical amount will be recognized in each of the next four years resulting in a deferred outflow of resource of \$290,305. In addition, there was \$5,203 recognized from the prior year investment loss resulting in a remaining deferred outflow of resources of \$15,612.

The impact of experience gains or losses is recognized over the average expected remaining service life of all active and inactive members. As of December 31, 2015 this average was five years. In 2016, \$2,122 was recognized as expense and the remaining \$8,490 will be recognized over the next four years. The table below summarizes the current balance of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 164,182	\$ -
Differences Between Expected and Actual Experience		
Changes in Assumptions	8,490	-
Net Difference Between Projected and Actual Earnings		
on Pension Plan Investments	305,917	-
Total	<u>\$ 478,589</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:	
2017	\$ 79,901
2018	79,901
2019	79,903
2020	74,702
2021	-
Thereafter	-

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NOTE 10 PENSION PLANS (Continued)

a. North Division (Continued)

At December 31, 2015 and 2014, the number of participants were:

	<u>2015</u>	<u>2014</u>
Current Employees	83	83
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	38	32
Terminated employees entitle to, but not yet receiving, benefits	<u>22</u>	<u>22</u>
	<u>143</u>	<u>137</u>

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

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, updated to December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value of assets
Amortization Method	Unfunded Actuarial Liability (UAL) is amortized as a level dollar amount over 20-year periods.
Life expectancy	RP-2000 Combined Mortality Table with Blue Collar Adjustment projected to 2012 using Scale AA
Investment Rate of Return	7.50%
Salary increases	4.00%
Inflation	Included in the salary increases
Retirement Age	Age 65 or age 62 with 30 year of benefit service

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NOTE 10 PENSION PLANS (Continued)

a. North Division (Continued)

Long-term Expected Rate of Return. The long-term expected rate of return is developed through the use of proprietary software designed to simulate and assess potential risk of return characteristics of portfolios. The software is based on a Monte Carlo simulation of macroeconomic factors, which are used to model monthly return outcomes of capital markets. The expected asset return assumption is geometric. Data is simulated on a monthly basis; the simulation is based on historical monthly figures dating back to 1926. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

<u>Asset Type and Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	7.4%	80.0%
International Equity	7.3%	10.0%
Fixed Income	2.6%	10.0%
Cash	0.2%	0.0%

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

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NOTE 10 PENSION PLANS (Continued)

a. North Division (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's Net Pension Liability	\$ 2,134,042	\$ 1,455,647	\$ 875,730

b. West Division

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

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NOTE 10 PENSION PLANS (Continued)

c. West Division (Continued)

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

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

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

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

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

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

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NOTE 10 PENSION PLANS (Continued)

b. West Division (Continued)

The actuarial valuation report date is December 31, 2015. Measurements as of the reporting date are based on the fair value of assets as of December 31, 2015, and the Total Pension Liability as of the valuation date of December 31, 2014, updated to December 31, 2015. The table below shows the changes in Total Pension Liability, the Plan Fiduciary Net Position and the Net Pension Liability during the measurement year based on the measurement date of December 31, 2015.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2015	\$ 30,706,469	\$ 20,189,542	\$ 10,516,927
Changes for year:			
Service Cost	808,140	-	808,140
Interest	2,376,281	-	2,376,281
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	(449,032)	-	(449,032)
Contributions - Employer	-	846,152	(846,152)
Contributions - Member	-	850,243	(850,243)
Net Investment Income	-	(271,311)	271,311
Benefit Payments	(1,937,718)	(1,937,718)	-
Administrative Expense	-	(102,386)	102,386
Net Changes	<u>797,671</u>	<u>(615,020)</u>	<u>1,412,691</u>
Balances at 12/31/2015	<u>\$ 31,504,140</u>	<u>\$ 19,574,522</u>	<u>\$ 11,929,618</u>

During the measurement year there was an experience gain of \$449,032. The service cost, interest cost, investment loss and administrative expenses exceeded total contributions and the experience gain resulting in an increase in the Net Pension Liability of \$1,412,691.

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NOTE 10 PENSION PLANS (Continued)

b. West Division (Continued)

In 2016, there was \$887,941 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date. The contribution will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2017.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was a difference between projected and actual investment earnings of \$1,872,990. Approximately \$374,598 of that difference was recognized in the current year and an identical amount will be recognized in each of the next four years, resulting in a deferred outflow of resources of \$1,498,392. In addition, there was \$141,652 recognized from the prior year investment loss resulting in a remaining deferred outflow of resources of \$424,957.

The impact of experience gains or losses is recognized over the average expected remaining service life of all active and inactive members. As of December 31, 2015 this average was five years. In 2016, \$89,806 of the experience gain was recognized as expense and the remaining \$359,226 will be recognized over the next four years resulting in a deferred inflow of resources. The table below summarizes the current balance of deferred outflows and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 887,941	\$ -
Differences Between Expected and Actual Experience	-	359,226
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,923,349	-
Total	<u>\$ 2,811,290</u>	<u>\$ 359,226</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year Ended December 31:	
2017	\$ 426,444
2018	426,444
2019	426,445
2020	284,790
2021	-
Thereafter	-

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NOTE 10 PENSION PLANS (Continued)

b. West Division (Continued)

At December 31, 2015 and 2014, the number of participants were:

	<u>2015</u>	<u>2014</u>
Current Employees	218	217
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	183	180
Terminated employees entitled to, but not yet receiving, benefits	<u>41</u>	<u>40</u>
	<u>442</u>	<u>437</u>

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

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2014, updated to December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Five-year smoothing with asset gains or losses recognized at 20% per year
Amortization Method	Unfunded Actuarial Liability (UAL) is amortized as a level dollar amount over a 30-year period.
Life expectancy	RP-2000 Combined Mortality Table with Blue Collar Adjustment Projected to 2006 using Scale AA
Assumed Rate of Return	8.00% (established by the collective bargaining agreement)
Salary increases	3.50%
Inflation	4.00%
Retirement Age	Age 65 or 25 years of service

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NOTE 10 PENSION PLANS (Continued)

b. West Division (Continued)

Long-term Expected Rate of Return. The long term expected rate of return was determined by establishing best-estimate ranges of expected future real rates of return. Real returns differ from total returns in that real returns are calculated net of plan investment expenses and inflation. Expected real returns are determined using a geometric means assumption for each asset class in which the Plan has exposure. Best estimates of real rates of return for each major asset class, included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Employer's Net Pension Liability	\$ 14,828,076	\$ 11,929,618	\$ 9,412,148

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan

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

Employees are eligible for participation on the first day of the month that coincides with or follows their date of employment. Participants are entitled to annual pension benefits upon normal retirement at age 65, generally a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service. At December 31, 2015 the number of participants were:

	<u>2015</u>
Active	1,095
Retirees, disabled participants and beneficiaries of deceased retirees currently receiving benefits	627
Terminated employees entitled to, but not yet receiving, benefits	<u>477</u>
	<u><u>2,199</u></u>

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

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Contributions. The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. The pension plan document defines the employers' funding policy as contributions at least equal to an amount determined advisable by the Plan's actuary to maintain the Plan on a sound actuarial basis. For the purpose of determining contributions, the Plan uses an asset smoothing method which smooths asset gains and losses over a 5-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer. The contribution information for fiscal year 2016 is not available. The calculation of the recommended annual contribution requirements for fiscal year 2015 is as follows:

	<u>Fiscal Year 2015</u>
Annual Normal Cost as of Valuation Date	\$ 6,252,511
Normal Cost Expense Load	554,791
Interest on Normal Cost to End of Year	510,548
30-Year Level Dollar Amortization of Unfunded Actuarial Accrued Liability at End of Year	6,281,046
Total Recommended Annual Contribution for the Current Plan Year	\$ 13,598,896
Total Covered Payroll	\$ 83,485,618
Recommended Annual Contribution (as a percentage of pay)	16.289%

The allocation of the recommended annual contribution requirements for fiscal year 2015 is shown below:

	2014 Pensionable Payroll	Allocation Percent		Allocated Recommended Annual Contribution Requirements for Fiscal Year 2015
Metra	\$ 35,170,174	49.9%	\$	6,785,849
Pace	27,577,876	39.1%		5,317,168
RTA	7,778,845	11.0%		1,495,879
Total	\$ 70,526,895	100.0%	\$	13,598,896

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Net Pension Liability. The table below shows Pace's proportion of the changes in in the collective Total Pension Liability, Plan Fiduciary Net Position and Net Pension Liability during the measurement year based on the measurement date of December 31, 2015. Measurements as of the reporting date are based on fair value of assets as of December 31, 2015 and the total pension liability is based on an actuarial valuation performed as of January 1, 2015 with liabilities rolled forward to the measurement date of December 31, 2015.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 01/01/2015	\$ 109,391,855	\$ 80,864,678	\$ 28,527,177
Changes for year:			
Service Cost	2,444,733	-	2,444,733
Interest	7,717,912	-	7,717,912
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	2,397,488	-	2,397,488
Changes in Employer Proportionate Share	(1,158,665)	-	(1,158,665)
Contributions - Employer	-	30,144,180	(30,144,180)
Net Investment Income	-	(3,558,234)	3,558,234
Benefit Payments	(6,122,394)	(6,122,394)	-
Administrative Expense	-	(178,129)	178,129
Net Changes	<u>5,279,074</u>	<u>20,285,423</u>	<u>(15,006,349)</u>
Balances at 12/31/2015	<u>\$ 114,670,929</u>	<u>\$ 101,150,101</u>	<u>\$ 13,520,828</u>

The difference between expected and actual experience is due to a 5.9% increase in the number of benefit recipients since the last valuation as well as a slight increase of 2.0% in the average monthly benefit. In 2015, there as \$28,527,175 in discretionary employer contributions that were in excess of the actuarially determined contribution.

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Pace's proportion of the collective Net Pension Liability is consistent with the manner in which contributions to the pension plan were determined. The schedule of employer allocations shown below presents the actual fiscal year 2015 contributions used within the proportionate share calculation for each employer and the respective allocation percentage.

	2015		2014	
	Actual Employer Contribution	Employer Allocation Percentage	Actual Employer Contribution	Employer Allocation Percentage
Metra	\$ 6,785,849	49.9000%	\$ 6,466,096	47.2350%
Pace	5,317,168	39.1000%	5,579,076	40.7553%
RTA	1,495,879	11.0000%	1,644,024	12.0096%
Totals	\$ 13,598,896	100%	\$ 13,689,196	100%

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Deferred Outflows and Inflows. Deferred outflows and inflows of resources can arise from differences between expected and actual experiences, changes in assumptions, differences between projected and actual earnings, changes in the employer's proportion and the difference between the employer's contributions and the employer's proportionate share of contributions as well as contributions made subsequent to the measurement date. The difference between projected and actual earnings on investments is recognized over a period of five years. The net effect of changes in assumptions, the difference between expected and actual experience and the change in the employer proportionate share are amortized over the average of the expected remaining service lives of all employees. For 2014, this average was 5.0778 years and for 2015, it was 5.0769 years. The table below summarizes Pace's proportionate share of the deferred outflows and deferred inflows of resources that are to be recognized in future pension expenses:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to Measurement Date	\$ 3,479,971	\$ -
Changes in Assumptions	-	603,169
Difference Between Expected and Actual Experience	1,925,253	
Difference Between Projected and Actual Earnings on Pension Plan Investments	10,772,595	-
Change in Employer Proportionate Share	2,971,340	1,150,511
Total	<u>\$ 19,149,159</u>	<u>\$ 1,753,680</u>

In 2016, there was \$3,479,971 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended December 31, 2016. Amounts reported as deferred outflows and deferred inflows of will be recognized as pension expense in the following periods:

Year Ended December 31:

2017	\$ 3,612,666
2018	\$ 3,612,666
2019	\$ 3,612,665
2020	\$ 3,000,939
2021	\$ 76,572
Thereafter	\$ -

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

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

Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Five-year smoothed market
Amortization Method	Level dollar closed
Life expectancy	RP2014 Combined Mortality Table
Assumed Rate of Return	7.50%
Salary increases	3.25%
Inflation	2.75%
Retirement Age	First day of the calendar month coinciding with or following a participant's 65 th birthday; or age 55 with 10 years of vesting service.

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's Net Pension Liability	\$ 24,923,615	\$ 13,520,828	\$ 3,711,507

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NOTE 10 PENSION PLANS (Continued)

c. The Regional Transportation Authority Pension Plan (Continued)

Long-term Expected Rate of Return. The assumed rate of investment return was adopted by the Plan's trustees after considering input from the Plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2015 and experience study for the period January 1, 2008 through January 1, 2013. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are based on both an arithmetic and geometric means and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the RTA Pension Plan Committee. For each major asset class that is included in the pension plan's target asset allocation as of January 1, 2015, these best estimates are summarized in the following table:

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

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NOTE 11 DEFINED CONTRIBUTIONS PLANS

a. Pace Administrative Defined Benefit Plan

In addition to the RTA Defined Benefit Plan, all Pace employees who are not covered by a retirement plan which is the subject of a Collective Bargaining Agreement, are eligible to participate in a voluntary 401(K) Plan. Employees are eligible to participate after 60 days of service. A participant is fully vested in his/her account immediately. Contributions to the plan are voluntary for each participant. The Internal Revenue Code places limits on the amounts which employees may elect to contribute. There is no employer obligation to contribute. Plan provisions and contribution requirements are established and may be amended by the Administrative Plan Committee. For 2016, Pace contributed \$207,887 and the participants contributed \$1,576,722 which includes \$86,886 contributed to the Roth 401(K).

b. Union 401(K) and Defined Contribution Plans

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

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

Method Used to Value Investments. The plans are all self-directed by the participant from a selection of mutual funds. All assets of the plan are valued at fair value.

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NOTE 11 DEFINED CONTRIBUTIONS PLANS (Continued)

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

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

<u>Plan Name</u>	<u>Type of Plan</u>	<u>Number of Covered Employees</u>	<u>Employer Contribution Requirement</u>	<u>Employee Contribution Requirement</u>	<u>Employer Contribution Amount</u>	<u>Employee Contribution Amount</u>
Fox Valley	401(K)	63	4% of Compensation	None	\$115,163	\$90,631
Fox Valley	Defined Contribution	1	4% of Compensation	4% of Compensation	\$2,154	\$2,154
Heritage	401(K)	60	4% of Compensation	4% of Compensation	\$109,209	\$167,124
North Shore	401(K)	43	4% of Compensation	None	\$92,808	\$133,693
Northwest	401(K)	217	4.5% of Compensation	4% of Compensation	\$529,229	\$663,411
River	401(K)	81	4% of Compensation	None	\$145,832	\$158,474
River	Defined Contribution	6	4% of Compensation	4% of Compensation	\$12,726	\$12,726
South	401(K)	222	4% of Compensation	4% of Compensation	\$440,392	\$650,838
Southwest	401(K)	122	4% of Compensation	2% of Compensation	\$221,619	\$220,698

The South 401k Plan totals include retroactive employer contributions of \$15,529 and retroactive employee contributions of \$22,963 that pertain to settlement of the union contract in 2016.

The North Shore 401k Plan total include retroactive employer contributions of \$1,956 and retroactive employee contributions of \$1,892 that pertain to settlement of the union contract in 2016.

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NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. West Plan

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

The West Plan's other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the West Plan's annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation for the period ending December 31, 2016:

Annual required contribution	\$ 810,227
Interest on net OPEB obligation	126,313
Adjustment to annual required contribution	<u>(130,716)</u>
Annual OPEB cost	805,824
Contributions made	<u>(478,446)</u>
Increase in net OPEB obligation	327,378
Net OPEB obligation - beginning of year	<u>4,331,584</u>
Net OPEB obligation - end of year	<u>\$4,658,962</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
12/31/2016	\$805,824	59.4%	\$4,658,962
12/31/2015	789,937	57.7%	4,331,584
12/31/2014	897,345	47.4%	3,997,602

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

Funded Status and Funded Progress. As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability was \$14,060,673 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$14,060,673. The covered payroll (annual payroll of active employees covered by the plan) for 2016 was \$13,134,266 and the ratio of the UAAL to the covered payroll was 107.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funding Policy. The contractual obligation to contribute to the West Plan is under the Collective Bargaining Agreement with Pace West Division and Local 241, Amalgamated Transit Union. Effective January 1, 2004, Pace contributes 2.5% of earnings to cover the costs of retirees' health coverage per the Collective Bargaining Agreement. On August 2, 2013, a new Collective Bargaining Agreement was signed which resulted in an increase to the employer retiree health contribution. Effective the first full pay period after January 1, 2011, the employer contribution increased to 3.5%. In the event such amount is insufficient to pay the cost of retirees' health coverage, Pace will advance the funds. If the insufficiency is \$10,000 or less, Pace agrees to pay. If the insufficiency is greater, then Pace and Local 241 Amalgamated Transit Union will resolve the insufficiency.

Participation. It is assumed that 100% of all active and retired participants that are eligible will participate in the plan. A list of plan participants as of the most recent actuarial valuation is as follows:

	<u>December 31, 2015</u>
Actives at Full Attribution Age	5
Actives Not Yet at Full Attribution Age	116
Retirees Receiving Stipends	68
Retirees Receiving Medical Coverage	37
Spouses	<u>3</u>
Total	<u>229</u>

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

a. West Plan (Continued)

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

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a discount rate of 3% and a 30 year open amortization period. Other assumptions are as follows:

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

Retirees Under Age 65	7.5%
Retirees Over Age 65	5.0%

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

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

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

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

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

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

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 13 NET POSITION

a. Restricted Net Position

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

b. Unrestricted Net Position

The change in Unrestricted Net Position for fiscal year 2016 is as follows:

Unrestricted Net Position at 12/31/15	\$ 55,665,024
Suburban Services Surplus	5,614,737
Pace Capital Grants	(12,208,540)
Decrease in Capital Related Borrowings	<u>5,712,208</u>
Unrestricted Net Position at 12/31/16	<u><u>\$ 54,783,429</u></u>

c. Designated Net Position

While net position represents residual equity in addition to investment in capital assets, it is important to note that management has designated a portion of this balance for future commitments. These obligations are not legal restrictions on net position and therefore are not segregated on the statement of net position, but are for future consideration. Refer to Schedule 7 on page 127 for the detail of these designations.

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 13 NET POSITION (Continued)

c. Designated Net Position (Continued)

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted Net Position	\$ 54,783,429	\$ 55,665,024
Less: Management Designated Net Position	<u>(30,103,406)</u>	<u>(27,976,210)</u>
Undesignated Unrestricted Net Position	<u><u>\$ 24,680,023</u></u>	<u><u>\$ 27,688,814</u></u>

d. Working Cash

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

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted Net Position	\$ 54,783,429	\$ 55,665,024
Less: Earnings Retained for Working Cash Purposes	(18,237,920)	(17,767,844)
Less: Management Designated Net Position	<u>(30,103,406)</u>	<u>(27,976,210)</u>
Available Unrestricted Net Position	<u><u>\$ 6,442,103</u></u>	<u><u>\$ 9,920,970</u></u>

**PACE
THE SUBURBAN BUS DIVISION
OF THE REGIONAL TRANSPORTATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 14 COMMITMENTS AND CONTINGENCIES

- a. Agreements with Pace's paratransit public funded carriers generally provide that Pace will reimburse the lesser of the approved budget, \$3.00 per ride, or up to 75% of defined operating deficits incurred, within defined service guidelines, in the provision of specified demand response public transportation services.
- b. Grant agreements with Pace's public contract carriers provide that Pace reimburse defined operating expenses, limited to their approved budget level, incurred in providing public transportation services.
- c. Pace receives significant financial assistance from federally assisted programs, principal of which is FTA. These programs are subject to audit under the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for which a separate report is issued.

NOTE 15 PLEDGED REVENUES

Pace has pledged future portions of the Suburban Service Fund's operating revenue to repay the Special Revenue Bonds Series 2015 bonds. Proceeds from the bonds provided financing to convert the South Division location into a compressed natural gas facility. The bonds are payable from 2015 through years ended 2024. If the pledged revenues from these sources are insufficient to provide for the principal and interest payments on the bonds, a debt service reserve fund would be used to make the payments. Annual principal and interest payments on the bonds are expected to require less than 2.7% of the operating revenue. The total principal and interest remaining to be paid on the bonds is \$10,906,200. Principal and interest paid for the current year is \$1,483,200, and the Suburban Service Funds' operating revenue for the current year is \$55,074,181.

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

DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded (Funded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
01/01/16	\$ -	\$ 14,060,673	\$ 14,060,673	0.00%	\$ 13,134,266	107.1%
01/01/15	-	14,060,673	14,060,673	0.00%	12,690,112	110.8%
01/01/14	-	14,893,808	14,893,808	0.00%	12,048,134	123.6%
01/01/13	-	14,893,808	14,893,808	0.00%	11,252,916	132.4%
01/01/12	-	12,642,476	12,642,476	0.00%	11,313,595	111.7%
01/01/11	-	12,642,476	12,642,476	0.00%	11,467,539	110.2%
01/01/10	-	13,695,661	13,695,661	0.00%	12,187,546	112.4%

See Independent Auditors' Report

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 195,168	\$ 133,375
Interest	449,547	333,911
Changes of benefit terms	-	1,191,632
Differences between expected and actual experience	10,612	-
Changes of assumptions	-	-
Benefit payment, including refunds of employee contributions	<u>(193,903)</u>	<u>(123,505)</u>
Net change in total pension liability	461,424	1,535,413
Total pension liability - beginning	<u>5,982,717</u>	<u>4,447,304</u>
Total pension liability - ending (a)	<u>\$ 6,444,141</u>	<u>\$ 5,982,717</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 165,936	\$ 149,926
Contributions - employee	204,980	149,926
Net investment income	6,897	312,685
Benefit payments, including refunds of employee contributions	(193,903)	(123,505)
Administrative expense	(76,406)	(73,634)
Other	-	-
Net change in plan fiduciary net position	<u>107,504</u>	<u>415,398</u>
Plan fiduciary net position - beginning	<u>4,880,990</u>	<u>4,465,592</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,988,494</u>	<u>\$ 4,880,990</u>
 Net Pension Liability - ending (a) - (b)	<u>\$ 1,455,647</u>	<u>\$ 1,101,727</u>
 Plan fiduciary net position as a percentage of the total pension liability	77.41%	81.58%
 Covered-employee payroll	\$ 4,121,289	\$ 3,748,150
 Net pension liability as a percentage of covered- employee payroll	35.32%	29.39%

Notes:

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

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 808,140	\$ 752,719
Interest	2,376,281	2,313,170
Changes of benefit terms	-	-
Differences between expected and actual experience	(449,032)	-
Changes of assumptions	-	-
Benefit payment, including refunds of employee contributions	<u>(1,937,718)</u>	<u>(1,775,689)</u>
Net change in total pension liability	797,671	1,290,200
Total pension liability - beginning	<u>30,706,469</u>	<u>29,416,269</u>
Total pension liability - ending (a)	<u><u>\$ 31,504,140</u></u>	<u><u>\$ 30,706,469</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 846,152	\$ 790,856
Contributions - employee	850,243	794,934
Net investment income	(271,311)	850,200
Benefit payments, including refunds of employee contributions	(1,937,718)	(1,775,689)
Administrative expense	(102,386)	(87,594)
Other	-	-
Net change in plan fiduciary net position	<u>(615,020)</u>	<u>572,707</u>
Plan fiduciary net position - beginning	<u>20,189,542</u>	<u>19,616,835</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 19,574,522</u></u>	<u><u>\$ 20,189,542</u></u>
 Net Pension Liability - ending (a) - (b)	<u><u>\$ 11,929,618</u></u>	<u><u>\$ 10,516,927</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	62.13%	65.75%
 Covered-employee payroll	\$ 12,899,438	\$ 12,349,946
 Net pension liability as a percentage of covered- employee payroll	92.48%	85.16%

Note:

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	39.1000%	40.7553%
Proportionate share of the net pension liability (asset)	\$ 13,520,828	\$ 28,527,177
Covered-employee payroll	\$ 31,278,732	\$ 30,225,262
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.23%	94.38%
Plan fiduciary net position as a percentage of the total pension liability	87.70%	73.92%

Note:

This schedule is intended to show ten years of information. Additional years will be included as they become available.

See Independent Auditors' Report

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 156,328	\$ 97,358
Contributions in relation to the actuarially determined contribution	165,936	149,926
Contribution deficiency (excess)	\$ (9,608)	\$ (52,568)
Covered-employee payroll	\$ 4,121,289	\$ 3,748,150
Contribution as a percentage of covered-employee payroll	4.03%	4.00%

Valuation Date:	January 1, 2016	January 1, 2015
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Methods and assumptions used to determine contribution rates:

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

Note:

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Additional years will be included as they become available.

See Independent Auditors' Report

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 819,246	\$ 813,565
Contributions in relation to the actuarially determined contribution	846,152	790,856
Contribution deficiency (excess)	\$ (26,906)	\$ 22,709
Covered-employee payroll	\$ 12,899,438	\$ 12,349,946
Contribution as a percentage of covered-employee payroll	6.56%	6.40%

Valuation Date:	January 1, 2016	January 1, 2015
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Methods and assumptions used to determine contribution rates:

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

Note:

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Additional years will be included as they become available.

See Independent Auditors' Report

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

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,317,168	\$ 5,579,076
Contributions in relation to the actuarially determined contribution	5,317,168	5,579,076
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 31,278,732	\$ 30,225,262
Contribution as a percentage of covered-employee payroll	17.00%	18.46%

Notes to Schedule for 2014 Contributions

Valuation Date: January 1, 2015 January 1, 2014

Methods and assumptions used to determine contribution rates:

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

Notes:

In 2015, employer contributions of \$33,844,343 were made and are reflected in the Net Pension Liability as of December 31, 2016. These contributions were \$28,527,175 in excess of the actuarially determined contribution.

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. This schedule is intended to show 10 years of information. Additional years will be included as they become available.

See Independent Auditors' Report

**THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND
DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015**

ASSETS	Suburban Services Fund <u>2016</u>	Regional ADA Paratransit Services Fund <u>2016</u>	Total <u>2016</u>	Unaudited Total <u>2015</u>
<u>Current Assets</u>				
Cash:				
Cash and Investments	\$ 71,637,122	\$ 23,451,328	\$ 95,088,450	\$ 96,156,797
Restricted Cash	1,201,242	-	1,201,242	1,201,157
Cash and Investments	<u>72,838,364</u>	<u>23,451,328</u>	<u>96,289,692</u>	<u>97,357,954</u>
Accounts Receivable:				
Regional Transportation Authority	52,298,221	595,661	52,893,882	59,063,743
Interfund Receivable	1,340,670	-	1,340,670	2,032,177
Capital Grant Projects-FTA & IDOT	6,046,302	-	6,046,302	499,258
Other	5,841,197	5,964,006	11,805,203	8,154,822
Total Accounts Receivable	<u>65,526,390</u>	<u>6,559,667</u>	<u>72,086,057</u>	<u>69,750,000</u>
<u>Other Current Assets</u>				
Prepaid Expenses	1,867,885	232,501	2,100,386	1,894,506
Inventory-Spare Parts	6,347,505	-	6,347,505	5,750,910
Assets Restricted for Repayment of Leasing Commitment - Current	-	-	-	68,067,295
Total Other Current Assets	<u>8,215,390</u>	<u>232,501</u>	<u>8,447,891</u>	<u>75,712,711</u>
Total Current Assets	<u>146,580,144</u>	<u>30,243,496</u>	<u>176,823,640</u>	<u>242,820,665</u>
<u>Noncurrent Assets</u>				
Capital Assets not Being Depreciated				
Land	17,375,188	-	17,375,188	17,366,888
Capital Projects in Progress	30,495,225	-	30,495,225	16,952,783
Total Capital Assets not Being Depreciated	<u>47,870,413</u>	<u>-</u>	<u>47,870,413</u>	<u>34,319,671</u>
Capital Assets Being Depreciated, Net				
Equipment	415,257,303	25,948,205	441,205,508	426,228,250
Building and Improvements	182,482,155	-	182,482,155	171,359,320
Less Accumulated Depreciation	<u>(412,753,316)</u>	<u>(20,541,381)</u>	<u>(433,294,697)</u>	<u>(427,008,856)</u>
Total Capital Assets Being Depreciated, Net	<u>184,986,142</u>	<u>5,406,824</u>	<u>190,392,966</u>	<u>170,578,714</u>
<u>Other Noncurrent Assets</u>				
Restricted Cash - Bond Proceeds	1,155,980	-	1,155,980	8,068,188
Total Other Noncurrent Assets	<u>1,155,980</u>	<u>-</u>	<u>1,155,980</u>	<u>8,068,188</u>
Total Noncurrent Assets	<u>234,012,535</u>	<u>5,406,824</u>	<u>239,419,359</u>	<u>212,966,573</u>
Total Assets	<u>380,592,679</u>	<u>35,650,320</u>	<u>416,242,999</u>	<u>455,787,238</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow - Pension	21,219,233	1,219,802	22,439,035	39,140,269
Total Deferred Outflow of Resources	<u>21,219,233</u>	<u>1,219,802</u>	<u>22,439,035</u>	<u>39,140,269</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION BY FUND (Continued)
DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015

LIABILITIES	Suburban Services Fund 2016	Regional ADA Paratransit Services Fund 2016	Total 2016	Unaudited Total 2015
Current Liabilities				
Accounts Payable:				
Operating	\$ 359,796	\$ 194,978	\$ 554,774	\$ 740,308
Capital	6,529,221	-	6,529,221	943,746
Accrued Payroll Expenses	9,829,647	179,121	10,008,768	9,387,012
Other Accrued Expenses	10,690,063	27,606,766	38,296,829	52,381,935
Unearned Revenue	1,763,224	1,067,097	2,830,321	3,225,009
Interfund Payable		1,340,670	1,340,670	2,032,177
Bonds Payable - Current	1,200,000	-	1,200,000	1,200,000
Current Portion of Insurance Reserves	31,141,413	32,035	31,173,448	17,500,717
Current Portion of Capital Lease Obligation	-	-	-	68,067,295
Total Current Liabilities	61,513,364	30,420,667	91,934,031	155,478,199
Other Liabilities				
Insurance Reserve, Non-Current Portion	5,648,331	-	5,648,331	12,498,198
Net Pension Liability	26,044,816	861,277	26,906,093	40,145,831
Net Other Post Employment Benefits (OPEB) Obligation	4,658,962	-	4,658,962	4,331,584
Advance From State	10,950,723	-	10,950,723	10,415,123
Bonds Payable, Non-Current	8,400,000	-	8,400,000	9,600,000
Other Liabilities	2,198,555	69,645	2,268,200	2,178,726
Total Other Liabilities	57,901,387	930,922	58,832,309	79,169,462
Total Liabilities	119,414,751	31,351,589	150,766,340	234,647,661
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow - Pension	2,001,197	111,709	2,112,906	1,248,249
Total Deferred Inflow of Resources	2,001,197	111,709	2,112,906	1,248,249
NET POSITION				
Net Investment in Capital Assets	224,412,535	5,406,824	229,819,359	202,166,573
Restricted for Bond Repayment	1,200,000	-	1,200,000	1,200,000
Unrestricted	54,783,429	-	54,783,429	55,665,024
Total Net Position	\$ 280,395,964	\$ 5,406,824	\$ 285,802,788	\$ 259,031,597

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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, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	Suburban Services Fund 2016	Regional ADA Paratransit Services Fund 2016	Total 2016	Unaudited Total 2015
<u>Operating Revenue</u>				
Pace-owned service revenue	\$ 32,110,815	\$ -	\$ 32,110,815	\$ 32,197,304
CMAQ/JARC Services	199,889	-	199,889	688,967
Fixed route carrier revenue	3,350,679	-	3,350,679	3,337,954
Paratransit revenue	11,261,420	11,166,954	22,428,374	22,205,676
Vanpool revenue	3,267,864	-	3,267,864	4,035,025
Reduced fare reimbursement	1,345,862	-	1,345,862	162,469
Advertising revenue	2,766,255	-	2,766,255	3,105,226
Miscellaneous	771,397	4,766,679	5,538,076	6,306,187
Total Operating Revenue	55,074,181	15,933,633	71,007,814	72,038,808
<u>Operating expenses:</u>				
Pace-owned service expenses	92,806,319	-	92,806,319	86,388,267
CMAQ/JARC expenses	2,952,131	-	2,952,131	2,692,441
Contract Payments:				
Fixed route carriers	9,955,326	-	9,955,326	10,045,768
Paratransit carriers	18,200,175	146,127,601	164,327,776	159,468,364
Vanpool expenses	3,037,343	-	3,037,343	3,486,354
Centralized operations	62,927,681	2,897,770	65,825,451	54,362,958
Administrative expenses	32,241,966	7,219,983	39,461,949	36,271,779
Depreciation	37,435,313	3,126,852	40,562,165	40,516,493
Indirect overhead allocation	(4,574,309)	4,574,309	-	-
Total Operating Expenses	254,981,945	163,946,515	418,928,460	393,232,424
Operating Income (Loss)	(199,907,764)	(148,012,882)	(347,920,646)	(321,193,616)
<u>Non-Operating Revenue (Expenses)</u>				
Retailers' occupation and use tax from RTA (85% Formula)	91,559,244	-	91,559,244	90,272,781
RTA Sales Tax/PTF (PA 95-0708)	34,002,247	-	34,002,247	33,494,733
Regional ADA Paratransit Fund	-	140,923,975	140,923,975	130,980,972
RTA Discretionary Funding	4,901,422	-	4,901,422	4,602,594
ADA State Funding	-	3,825,004	3,825,004	8,394,800
Suburban Community Mobility Fund (SCMF)	24,124,103	-	24,124,103	23,800,266
South Suburban Job Access Fund	7,500,000	-	7,500,000	7,500,000
Innovation Coordination and Enhancement Fund (ICE)	1,632,237	-	1,632,237	1,847,711
Federal Operating Grants	4,174,296	-	4,174,296	3,539,940
Interfund Asset Allocation	337,600	(337,600)	-	-
Interest on Investments	476,839	137,051	613,890	435,784
Interest Expense	(283,200)	-	(283,200)	(242,500)
Interest Revenue from Leasing Transaction	668,538	-	668,538	4,232,106
Interest Expense on Leasing Transaction	(668,538)	-	(668,538)	(4,232,106)
Total Non-Operating Revenue (Expenses)	168,424,788	144,548,430	312,973,218	304,627,081
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	(31,482,976)	(3,464,452)	(34,947,428)	(16,566,535)
Other Revenues, Expenses, Gains, Losses and Transfers				
Capital Grant Reimbursements	61,718,619	-	61,718,619	48,879,594
Total Other Revenues, Expenses, Gains, Losses and Transfers	61,718,619	-	61,718,619	48,879,594
Change in Net Position	30,235,643	(3,464,452)	26,771,191	32,313,059
Beginning Net Position	250,160,321	8,871,276	259,031,597	226,718,538
Ending Net Position	\$ 280,395,964	\$ 5,406,824	\$ 285,802,788	\$ 259,031,597

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
SUBURBAN SERVICES FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
Pace-Owned Service Revenue	\$ 32,110,815	\$ 34,244,921	\$ (2,134,106)
CMAQ/JARC Passenger Revenue	199,889	243,000	(43,111)
Fixed Route Carrier Revenue	3,350,679	3,270,639	80,040
Paratransit Revenue	11,261,420	13,257,357	(1,995,937)
Vanpool Revenue	3,267,864	3,443,365	(175,501)
Reduced Fare Reimbursement	1,345,862	2,610,000	(1,264,138)
Advertising Revenue	2,766,255	2,666,000	100,255
Interest on Investments	476,839	352,096	124,743
Miscellaneous/Other Revenue	771,397	1,097,800	(326,403)
Total Operating Revenue	<u>55,551,020</u>	<u>61,185,178</u>	<u>(5,634,158)</u>
<u>Operating Expenses</u>			
Pace-Owned Service Expenses	92,806,319	94,688,342	1,882,023
CMAQ/JARC Expenses	2,952,131	1,123,361	(1,828,770)
Contract Payments:			
Fixed Route Carriers	9,955,326	10,759,511	804,185
Paratransit Carriers	18,200,175	20,391,927	2,191,752
Vanpool Expenses	3,037,343	4,376,227	1,338,884
Centralized Operations	62,927,681	64,785,030	1,857,349
Interest Expense	283,200	883,200	600,000
Indirect Overhead Allocation	(4,574,309)	(4,341,446)	232,863
Administrative Expenses	32,241,966	35,308,967	3,067,001
Total Operating Expenses	<u>217,829,832</u>	<u>227,975,119</u>	<u>10,145,287</u>
Operating Income (Loss)	<u>(162,278,812)</u>	<u>(166,789,941)</u>	<u>4,511,129</u>
<u>Non-Operating Revenue</u>			
Retailers' occupation and use tax from RTA (85% Formula)	91,559,244	92,904,690	(1,345,446)
RTA Sales Tax/PTF (PA 95-0708)	34,002,247	34,329,440	(327,193)
RTA Discretionary Funding	4,901,422	4,886,730	14,692
Suburban Community Mobility Fund (SCMF)	24,124,103	24,318,900	(194,797)
South Suburban Job Access Fund	7,500,000	7,500,000	-
Innovation Coordination and Enhancement Fund (ICE)	1,632,237	1,123,361	508,876
Federal Operating Grants - Suburban Services	4,174,296	1,726,820	2,447,476
Total Non-Operating Revenue	<u>167,893,549</u>	<u>166,789,941</u>	<u>1,103,608</u>
Increase (Decrease) in Net Position	<u>\$ 5,614,737</u>	<u>\$ -</u>	<u>\$ 5,614,737</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(37,435,313)		
Capital Grant Reimbursements	61,718,619		
Interfund Asset Allocation	337,600		
Increase (Decrease) in Net Position - GAAP Basis	<u><u>\$ 30,235,643</u></u>		

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
REGIONAL ADA PARATRANSIT SERVICES FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Actual	Final Amended Budget	Variance
<u>Operating Revenue</u>			
ADA Service Revenue	\$ 11,166,954	\$ 11,416,907	\$ (249,953)
Interest on Investments	137,051	94,000	43,051
Miscellaneous/Other Revenue	4,766,679	3,300,580	1,466,099
Total Operating Revenue	<u>16,070,684</u>	<u>14,811,487</u>	<u>1,259,197</u>
<u>Operating Expenses</u>			
ADA Service Expenses	146,127,601	158,172,378	12,044,777
Centralized Operations	2,897,770	4,635,565	1,737,795
Indirect Overhead Allocation	4,574,309	4,341,446	(232,863)
Administrative Expenses	7,219,983	7,649,098	429,115
Total Operating Expenses	<u>160,819,663</u>	<u>174,798,487</u>	<u>13,978,824</u>
Operating Income (Loss)	<u>(144,748,979)</u>	<u>(159,987,000)</u>	<u>15,238,021</u>
<u>Non-Operating Revenue</u>			
Regional ADA Paratransit Funding from RTA	140,923,975	151,487,000	(10,563,025)
ADA State Funding	3,825,004	8,500,000	(4,674,996)
Total Non-Operating Revenue	<u>144,748,979</u>	<u>159,987,000</u>	<u>(15,238,021)</u>
Increase (Decrease) in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation	(3,126,852)		
Interfund Asset Allocation	(337,600)		
Increase (Decrease) in Net Position - GAAP Basis	<u>\$ (3,464,452)</u>		

SECTION THREE - STATISTICAL

Financial Trends

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

Net Position by Component	106
Change in Net Position.....	107
Working Capital Ratio	108

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	109
System Ridership	110
Sales Tax Collection for the Six County Region	111

Debt Capacity

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

Ratios of Outstanding Debt	112
Pledged-Revenue Coverage	113

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	114
Principal Employers of the RTA Area	115

Operating Information

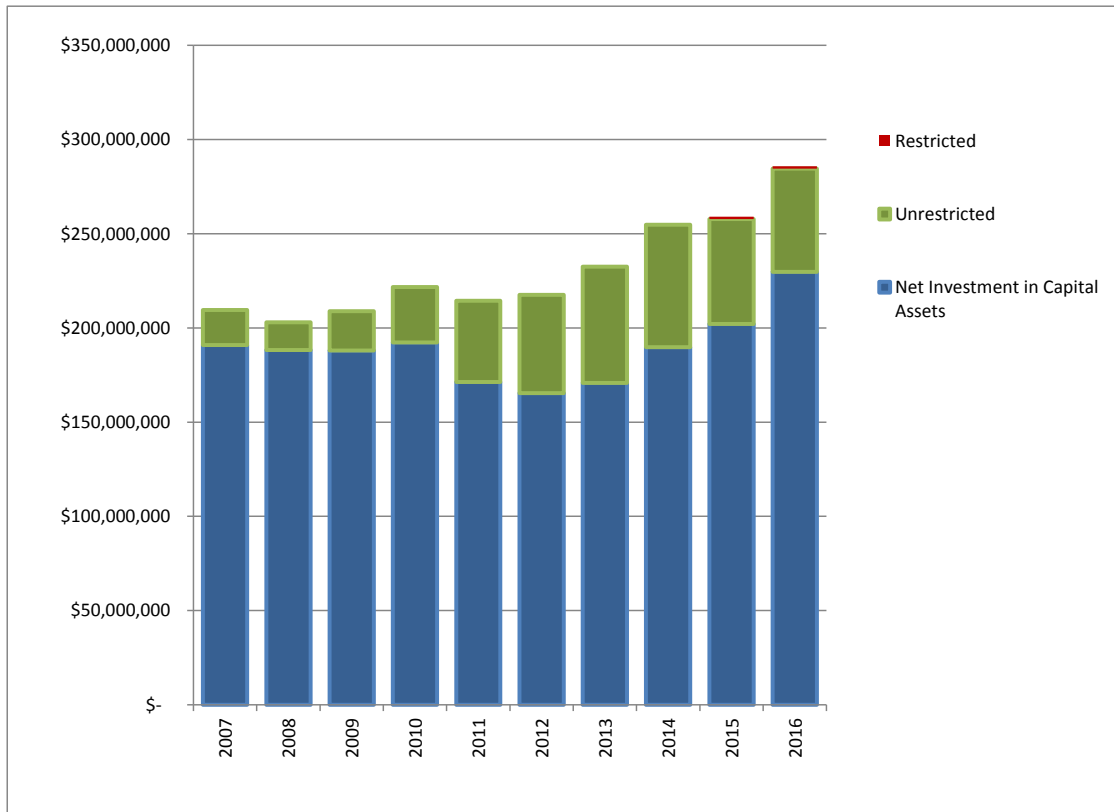
Pace operates bus transportation service over a six county region and within the City of Chicago for ADA Paratransit service. This section provides information in regard to the size and scope of Pace’s operations. The schedules include detailed capital asset and infrastructure information, number of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

Capital Assets and Infrastructure Information	116
Full-Time Equivalent Employees by Function/Program.....	117
Operating Indicators.....	118



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

<u>Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2007	\$ 190,877,021	\$ -	\$ 18,634,014	\$ 209,511,035
2008	188,268,519	-	14,744,945	203,013,464
2009	188,007,774	-	20,938,344	208,946,118
2010	192,311,667	-	29,435,568	221,747,235
2011	171,290,055	-	43,157,031	214,447,086
2012	165,446,453	-	52,161,234	217,607,687
2013	170,831,448	-	61,692,139	232,523,587
2014	189,848,707	-	64,923,906	254,772,613
2015	202,166,573	1,200,000	55,665,024	259,031,597
2016	229,819,359	1,200,000	54,783,426	285,802,785



Source: Pace Annual Financial Reports

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenue										
Pace-owned service revenue	\$26,300,141	\$22,051,988	\$25,988,557	\$26,162,982	\$28,191,535	\$28,725,933	\$29,094,500	\$32,327,470	\$32,197,304	\$32,110,815
CMAQ/JARC Services	335,124	255,321	395,654	10,209	40,292	86,473	230,763	424,192	688,967	199,889
Fixed route carrier revenue	4,793,409	4,700,803	4,656,466	4,066,649	3,692,221	3,014,050	3,294,462	3,412,753	3,337,954	3,350,679
Paratransit revenue	17,172,859	18,354,862	16,143,772	17,979,188	19,978,787	21,761,056	22,409,864	22,693,571	22,205,676	22,428,374
Vanpool revenue	3,420,562	3,809,750	3,845,452	3,578,691	3,675,781	3,926,622	4,158,850	4,189,130	4,035,025	3,267,864
Reduced fare reimbursement	2,704,347	3,089,197	2,350,689	2,415,786	2,571,462	2,628,912	1,977,876	3,241,648	162,469	1,345,862
Advertising revenue	4,572,340	4,666,382	2,630,182	3,930,876	4,355,475	4,483,746	4,503,458	4,534,233	3,105,226	2,766,255
Miscellaneous	1,640,461	1,733,938	2,948,948	3,864,154	6,348,239	4,510,678	4,948,947	4,845,714	6,306,187	5,538,076
Total Operating Revenue	<u>60,939,243</u>	<u>58,662,241</u>	<u>58,959,720</u>	<u>62,008,535</u>	<u>68,853,792</u>	<u>69,137,470</u>	<u>70,618,720</u>	<u>75,668,711</u>	<u>72,038,808</u>	<u>71,007,814</u>
Operating expenses										
Pace-owned service expenses	66,466,694	67,958,454	70,197,738	73,273,066	74,311,676	78,277,509	79,708,876	83,705,687	86,388,267	92,806,319
CMAQ/JARC expenses	1,488,088	1,779,710	1,890,135	198,665	290,232	911,980	2,034,397	2,968,329	2,692,441	2,952,131
Contract Payments:										
Fixed route carriers	12,960,065	13,251,718	13,262,046	11,639,829	10,584,807	9,060,737	9,470,685	9,848,158	10,045,768	9,955,326
Paratransit carriers	91,228,819	113,512,062	119,465,945	121,511,022	133,160,676	142,641,448	151,287,226	158,734,067	159,468,364	164,327,776
Vanpool expenses	3,271,777	3,925,979	3,374,719	3,655,554	4,529,570	4,745,135	4,669,751	4,365,908	3,486,354	3,037,343
Centralized operations	50,027,473	56,445,920	54,317,776	55,886,171	58,509,532	61,788,712	63,873,741	71,124,251	54,362,958	65,825,451
Administrative expenses	20,564,208	22,557,659	26,601,926	25,125,710	26,404,823	29,908,725	32,915,020	36,285,585	36,271,779	39,461,949
Depreciation	31,492,801	33,185,530	37,446,875	41,712,329	44,356,587	47,778,646	46,402,723	46,942,530	40,516,493	40,562,165
Total Operating Expenses	<u>277,499,925</u>	<u>312,617,032</u>	<u>326,557,160</u>	<u>333,002,346</u>	<u>352,147,903</u>	<u>375,112,892</u>	<u>390,362,419</u>	<u>413,974,515</u>	<u>393,232,424</u>	<u>418,928,460</u>
Operating Income (Loss)	<u>(216,560,682)</u>	<u>(253,954,791)</u>	<u>(267,597,440)</u>	<u>(270,993,811)</u>	<u>(283,294,111)</u>	<u>(305,975,422)</u>	<u>(319,743,699)</u>	<u>(338,305,804)</u>	<u>(321,193,616)</u>	<u>(347,920,646)</u>
Non Operating Revenue										
Sales Tax from RTA (85% Formula)	81,232,272	78,240,000	70,438,841	73,053,667	76,085,053	79,326,746	83,215,418	87,298,041	90,272,781	91,559,244
RTA Sales Tax/PTF (PA 95-0708)	2,959,732	13,380,000	28,965,867	29,784,991	31,449,703	31,429,206	31,870,642	32,957,499	33,494,733	34,002,247
Regional ADA Paratransit Fund	74,010,000	100,000,000	91,010,358	94,796,109	99,298,087	113,232,896	125,994,893	131,661,582	130,980,972	140,923,975
RTA Discretionary Funding	4,000,000	-	4,366,739	-	535,000	5,440,000	3,694,000	3,978,339	4,602,594	4,901,422
Suburban Community Mobility Fund	-	20,000,000	18,202,072	18,959,222	19,859,618	20,796,258	21,804,636	22,878,795	23,800,266	24,124,103
South Suburban Job Access Fund	-	3,750,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
ADA State Funding	2,000,000	-	-	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,394,800	3,825,004
Innovation Coordination and Enhancement Fund	-	-	4,136,823	1,431,706	6,586,687	-	-	-	1,847,711	1,632,237
Federal Operating Grants	24,230,107	3,356,770	12,341,970	5,037,856	3,596,665	1,703,169	5,600,465	6,224,430	3,539,940	4,174,296
Interest on Investments	2,230,167	1,235,617	214,343	111,382	129,548	187,728	234,506	340,606	435,784	613,890
Interest Expense	(207,585)	(150,891)	(58,461)	(21,570)	(7,134)	(344)	-	-	(242,500)	(283,200)
Interest Revenue from Leasing Transaction	6,480,128	5,119,406	5,432,224	5,780,382	6,051,167	6,438,942	6,851,817	4,644,052	4,232,106	668,538
Interest Expense on Leasing Transaction	(6,480,128)	(5,119,406)	(5,432,224)	(5,780,382)	(6,051,167)	(6,438,942)	(6,851,817)	(4,644,052)	(4,232,106)	(668,538)
Total Non-Operating Revenue (Expense)	<u>190,454,693</u>	<u>219,811,496</u>	<u>237,118,552</u>	<u>239,153,363</u>	<u>253,533,227</u>	<u>268,115,659</u>	<u>288,414,560</u>	<u>301,339,292</u>	<u>304,627,081</u>	<u>312,973,218</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(26,105,989)</u>	<u>(34,143,295)</u>	<u>(30,478,888)</u>	<u>(31,840,448)</u>	<u>(29,760,884)</u>	<u>(37,859,763)</u>	<u>(31,329,139)</u>	<u>(36,966,512)</u>	<u>(16,566,535)</u>	<u>(34,947,428)</u>
Other Revenues, Expenses, Gains, Losses and Transfers										
Capital Grant Reimbursements	28,365,444	27,645,724	36,411,542	44,641,565	22,460,735	41,020,364	46,245,039	51,438,723	48,879,594	61,718,619
Extraordinary ADA Revenue	-	-	-	-	-	-	-	7,776,815	-	-
Total Other Revenues, Expenses, Gains, Losses and Transfers	<u>28,365,444</u>	<u>27,645,724</u>	<u>36,411,542</u>	<u>44,641,565</u>	<u>22,460,735</u>	<u>41,020,364</u>	<u>46,245,039</u>	<u>59,215,538</u>	<u>48,879,594</u>	<u>61,718,619</u>
Net Change in Net Position	<u>2,259,455</u>	<u>(6,497,571)</u>	<u>5,932,654</u>	<u>12,801,117</u>	<u>(7,300,149)</u>	<u>3,160,601</u>	<u>14,915,900</u>	<u>22,249,026</u>	<u>32,313,059</u>	<u>26,771,191</u>
Beginning Net Position	<u>207,251,580</u>	<u>209,511,035</u>	<u>203,013,464</u>	<u>208,946,118</u>	<u>221,747,235</u>	<u>214,447,086</u>	<u>217,607,687</u>	<u>232,523,587</u>	<u>226,718,538</u>	<u>259,031,597</u>
Ending Net Position	<u>\$ 209,511,035</u>	<u>\$ 203,013,464</u>	<u>\$ 208,946,118</u>	<u>\$ 221,747,235</u>	<u>\$ 214,447,086</u>	<u>\$ 217,607,687</u>	<u>\$ 232,523,587</u>	<u>\$ 254,772,613</u>	<u>\$ 259,031,597</u>	<u>\$ 285,802,788</u>

Source: Pace Annual Financial Reports

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

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

	Current Assets <u>(in thousands)</u>	Current Liabilities <u>(in thousands)</u>	Working Capital <u>(in thousands)</u>	Operating Expenses <u>(in thousands)</u>	Ratio of Working Capital to <u>Operating Expenses</u>
2007	\$ 86,481	\$ 35,805	\$ 50,676	\$ 162,510	31.2%
2008	83,496	37,763	45,733	171,956	26.6%
2009	89,869	38,260	51,609	174,415	29.6%
2010	101,187	36,936	64,251	176,249	36.5%
2011	116,542	36,369	80,173	179,690	44.6%
2012	132,315	41,955	90,360	190,322	47.5%
2013	196,217	95,391	100,826	195,832	51.5%
2014	149,393	53,915	95,478	209,951	45.5%
2015	198,277	110,562	87,715	198,142	44.3%
2016	146,580	61,513	85,067	254,982	33.4%

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: Operating expenses exclude depreciation expense. Refer to Exhibit 3A on page 102.

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

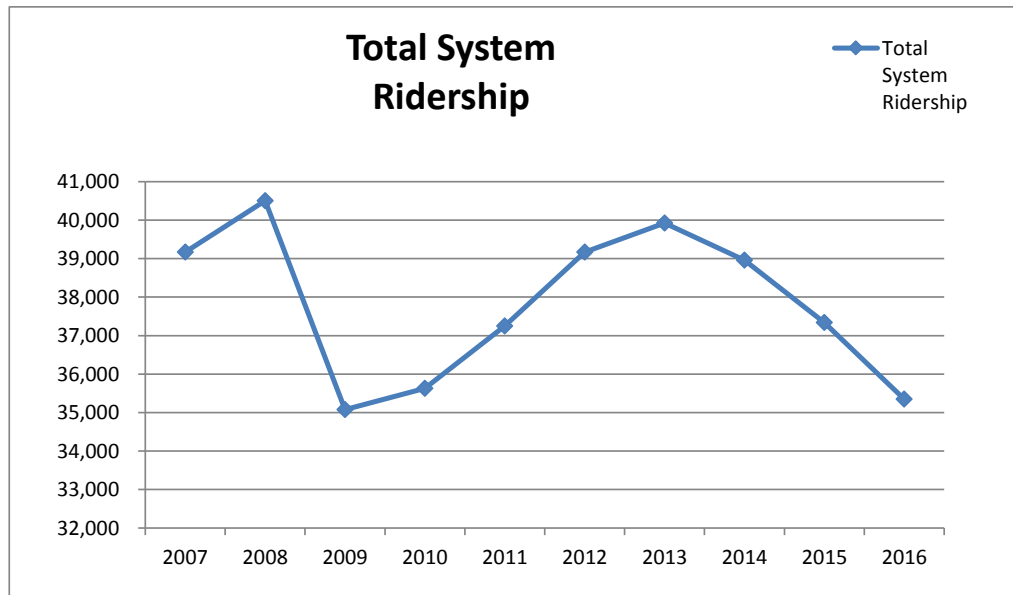
Fare Type	Effective <u>12/31/2016</u>		Effective <u>12/31/2007</u>	
	Full	Reduced	Full	Reduced
Basic Fare	\$1.75	\$0.85	\$1.50	\$0.75
Cash Fare	\$2.00	\$1.00	-	-
Local Fare	-	-	\$1.25	\$0.60
Premium Fare	\$4.00	\$2.00	-	-
Pace 30 Day Pass	\$60.00	\$30.00	\$50.00	\$25.00
Pace Premium 30 Day Pass	\$140.00	\$70.00	-	-
CTA/Pace 30 Day Pass	\$100.00	\$50.00	\$75.00	\$35.00
CTA/Pace 7 Day Pass	\$33.00	-	-	-
10 Ride Plus Regular Ticket	-	-	\$15.00	\$7.50
10 Ride Plus Local Ticket	-	-	\$12.50	\$6.00
10 Ride Plus Premium Ticket	-	-	\$30.00	\$15.00
Link-up Pass	\$55.00	-	\$36.00	-
Plus Bus Pass	\$30.00	-	\$30.00	-
ADA Paratransit Regular Service Ticket	\$3.00	-	\$2.25	-
ADA Paratransit Local Service Ticket	-	-	\$2.50	-
Taxi Access Program - City of Chicago	\$5.00	-	\$1.75	-
Student Haul Pass	-	-	\$0.00	\$25.00
Student Summer Pass (valid June - August)	\$45.00	-	\$40.00	-

Source: Pace Fare Schedules

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

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

Year	Fixed Route	Dial A Ride	Vanpool	Total Suburban Services	Regional ADA Paratransit	Total System Ridership
2007	33,542	1,126	1,877	36,545	2,624	39,169
2008	34,655	1,103	2,021	37,779	2,727	40,506
2009	29,247	1,230	1,810	32,287	2,790	35,077
2010	29,292	1,273	1,751	32,316	3,310	35,626
2011	30,630	1,293	1,778	33,701	3,546	37,247
2012	32,151	1,280	1,962	35,393	3,776	39,169
2013	32,513	1,418	2,004	35,935	3,989	39,924
2014	31,686	989	2,156	34,831	4,127	38,958
2015	30,118	938	2,060	33,116	4,227	37,343
2016	28,398	892	1,881	31,171	4,178	35,349

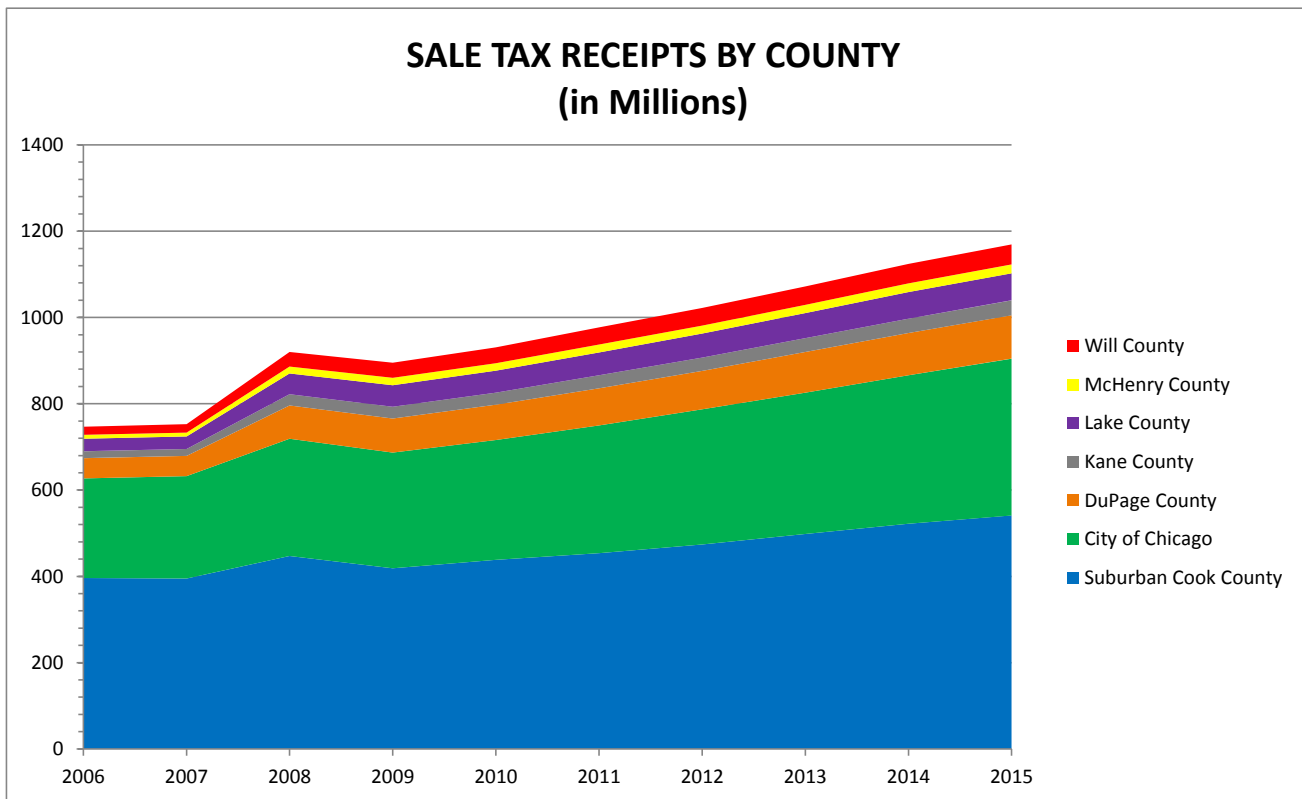


Source: Pace Budget and Ridership Reports

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City of Chicago	\$ 231	\$ 237	\$ 272	\$ 268	\$ 278	\$ 296	\$ 313	\$ 328	\$ 344	\$ 363
Suburban Cook Count	396	395	447	419	438	454	474	498	522	541
DuPage County	47	47	77	79	82	86	89	94	98	101
Kane County	16	16	26	27	28	30	31	32	33	34
Lake County	29	29	48	50	51	53	56	58	62	63
McHenry County	9	9	16	17	17	18	18	19	20	20
Will County	19	20	34	35	37	40	41	43	45	47
Total	\$ 747	\$ 753	\$ 920	\$ 895	\$ 931	\$ 977	\$ 1,022	\$ 1,072	\$ 1,124	\$ 1,169



Source: RTA 2016 Operating Budget

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

Note: Actual data for 2016 was not available

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

<u>Year</u>	<u>ANNUAL DEBT SERVICE</u>	<u>OUTSTANDING SPECIAL REVENUE BONDS</u>	<u>PERCENTAGE OF OPERATING REVENUES</u>	<u>DEBT PER RIDER</u>
2007	\$ -	\$ -	-	\$ -
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	1,442,500	10,800,000	19.4%	0.29
2016	1,483,200	9,600,000	17.4%	0.27

Note: Details regarding Pace's outstanding debt can be found on pages 62-63 of the notes to the financial statements.
Ridership totals can be found on Table 5 in the Statistical Section.
Suburban Services Fund Operating Revenues can be found on Exhibit 2

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

<u>Year</u>	<u>SUBURBAN SERVICES FUND OPERATING REVENUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>COVERAGE</u>
2007	\$ 53,992,760	\$ -	\$ -	N/A
2008	50,727,080	-	-	N/A
2009	50,417,028	-	-	N/A
2010	51,467,273	-	-	N/A
2011	55,091,642	-	-	N/A
2012	56,297,363	-	-	N/A
2013	56,985,795	-	-	N/A
2014	61,475,908	-	-	N/A
2015	55,569,605	1,200,000	242,500	2.6%
2016	55,074,181	1,200,000	283,200	2.7%

Note: Details regarding Pace's outstanding debt can be found on pages 62-63 of the notes to the financial statements.

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

Year	Six County Population	Personal Income (in billions)	Per Capita Personal Income	Six County Average Unemployment Rate
2006	8,200,659	367,003	44,761	4.5%
2007	8,219,573	386,897	47,080	4.9%
2008	8,252,073	393,609	47,708	6.2%
2009	8,289,812	374,882	45,229	10.0%
2010	8,316,650	379,479	45,578	10.4%
2011	8,345,262	397,122	47,565	9.9%
2012	8,372,591	415,326	49,595	8.7%
2013	8,397,509	422,662	50,379	9.1%
2014	8,404,358	438,734	52,203	7.0%
2015	8,401,315	466,920	55,577	5.8%

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 2016 was not available.

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

<u>Employer</u>	<u>2016</u>			<u>2008</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	42,663	1	0.99%	78,000	1	1.97%
Chicago Public Schools	37,406	2	0.86%	43,910	2	1.11%
City of Chicago	30,276	3	0.70%	35,570	3	0.90%
Cook County	21,795	4	0.50%	22,142	5	0.56%
Advocate Health Care	18,308	5	0.42%	15,660	6	0.39%
University of Chicago	16,197	6	0.37%	15,660	7	0.39%
Northwest Memorial Healthcare	15,317	7	0.35%			
State of Illinois	15,136	8	0.35%			
JP Morgan Chase & Co.	14,158	9	0.33%			
United Continental Holding, Inc.	14,000	10	0.32%			
Walmart Stores				23,453	4	0.59%
Walgreen				14,287	8	0.36%
AT&T				14,254	9	0.36%
United Airlines				14,000	10	0.35%

Source: Crain's Chicago Business Annual List of Largest Employers
Illinois Department of Employment Security, Local Area Unemployment Statistics
RTA's 2008 CAFR
2007 Data Not Available

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

PACE ROLLING STOCK - ACTIVE FLEET															
<u>Fixed Route (Fully Accessible)</u>				<u>Paratransit (Fully Accessible)</u>				<u>Vanpool</u>				<u>Community Transit Vehicles</u>			
Manufacturer	Number of Vehicles	Year	Age	Manufacturer	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age
Chance Trolleys	6	2000	16	Eldorado Buses 24'	14	2008	8	Vans	1	2002	14	Champion Crusader	22	2008	7
Orion I 40'	75	2001	15	Eldorado Vans 23'	9	2009	7	Vans	9	2003	13	Champion Crusader	23	2009	6
Nabi 35'	19	2002	14	Eldorado Buses 23'	12	2009	7	Vans	5	2004	12	Champion Crusader	8	2012	3
Nabi 35'	58	2003	13	Eldorado Vans 22'	34	2010	6	Vans	16	2005	11	Vans	34	2013	2
Nabi 40'	75	2003	13	Eldorado Buses 23'	170	2010	6	Vans	40	2006	10	Champion Crusader	20	2015	0
Orion 40'	6	2004	12	Eldorado Buses 25'	157	2014	2	Vans	43	2007	9				
Nabi 40'	59	2005	11	Champion Buses 22'	98	2014	2	Vans	14	2008	8				
ElDorado 30'	31	2006	10					Vans	52	2009	7				
ElDorado 30'	77	2007	9					Vans	61	2010	6				
ElDorado 30'	32	2008	8					Vans	59	2011	5				
ElDorado 32'	0	2008	8					Vans	112	2012	4				
ElDorado 30'	24	2009	7					Vans	268	2013	3				
ElDorado 30'	59	2010	6					Vans	90	2016	0				
Orion Hybrid 30'	2	2012	4												
ElDorado 30'	4	2012	4												
ElDorado 40'	13	2012	4												
ElDorado 40'	63	2013	3												
MCI 40'	13	2014	2												
ElDorado 40'	20	2014	2												
ElDorado 40'	65	2015	1												
MCI 40'	9	2015	1												
ElDorado CNG 40'	20	2016	0												
Total	730			Total	494			Total	770			Total	107		
Average Age	8.4			Average Age	4.0			Average Age	4.6			Average Age	3.6		

Facilities	
Park -N- Rides	11
Transportation Centers	8
Transfer Facilities	2
Operating Garages	10

Source: Pace 2017 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>
2007	200	37	947	242	23	1,449
2008	200	37	947	242	23	1,449
2009	206	36	956	243	23	1,464
2010	206	36	943	244	23	1,452
2011	206	36	943	244	23	1,452
2012	219	35	971	247	23	1,495
2013	231	35	994	248	25	1,533
2014	239	35	992	277	25	1,568
2015	239	34	1,026	277	25	1,601
2016	232	38	1,063	284	25	1,642

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Fixed Route Service										
Number of Fixed Routes	232	220	213	194	194	194	199	195	209	212
Number of Accessible Routes	233	220	213	194	194	194	199	195	209	212
Number of Private Contractors	4	3	4	4	3	3	3	2	2	2
Number of Municipal Contractors	2	2	2	2	3	3	3	2	2	2
Paratransit										
Number of Communities Served	210	210	210	210	210	210	210	210	210	210
Number of Local Dial-a-Ride (DAR) Projects	62	65	65	66	68	68	68	68	67	65
Vanpool										
Vehicles in Service	673	695	690	673	708	738	781	785	767	719
Vehicle Miles (000's)										
Fixed Route	24,509	24,906	24,893	24,167	23,704	24,144	24,330	25,229	25,983	27,837
DAR/Ride DuPage/Kane	4,000	4,061	5,007	5,225	5,357	5,579	5,863	5,790	5,819	5,391
Vanpool	11,500	12,679	11,842	11,295	11,732	12,662	13,129	13,422	12,537	11,208
Regional ADA Paratransit *	4,719	4,974	23,517	23,298	27,581	29,779	30,815	32,768	35,960	35,554
Vehicle Hours (000's)										
Fixed Route	1,629	1,656	1,658	1,614	1,581	1,602	1,623	1,669	1,707	1,841
DAR/Ride DuPage/Kane	280	286	274	278	285	299	307	304	314	288
Regional ADA Paratransit **	319	1,336	1,651	1,634	1,895	1,900	1,998	2,212	2,346	2,407

Source: Pace Budgets

Note:

Vehicle Miles and Hours for 2016 are estimates.

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

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

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, 2016

REVENUE	
Pace-Owned Service Revenue	\$ 32,110,815
CMAQ/JARC Passenger Revenue	199,889
Fixed Route Carrier Revenue	3,350,679
Paratransit Revenue	11,261,420
Van Pool Revenue	3,267,864
Reduced Fare Reimbursement	1,345,862
Advertising Revenue	2,766,255
Interest on Investments	476,839
Miscellaneous	771,397
* Senior's Ride Free	2,105,969
** Not-For-Profit Service Providers Revenue	9,868,419
Total System Generated Revenue	\$ 67,525,408
OPERATING EXPENSES	
Pace-Owned Service Expenses	\$ 92,806,319
CMAQ/JARC Expenses	2,952,131
Contract Payments:	
Fixed Route Carriers	9,955,326
Paratransit Carriers	18,200,175
Van Pool Expenses	3,037,343
Centralized Operations	62,927,681
Administrative Expenses	32,241,966
Indirect Overhead Allocation	(4,574,309)
** Not-For-Profit Service Providers Expense	9,868,419
Total Operating Expenses	\$ 227,415,051
FAREBOX RECOVERY RATIO	30%

* Legislation was created in 2011 for the Seniors Circuit Ride Free program and the Seniors Reduced Fare program. The legislation provides for low income Illinois senior residents enrolled in the Department on Aging's Circuit Breaker program to be eligible to ride free. All other seniors qualify to ride at a reduced fare. Due to the revenue lost from these free and reduced fare rides, the RTA has allowed Pace to reflect the uncollected fares in its Recovery Ratio calculation. For 2016, Pace has included \$2,105,969 in credits related to this program.

** Pace has a relationship with entities involved in the Advantage Program in which Pace leases a vehicle to that entity in order to provide public transportation. Consistent with the opinion of the RTA, revenues and expenses incurred by such entities can be included in computing the percentage of costs covered by revenues ("recovery ratio"). For 2016, Pace has included \$9,868,419 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, 2016

REVENUE	
ADA Services Revenue	\$ 11,166,954
Interest on Investments	137,051
Miscellaneous	4,766,679
Total System Generated Revenue	\$ 16,070,684
OPERATING EXPENSES	
ADA Services Expenses	\$ 146,127,601
Centralized Operations	2,897,770
Administrative Expenses	7,219,983
Indirect Overhead Allocation	4,574,309
Total Operating Expenses	\$ 160,819,663
FAREBOX RECOVERY RATIO	10%

**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, 2016**

	<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	\$ 1,343,019	\$ 99,495	\$ 1,442,514	\$ 667,051	\$ 775,463
Village of Niles	1,480,731	197,684	1,678,415	532,905	1,145,510
Village of Schaumburg	<u>366,819</u>	<u>23,801</u>	<u>390,620</u>	<u>275,588</u>	<u>115,032</u>
TOTAL	<u><u>\$ 3,190,569</u></u>	<u><u>\$ 320,980</u></u>	<u><u>\$ 3,511,549</u></u>	<u><u>\$ 1,475,544</u></u>	<u><u>\$ 2,036,005</u></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, 2016**

<u>Regular Fixed Route</u>	<u>Operating Expenses</u>	<u>Passenger Revenue</u>	<u>Net Expenses</u>
First Student	\$ 3,866,837	\$ 1,080,259	\$ 2,786,578
First Transit	532,306	30,546	501,760
MV Transportation	<u>2,365,614</u>	<u>764,330</u>	<u>1,601,284</u>
 TOTALS	 <u>\$ 6,764,757</u>	 <u>\$ 1,875,135</u>	 <u>\$ 4,889,622</u>

PACE
THE SUBURBAN BUS DIVISION OF THE
REGIONAL TRANSPORTATION AUTHORITY
COMBINING SCHEDULE OF
PARATRANSIT MUNICIPAL - CARRIER EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016

<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	\$ 20,485	\$ 258,611	\$ 238,126	\$ 49,716	\$ 188,410
Bloom	17,554	264,672	247,118	48,270	198,848
Crestwood	5,218	83,634	78,416	15,747	62,669
Forest Park	23,236	121,236	98,000	68,121	29,879
Lemont	7,387	89,914	82,527	15,900	66,627
Lyons	16,309	315,163	298,854	39,222	259,632
Norridge	7,983	125,957	117,974	19,857	98,117
Oak Park	26,709	397,062	370,353	76,104	294,249
Orland Park	19,838	245,517	225,679	29,283	196,396
Palatine	17,884	175,360	157,477	23,637	133,839
Palos Hills	9,239	65,522	56,283	13,323	42,960
Park Forest	18,723	103,168	84,445	38,445	46,000
Rich Township	34,304	468,889	434,585	50,334	384,251
Schaumburg	93,681	1,160,788	1,067,107	190,470	876,637
Stickney	22,238	262,860	240,622	58,500	182,122
Tinley Park	8,155	78,851	70,696	19,917	50,779
Vernon Township	3,501	140,452	136,951	10,197	126,754
Worth	7,494	235,667	228,173	22,251	205,922
Total	\$ 359,938	\$ 4,593,323	\$ 4,233,386	\$ 789,294	\$ 3,444,091

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, 2016

<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Non - Pace Assistance</u>	<u>Net Contract Cost</u>
Bloomington Township	\$ 306,647	\$ 27,563	\$ 87,387	\$ 191,697
Call Centers	757,526	-	-	757,526
Call in Rides	1,486,914	115,999	-	1,370,915
Central Lake	75,530	12,651	18,873	44,006
Central Will	447,413	45,815	107,491	294,107
Community Service Transit	82,300	107,456	-	(25,156)
Downers Grove	103,908	22,985	24,565	56,358
DuPage County	15,044	2,376	-	12,668
DuPage Township	118,530	6,839	30,852	80,839
Elk Grove	333,912	15,412	261,625	56,875
Freemont Township	392	30	107	255
Leyden Township	123,674	10,118	90,600	22,956
McHenry County	308,714	16,443	309,077	(16,806)
Milton Township	271,967	70,092	8,108	193,767
Naperville/Lisle	1,047,904	235,313	628,881	183,710
Northeast Lake	346,334	18,946	22,911	304,477
Northeast Lake-Zion	63,542	4,826	9,989	48,727
Northwest Kane - Hampshire	18,641	827	4,454	13,360
Northwest Lake	169,817	28,194	-	141,623
Northwest Lake Demo	239,966	38,102	170,701	31,163
North Suburban Cook - Non-ADA	72,785	5,506	20,219	47,060
North Suburban Cook - Trip	220,735	31,905	-	188,830
Pioneer Center	256,491	3,724	-	252,767
Ride DuPage	1,731,148	221,508	933,407	576,233
Ride In Kane	2,791,778	348,343	1,842,730	600,705
Ride Lake	51,663	6,263	50,673	(5,273)
Ride McHenry	1,613,791	153,545	834,009	626,237
Shields Township	27,473	3,927	7,105	16,441
South Cook	41,613	-	-	41,613
Southwest Lake-Wauconda	13,840	-	-	13,840
Southwest Will	9,875	879	2,025	6,971
TriState Park Shuttle	3,551	-	-	3,551
Wayne Township	56,649	5,457	15,238	35,954
West Cook	131,508	-	122,243	9,265
Will County	265,278	24,303	268,778	(27,803)
Total	\$ 13,606,853	\$ 1,585,347	\$ 5,872,048	\$ 6,149,458

**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, 2016**

<u>Project</u>	<u>ADA SERVICES</u>		
	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Net Contract Cost</u>
South Cook	\$ 9,313,803	\$ 881,319	8,432,484
North Suburban Cook	7,655,732	855,230	6,800,502
West Cook (Suburban)	2,640,664	318,433	2,322,231
North Lake	1,227,552	153,495	1,074,057
Kane County	716,049	63,626	652,423
Southwest/Central Will	664,592	64,853	599,739
DuPage County	1,887,318	185,979	1,701,339
Chicago ADA	122,021,891	8,644,017	113,377,874
Total	\$ 146,127,601	\$ 11,166,952	\$ 134,960,649

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, 2016
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015

The Unrestricted Net Position detailed in footnote 13 on pages 88 - 89 is comprised of the unexpended portion of the accumulated positive budget variance.

	<u>2016</u>	<u>2015</u>
Group I: Approved and Completed	\$ 16,298,695	\$ 4,049,301
Group II: Approved and in Progress		
Computer Equipment - Multiple projects	\$ 2,453,278	\$ 2,550,177
Software for Insurance System	30,000	30,000
Facilities Environmental Cleanup	511,337	451,171
Barrington Rd (1-90) BRT Ramp/underpass	2,500,000	2,500,000
Barrington Rd (1-90) Pedestrian Bridge - Engineering	654,000	-
Over the Road Bus Purchase (5)	3,300,000	-
Support Equipment/Non-Revenue Vehicles	1,051,733	-
I-90 Corridor Infrastructure	1,160,000	1,160,000
Milwaukee Ave Infrastructure	800,000	800,000
Facilities Site/Environment Review	350,119	
Bus Shelters/Pads	1,000,000	1,000,000
Bus Stop Shelters/Signs	1,000,000	-
Bus Stop Infrastructure Improvements	1,250,000	-
Sign & Shelters	20,000	20,000
Sales proceeds designated for Capital Projects	886,606	873,092
A/E for Capital Projects	3,372,706	3,095,960
Land Acquisition - Markham	-	1,345,796
Facilities - NW Land Acq. & Site/Environment Review	-	6,800,000
Northshore Division Improvements	3,000,000	3,000,000
South Div CNG Construction/General Contingency	2,000,000	2,000,000
Improvements to Garages - Multiple Years	631,792	742,136
Real Time Next Bus Stop Signs	160,000	160,000
Real Time Link - Schedules/Next Bus Info	15,300	15,300
Related Capital Projects/Support Services	81,883	81,883
Rosemont Transit Center Improvements - A/E	1,500,000	-
Ventra Fare System	-	10,800,000
Unanticipated Capital - Multiple Years	599,506	599,506
Totals Approved and in Progress	<u>28,328,260</u>	<u>38,025,021</u>
Group III: Approved But Not Yet Started		
Land Easements - Milwaukee ART	350,000	-
Bus Stop Infrastructure Improvements	-	1,250,000
Improve Security System - Systemwide	300,000	300,000
Computer Systems	300,000	-
Improvements to Facilities	705,000	-
Pedestrian Bridge at Barrington Rd I-90	8,400,000	-
Plainfield Park-N-ride Lot Engineering	1,000,000	-
Transit Asset Management Plan - Consulting	550,000	-
Repl. Northwest Division Garage - Land Acquisition	-	4,500,000
Barrington Rd I-90 Pedestrian Bridge	-	654,000
Totals Approved But Not Yet Started	<u>11,605,000</u>	<u>6,704,000</u>
Total Commitments	56,231,955	48,778,322
Previously Recognized Expenditures	<u>(26,128,549)</u>	<u>(20,802,112)</u>
Net Commitments	<u>\$ 30,103,406</u>	<u>\$ 27,976,210</u>