

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



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

**For the Year Ended December 31, 2005**  
**Performed as Special Assistant Auditors for the Auditor General, State of Illinois**

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Prepared by:  
Finance Department**



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

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

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Thomas J. Ross  
**Executive Director**

May 1, 2006

The Board of Directors  
Pace 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 (“Pace”) for fiscal year ended December 31, 2005 is submitted herewith.

Responsibility for both the accuracy of the data and 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 protect assets against loss, theft or misuse and to compile sufficient reliable information for the preparation of Pace’s financial statements in conformity with generally accepted accounting principles.

The RTA Act requires an annual audit by independent certified public accountants. The Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, require Pace to undergo an annual Single Audit. The firm of Crowe Chizek and Company LLC performed an audit and issued an unqualified opinion on Pace’s financial statements for the year ended December 31, 2005. The independent auditor’s report is located at the front of the financial section of this report.

The Comprehensive Annual Financial Report is presented in three sections. The Introductory Section includes this letter of transmittal, Pace’s organizational chart, and a list of principal officials. The Financial Section includes the independent auditor’s report, the basic financial statements, management’s discussion and analysis (“MD&A”), the notes to the financial statements, and the required supplemental information. The MD&A complements this letter of transmittal and should be read in conjunction with it. The Statistical Section includes selected financial, economic and demographic information for comparative periods which is useful for depicting historical trends.

## **OVERVIEW OF PACE**

### ***History***

Illinois State Law created the Regional Transportation Authority (“RTA”) as a fiscal and policy oversight agency for Northeastern Illinois. In 1974, the Act created the RTA as a unit of local government, body politic, political subdivision, and municipal corporation. In 1983, the Illinois General Assembly amended the RTA Act and reorganized the structure and funding of the Regional Transportation Authority. Three Service Boards were established, the Chicago Transit Authority (“CTA”), Metra, the Commuter Rail Division, and Pace, the Suburban Bus Division. Independent operations for Pace commenced on July 1, 1984.

CTA, Metra and Pace all fall under the RTA system. Pace is responsible for providing non-rail public transportation throughout a six county region that includes suburban Cook County and DuPage, Kane, Lake, McHenry and Will counties.

Population within the six county region has grown nearly 10% over the past ten years. Population projections prepared by the Census and Data User Services at Illinois State University predict slower population growth in Cook and DuPage counties between 1990 and 2020 while Will and McHenry counties are projected to be among the fastest growing counties in Illinois.

The governing body of Pace consists of a Board that is comprised of twelve directors. The suburban members of the Cook County Board appoint six directors that represent the six suburban regions that are outlined in the RTA Act. In addition, the Chairmen of DuPage, Kane, Lake, McHenry and Will Counties appoint one director for each of their counties. The Chairman of the Pace Board is appointed by a majority of the Chairmen of the DuPage, Kane, Lake, McHenry and Will County Boards and the suburban members of the Cook County Board of Commissioners.

Each Board Member must be a Mayor or Village President from his or her respective region or a former Mayor or Village President residing in his or her respective region. Each Board Member serves a four year term.

### ***Reporting Entity***

While Pace falls under the structure of the RTA system, it is not a component unit of the RTA as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, The Financial Reporting Entity. Pace reports all financial activity in a single enterprise fund.

### ***Pace Service***

Pace provides fixed route bus services and paratransit services to communities within their six county region. Pace also operates a Vanpool program for groups that want to commute to work together.

Pace contracts with a number of outside carriers that provide ADA Paratransit and Dial-A-Ride service to the communities in Pace's region. In July 2005, Governor Blagojevich signed House Bill 1663 designating Pace as the region's sole provider of ADA services in the City of Chicago and surrounding six counties. The Bill states that Pace will assume the Chicago service effective July 1, 2006. The CTA currently contracts with three private companies who provide ADA service for the City of Chicago.

Pace works with local communities and businesses to establish programs for their citizens and employees. Pace provides express routes, subscription service, shuttle service in connection with Metra rail trips, and shuttle service to special events and local sporting events. New routes and services have been implemented with the help of federal funds associated with the Congestion Mitigation/Air Quality (CMAQ) and the federal Job Access Reverse Commute (JARC) programs. Pace continues to address service efficiency through restructuring initiatives in different areas of the Region.

Pace's traditional Vanpool program (VIP) has continued to grow. The VIP program allows people that live or work in the same area to commute together for a low monthly fare. Pace expanded its traditional Vanpool program to local communities by offering employer shuttle service and Metra feeder service. Pace provides vans to organizations or workshops that provide work related transportation service to persons with disabilities through its ADvAntage Program. Pace also created a Municipal Vanpool Program that offers townships and communities the opportunity to use vans to implement a transportation program or to supplement their existing transportation services. In early 2005, Pace inaugurated its 500<sup>th</sup> vanpool and by early 2006 had over 600 vans on the road. The continued increase in fuel costs has resulted in even greater interest in this alternative method of transportation.

### ***Pace Structure***

Pace operates its transportation services out of nine operating divisions that are located within the six county region. Pace also has an acceptance facility in South Holland 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 services, planning services and administrative services. In addition to these facilities, Pace also has nine transportation and transfer centers, 16 boarding and turnaround facilities and a number of park and ride lots.



### ***Revenue and Funding***

Pace generates operating income through a formal fare structure that is based on the bus and vanpool service that it provides. Pace also relies on operating assistance received from federal funding sources such as Capital Cost of Contracting and from a number of local funding sources. Pace's primary source of non-operating assistance comes from the RTA in the form of sales tax. Sales taxes are collected by the Illinois Department of Revenue and apportioned out to the three Service Boards by the RTA.

Pace continued to accept CTA 7 Day, University and Visitor passes on their system based on the RTA Fare Integration agreement that provided for a maximum of \$2 million in funding. Based on the \$2 million budget limit, Pace experienced a revenue shortfall of approximately \$500,000 for acceptance of these passes during 2005. Early data in 2006 indicates that there has been an increase in the utilization of the CTA 7 Day passes on Pace's system due to the fare changes implemented by the CTA in January. Estimates show that based on current utilization, the budget of \$2 million provided to Pace may be exhausted by as early as May 2006 creating a more significant revenue shortfall. If funding for this program is not increased, Pace may have no option but to discontinue acceptance of the CTA 7 Day, University and Visitor passes on their system.

Also in 2005, Pace received \$1 million from the RTA to fund start up costs associated with the transition of the Chicago ADA service from the CTA to Pace. The RTA and FTA will provide \$27.1 million in Regional ADA Paratransit Service funding to cover the private contractor costs during the second half of 2006 for the three contracts CTA has in place.

Pace receives capital funding from the Federal Transit Administration ("FTA"), Illinois Department of Transportation ("IDOT"), and the RTA.

### ***Budget Process***

The RTA Act requires that the RTA adopt an annual budget, two year financial plan and five year capital plan. The RTA notifies each service board of their estimated sales tax funding expected to be available during the upcoming fiscal year and next two following years. Each Service Board must then prepare and publish a comprehensive annual budget and financial plan. 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.

## **ECONOMIC CONDITION**

### ***Financing***

The region continues to struggle through a financial crisis. In 2005, Pace shifted \$7.8 million in Federal Capital Cost of Contracting funds and \$16.9 million in Federal 5307 funds that are typically used for capital purposes to the operating budget. Operating revenues for 2005 were \$1.9 million favorable to budget due mainly to increases in farebox revenue. The introduction of a fare integration program with RTA and CTA continued to boost ridership and contributed to the favorable revenue performance. Total operating expenses were unfavorable to budget by \$.6 million. Non-Operating Revenues were unfavorable to budget by roughly \$.6 million which is attributed to Federal Operating Grants.

Adequate operating funding continues to be an issue in 2006 and it was again necessary to redirect all Federal 5307 funds and Capital Cost of Contracting funds to balance the operating budget. The 2006 operating budget includes \$20.1 million in Federal Capital Cost of Contracting funds and \$19.6 million in Federal 5307 funding. Pace's three year financial plan assumes that beginning in 2007 there will be new funding from the RTA to support operations and that federal funds will return to the capital program.

The most significant change in Pace's operations is the inclusion of funding to carry out the Agency's new role as the Regional ADA Paratransit provider beginning July 1, 2006. As noted above, the RTA and FTA will provide Pace with \$27.1 million to cover the private contractor costs during 2006. Pace will require additional funding for various transitional costs related to the implementation of the Chicago ADA Service. Pace is working with the RTA to obtain funding for these costs. RTA has the responsibility for the funding, review and oversight of all ADA Paratransit services.

### ***Local Economy***

Pace relies on sales tax received from the RTA as its primary source of funding. Retail sales in the six county region have increased significantly over the past ten years with slower sales growth in the years 2001 through 2003. This lag in retail sales had a corresponding decrease in the amount of funding provided by the RTA during this period. The RTA has projected that Regional Sales Tax and Public Transportation funding will increase at a rate of 3.2% over each of the next three years.

Fuel costs continued to increase in 2005 and Pace's costs averaged \$1.78 per gallon by year end. Fuel expenses are projected to grow 9.1% in 2006 and will place added pressure on Pace's budget in 2006.

The Illinois unemployment rate of 5.7% in 2005 was higher than the national average. The unemployment rate in Pace's six county region fell to 5.9% in 2005 from 6.1% in 2004. In January 2006, unemployment in the six county region decreased to 5.6%.

### *National Economy*

Real gross domestic product (“GDP”) - the output of goods and services produced by labor and property located in the United States - increased at an annual rate of 1.6% in the fourth quarter of 2005 based on preliminary estimates by the Bureau of Labor Statistics. In the third quarter 2005, the real GDP increased 4.1%.

The national unemployment rate averaged 5.1% in 2005, down from 5.5% in 2004. The national unemployment rate was 4.8% in February of 2006.

The consumer price index (“CPI”) for all urban consumers, a measure of the average change of prices over time of goods and services purchased by households, decreased .4% in December before seasonal adjustment. The December 2005 level of 196.8 was 3.4% higher than in December 2004. The transportation index decreased .8% in December 2005 which reflected a 2.6% drop in the index for gasoline. Gasoline prices declined in December 2005 for the third consecutive month and have fallen 25.1% from their high in September. However, gasoline prices were 16.1% higher in December than their level a year ago in 2004.

Consumer spending increased 3.6% in 2005 contributing 2.49 percentage points to the real GDP growth compared with the 2004 increase of 3.9%. The lower spending level in 2005 was primarily due to declines in spending for motor vehicles and parts and decreased spending for furniture and household equipment.

### *Cash Management Policies and Practices*

In order to allow for the payment of obligations in a timely manner, the Pace Board of Directors has adopted a Working Cash Policy. The policy was updated on August 4, 2004 and requires that Unrestricted Net Assets in the amount of 8% of annual budgeted operating expenses be retained for working cash purposes. Based on the policy, \$12,500,000 of Unrestricted Net Assets was retained for working cash purposes during 2005. Unrestricted Net Assets totaled \$ 18,560,914 at December 31, 2005. For 2006, \$13,800,000 of Unrestricted Net Assets is being retained for working cash purposes for Pace’s Suburban Services. Pace will need to obtain a working cash advance from the RTA of approximately \$5.0 million (one month’s expense budget) to cover City of Chicago ADA service expenses. Again, Pace will assume the Chicago ADA service effective July 1, 2006.

The Pace Board of Directors has adopted an investment policy that governs the investment of public funds. The policy conforms to all applicable State statutes. The policy was updated on June 2, 2004. The primary objectives, in priority order, of Pace’s investment activities shall be:

- Safety of Principal – Safety of principal is the foremost objective of Pace. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- Liquidity – The portfolio will be substantially liquid for the purpose of meeting all operating and capital requirements which might be reasonably anticipated.
- Yield – The portfolio is designed with the objective of attaining a competitive rate of return throughout budgetary and economic cycles which is equivalent with the portfolio's investment risk constraints and the cash flow characteristics.

### ***Risk Management***

In 1986, the RTA, CTA, Metra and Pace established a self insurance program designed to provide protection from catastrophic losses that may arise out of personal injuries, property damage and certain other losses. This program, called the Loss Financing Plan, allows Pace to borrow for claims greater than \$250,000 and provides insurance for losses in excess of \$15,000,000. In addition to the Loss Financing Plan, Pace maintains a Self-Insured Retention (SIR) of \$5,000,000 for Automobile Liability and \$100,000 for General Liability losses. Pace also purchases excess General Liability and Automobile Liability in excess of the Self-Insured Retentions highlighted above. These excess liability policies purchased by Pace provide risk financing coverage from \$5,000,000 to \$15,000,000 at which point the RTA LFP insurance program attaches. The RTA Loss Financing Plan provides excess liability coverage of \$35,000,000 in excess of a \$15,000,000 retention. Therefore, Pace has General and Automobile Liability insurance coverage in place from \$5,000,000 each occurrence to \$50,000,000, as a result of policies purchased directly by Pace and those policies purchased by the RTA Loss Financing Plan.

Pace has also established a self insurance program for employee health coverage. Reserves are established for health coverage based on claims experience. Pace maintains a stop loss coverage for any health claims in excess of \$175,000.

### ***Pension and Other Post Employment Benefits***

The Regional Transportation Authority (RTA) sponsors a multi-employer defined benefit pension plan. The plan covers substantially all employees of Pace, RTA and Metra who are not covered by a collective bargaining agreement. On an annual basis, an independent actuary calculates the amount of the contribution for each employer to ensure that the plan is adequately funded. In 2005, Pace contributed \$1,981,238. Pace's 2006 contribution will be in the amount of \$2,353,325. Pension costs equal the amount of the actual contributions.

The nine Pace operating divisions have established defined benefits plans, 401(k) plans, and defined contribution plans through their respective collective bargaining agreements with the bargained for employees at each operating division. Employer and employee contributions are based on the respective bargaining agreements.

Pace also offers retirees the option to continue participation in its group health insurance plan. Each retiree pays the cost of their insurance. In addition, through the collective bargaining agreements, for operating division employees, Pace offers retirees the option to continue participation in their respective group health insurance plans. This benefit is established under the collective bargaining agreements and participant costs are paid in accordance with the agreement.

## *Major Initiatives*

Vision 2020 is a plan created by Pace designed to serve the needs of the residents in the region. The plan represents Pace's blueprint for the future and calls for a network of new services, infrastructure improvements and a decrease in travel times. Specifically, the plan includes an evaluation of the present fixed-route structure, the creation of community-based services, the implementation of line-haul routes, and the development of transportation centers and other passenger facilities. By providing time and access to competitive transit services, this plan is expected to substantially improve mobility for all segments of the suburban population, assist communities in their pursuit of improved quality of life, and promote regional smart growth goals.

As part of Vision 2020, Pace continued to devote resources to a number of restructuring initiatives throughout the Region in 2005. Pace worked with the CTA, Metra, and other transit providers to gather input from a number of different communities. The North Shore Initiative and the Fox Valley/Southwest DuPage Initiative were both completed in 2005. In late 2005, Pace began work on the South Cook/Will County Initiative. Service changes for this initiative could be implemented beginning in early 2007. In addition, Pace has a West Cook/DuPage/Elgin initiative planned for 2006 and 2007.

Pace continues to provide tools to make information more readily accessible for the public. Information regarding ridership, planning reports and interactive maps is now available through RTAMS – the RTA's Regional Transportation Asset Management System. Pace, RTA, CTA, Metra, the Illinois State Toll Highway Authority, Northeastern Illinois Planning Commission (NIPC) and Chicago Area Transportation Study (CATS) have pooled their data together into one central site. Pace also introduced "Vanpool Finder" on their website. Potential riders can enter information regarding their work trip and the area in which they live to determine whether any existing vanpools have the same commute route. The site also provides information about starting a new vanpool.

In 2005, Pace also focused attention on their internal systems and technology. In response to an announcement by Hewlett Packard that by the end of 2006 it will no longer support the HP3000 computing platform that Pace currently utilizes for a majority of their core business applications, Pace embarked on a study of all Pace applications and data formats. Consultants worked with a number of different departments within Internal Services, Revenue Services and Strategic Services to document business processes and the business applications used to manage those processes. In 2006, Pace continues to work with consultants who will recommend migration and replacement options for the HP3000 platform and the various business applications that are housed on it.

In 2006, Pace continues the planning process for the transition of the Chicago ADA service from the CTA. Staff is working with the CTA and RTA to address a number of issues associated with the assumption of the service. Office space has been secured in Chicago to house operations personnel that will be responsible for coordinating the Chicago ADA service. Technology issues are being addressed and implementation of a central dispatching system is being considered. In addition, service funding issues are also being addressed with the RTA.

**AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pace for its comprehensive annual financial report for the fiscal year ended December 31, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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 continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Terrance Brannon  
Deputy Executive Director,  
Internal Services



Dominick Cuomo  
Chief Financial Officer

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Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Pace the Suburban Bus  
Division of the Regional  
Transportation Authority

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Egan*

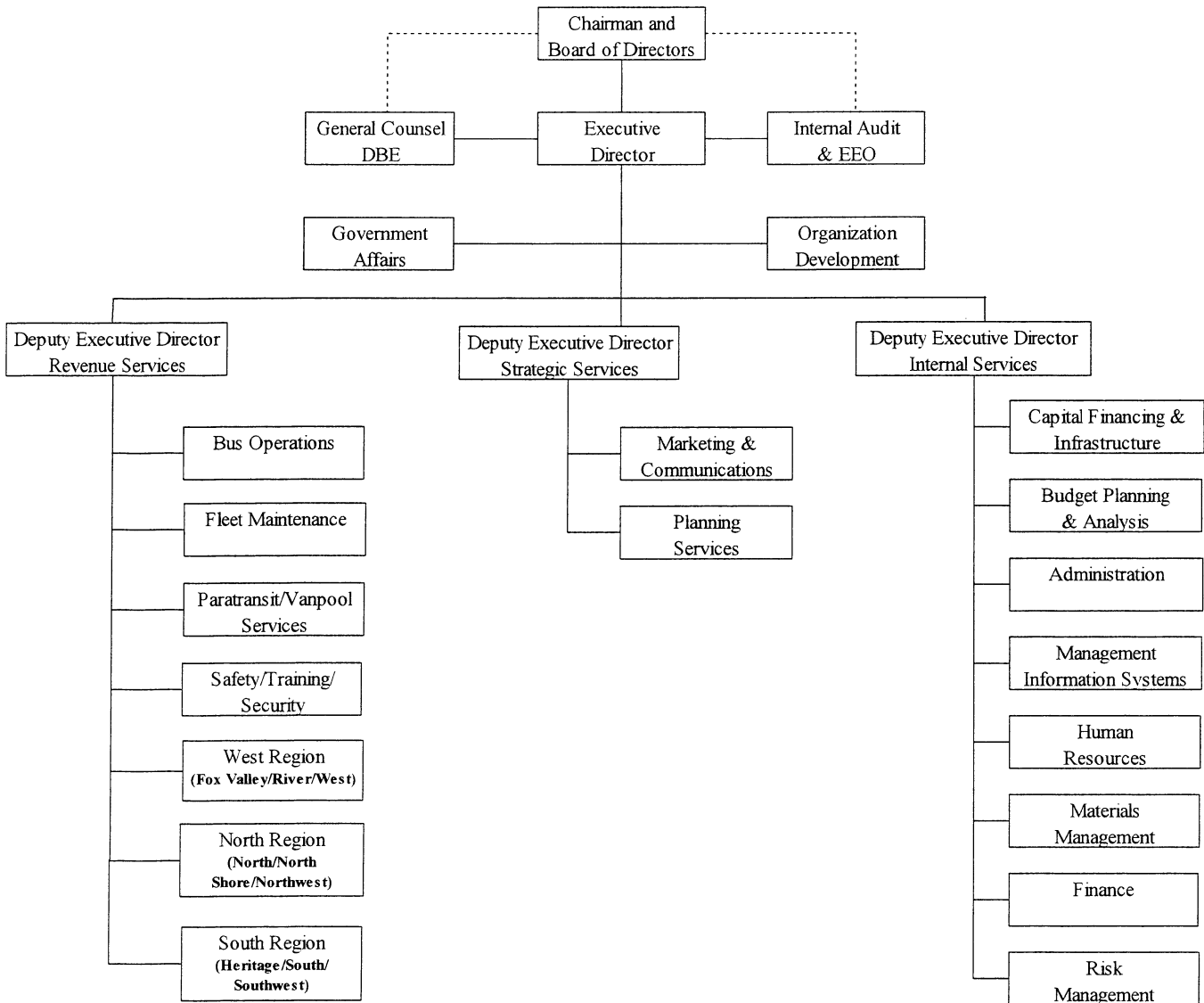
Executive Director



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

**ORGANIZATION CHART**



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

**LIST OF PRINCIPAL OFFICIALS  
DECEMBER 31, 2005**

**Board of Directors**

Chairman John J. Case

Directors

Central Suburban Cook County	Richard F. Pellegrino
South Suburban Cook County	Terry R. Wells
Southwest Suburban Cook County	Richard A. Kwasneski
Northwest Suburban Cook County	Al Larson
DuPage County	Thomas D. Marcucci
Will County	Frank C. Mitchell
North Central Suburban Cook County	Anna Montana
Kane County	Jeffery D. Schielke
McHenry County	Aaron T. Shepley
North Shore Suburban Cook County	Vernon T. Squires
Lake County	Richard Welton

**Administration**

Executive Director	Thomas J. Ross
Deputy Executive Director, Internal Services	Terrance Brannon
Deputy Executive Director, Revenue Services	Melinda J. Metzger
Deputy Executive Director, Strategic Services	Michael Bolton

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## INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Office of the Auditor General  
Chicago, Illinois

and

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Pace, the Suburban Bus Division of the Regional Transportation Authority, as of and for the year ended December 31, 2005. These basic financial statements are the responsibility of the management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year partial comparative information has been derived from Pace's 2004 basic financial statements and, in our report dated April 1, 2005, we expressed an unqualified opinion on the respective basic financial statements.

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

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Pace, the Suburban Bus Division of the Regional Transportation Authority, as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary exhibits, and the statistical section 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 has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 12, 2006 on our consideration of Pace, the Suburban Bus Division of the Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Crowe Chizek and Company LLC

Oak Brook, Illinois  
April 12, 2006

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# PACE SUBURBAN BUS SERVICE

## **Management's Discussion and Analysis**

Our discussion and analysis of Pace Suburban Bus Service's ("Pace") financial performance provides an overview of the agency's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the agency's basic financial statements and footnotes that begin on page 34.

## **Using This Report**

This annual report consists of a series of financial statements. The *Statement of Net Assets*, the *Statement of Revenues, Expenses and Changes in Net Assets* and the *Statement of Cash Flows* (on pages 34-39) provide information about the activities of Pace as a whole and present a long term view of the agency's finances. Since Pace operates as a single governmental program in an enterprise fund, fund financial statements are not required.

## **Reporting on the Agency as a Whole**

Our analysis of Pace as a whole – which consists of a single enterprise fund – begins on page 22. The *Statement of Net Assets* and *Statement of Revenues and Expenses and Changes in Net Assets* can be used to determine whether Pace as a whole is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

## **Financial Highlights**

Pace met its required 39.7% recovery ratio for the year. The 2005 operating revenues increased 6.5% from 2004 and operating expenses increased 6.1% from the prior year. Non-operating revenue increased due in large part to increases in Federal Operating Grants and Capital Grant Reimbursements.

Pace met its budgeted funding requirement for 2005. Operating Revenues were favorable to budget by \$1.9 million and Operating expenses were unfavorable to budget by \$619,000.

- **Net assets increased \$3.3 million** to \$206.3 million at the end of 2005. Net assets represents Total Assets minus Total Liabilities.
- **Total Operating Revenues for 2005 were \$54.8 million** which represented a 6.5% increase from 2004.
- **Non-Operating Revenues increased \$31.9 million (or 29.6%)** to \$139.6 million in 2005.
- **Total Operating Expenses increased by \$10.9 million (or 6.1%)** to \$191.2 million during 2005 reflecting increases in Pace-owned service, Paratransit expenses and Centralized Operations expenses.
- **Pace attained the RTA mandated recovery ratio of 39.7%** during 2005, which was attributable in part to revenue and expenses incurred by Not-For-Profit Providers from the VIP Advantage Program and Federal Capital Cost of Contracting funds.

## Ridership

Ridership continued to increase in 2005 and was the highest since 2001. Some of the highlights are as follows:

### **Highlights:**

- **Pace served 36.88 million passengers** in 2005 reflecting a 7.3% increase from the 2004 ridership total of 34.36 million. Average weekday ridership in 2005 was 127,979 compared to 118,782 in 2004 which equated to a 7.8% increase.
- **In 2005, Pace introduced four new routes**, restructured 13 routes, discontinued service on 15 routes and made additional adjustments on a number of routes.
- **Pace implemented** the changes for the North Shore Initiative in March, 2005. Pace also began work in January on the Fox Valley/Southwest DuPage Initiative. They implemented route changes based on that study in October. A number of routes in both areas were restructured to better serve customers and reduce the need for transferring.
- **The busiest Pace bus route in 2005** was again Route 352 Halsted, which operates between the 95<sup>th</sup> Street/Dan Ryan CTA Station and the Chicago Heights Terminal. This route served 5,960 passengers each weekday on average.
- **Pace continued accepting CTA 7-Day passes**, University passes and all visitor passes on all regular routes as part of an intergovernmental agreement between Pace, the Chicago Transit Authority (“CTA”) and the Regional Transportation Authority (“RTA”). Pace was reimbursed \$2 million for the fare integration program in 2005.
- **The Vanpool program continued to grow** with a 8.0% increase in ridership in 2005. The total number of vans on the road climbed from 478 to 596.

The Agency as a Whole

	<i>NET ASSETS</i>		
	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current Assets	\$ 68,980,891	\$ 70,979,291	\$ (1,998,400)
Noncurrent Assets	281,443,580	275,675,675	5,767,905
Total Assets	<u>350,424,471</u>	<u>346,654,966</u>	<u>3,769,505</u>
Current Liabilities	32,348,772	37,766,489	(5,417,717)
Other Liabilities	111,743,013	105,813,248	5,929,765
Total Liabilities	<u>144,091,785</u>	<u>143,579,736</u>	<u>512,049</u>
Invested in Capital Assets	187,771,773	184,649,172	3,122,601
Unrestricted Net Assets	18,560,914	18,426,059	134,855
Total Net Assets	<u>\$ 206,332,687</u>	<u>\$ 203,075,231</u>	<u>\$ 3,257,456</u>

Assets and Liabilities

Net assets at December 31, 2005 increased to \$206.3 million from \$203.1 million in 2004 due in large part to a \$3.1 million increase in Invested Capital Assets. The capital asset increase is comprised of \$34.1 million in capital grants reimbursements and \$.6 million in Pace funded capital projects less \$31.6 million in depreciation.

Total assets increased \$3.8 million in 2005 to \$350.4 million. The nearly \$2.0 million decrease in Current Assets is comprised of a \$4.8 million increase in cash and a \$1.5 million increase in accounts receivable offset by a \$8.3 million decrease in assets restricted for repayment of leasing commitments. The \$5.8 million increase in noncurrent assets is primarily due to a \$3.1 million increase in capital assets and an increase of \$2.6 million in the noncurrent portion of assets restricted for repayment of leasing commitments.

Current Liabilities decreased \$5.4 million in 2005 primarily due to a \$.8 million increase in accounts payable, a \$.7 million increase in accrued expenses, a \$1.3 million increase in the current portion of insurance reserves offset by a \$8.4 million decrease in the current portion of capital lease obligations.

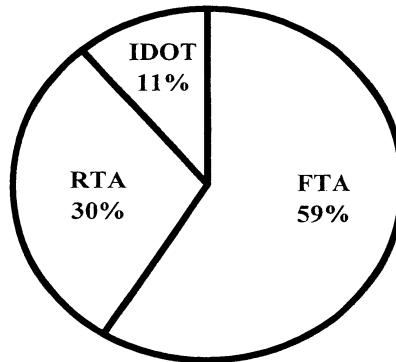
Other Liabilities increased \$5.9 million during 2005. The increase was comprised of a \$3.1 million increase in long term insurance reserves and a \$2.6 million increase in long term capital lease obligation.

## Capital Assets

Pace received \$34.1 million in capital grant reimbursements in 2005 including:

- \$20.1 million from the Federal Transit Administration (FTA),
- \$3.8 million from the Illinois Department of Transportation (IDOT), and
- \$10.2 million from the Regional Transportation Authority (RTA).

### SOURCES OF CAPITAL GRANT REIMBURSEMENTS



In addition, Pace used \$.6 million for capital projects from its positive budget variance account.

These grant reimbursements were primarily used for:

- Equipment:
  - \$18.2 million in fixed route buses,
  - \$5.5 million in capital parts and maintenance,
  - \$5.3 million in vanpool vehicles,
  - \$1.6 million in IBS equipment for fixed route, and
  - \$1.5 million in paratransit vehicles.
- Construction:
  - \$2.0 million on garage and building improvements.

Pace purchased 60 NABI fixed route buses totaling \$18.2 million, 23 Eldorado paratransit buses and 184 vanpool vehicles totaling \$6.8 million.

Pace expended \$600,000 for roof replacement and improvements at two garages, \$350,000 for repaving work at several operating divisions, \$550,000 for installation of heat recovery units at South Division and \$325,000 in improvements at West Division.

Information regarding capital asset activity for 2005 can be found in the notes to the financial statements on page 65 and in Exhibit 7 on pages 74 and 75.

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**OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31**

	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>%</u>
<u>Operating Revenue</u>				
Pace-owned service revenue	\$ 27,605,939	\$ 26,455,191	\$ 1,150,748	4.3%
CMAQ/JARC Services	245,345	244,326	1,019	0.4%
Fixed route carrier revenue	4,635,410	4,550,942	84,468	1.9%
Paratransit revenue	11,093,172	9,161,086	1,932,086	21.1%
Vanpool revenue	2,694,295	2,518,964	175,331	7.0%
Reduced fare reimbursement from IDOT	3,236,102	3,265,564	(29,462)	-0.9%
Advertising revenue	4,084,183	3,674,162	410,021	11.2%
Miscellaneous	1,222,446	1,581,235	(358,789)	-22.7%
Total Operating Revenue	<u>54,816,892</u>	<u>51,451,470</u>	<u>3,365,422</u>	<u>6.5%</u>
<u>Operating expenses:</u>				
Pace-owned service expenses	70,701,982	67,637,306	3,064,676	4.5%
CMAQ/JARC expenses	933,059	1,219,032	(285,973)	-23.5%
<u>Contract Payments:</u>				
Fixed route carriers	11,585,232	11,338,017	247,215	2.2%
Paratransit carriers	26,156,760	23,880,894	2,275,866	9.5%
Vanpool expenses	2,530,884	2,554,465	(23,581)	-0.9%
Centralized operations	32,361,699	25,785,148	6,576,551	25.5%
Administrative expenses	15,354,274	14,805,942	548,332	3.7%
Depreciation	31,567,767	33,036,213	(1,468,446)	-4.4%
Total Operating Expenses	<u>191,191,657</u>	<u>180,257,017</u>	<u>10,934,639</u>	<u>6.1%</u>
Operating Income (Loss)	<u>(136,374,765)</u>	<u>(128,805,547)</u>	<u>(7,569,217)</u>	<u>5.9%</u>
<u>Non Operating Revenue</u>				
Retailers' occupation and use tax from RTA	76,398,719	73,536,217	2,862,502	3.9%
RTA Discretionary Funding	2,653,281	5,515,783	(2,862,502)	-51.9%
Federal Operating Grants	24,502,086	9,439,153	15,062,933	159.6%
ADA Regional Paratransit Funding from RTA	1,000,000	-	1,000,000	-
Capital Grants Reimbursements	34,112,483	18,839,353	15,273,130	81.1%
Interest on Investments	965,652	438,173	527,479	120.4%
Interest Revenue from Leasing Transaction	6,718,171	6,747,246	(29,075)	-0.4%
Interest Expense on Leasing Transaction	(6,718,171)	(6,747,246)	29,075	-0.4%
Total Non-Operating Revenue	<u>139,632,221</u>	<u>107,768,679</u>	<u>31,863,542</u>	<u>29.6%</u>
Net Change in Net Assets	3,257,456	(21,036,868)	24,294,324	-115.5%
Beginning Net Assets	203,075,231	224,112,099	(21,036,868)	-9.4%
Ending Net Assets	<u>\$ 206,332,687</u>	<u>\$ 203,075,231</u>	<u>\$ 3,257,456</u>	<u>1.6%</u>

## Comparison of Results: FY2005 vs. FY2004

### Operating Revenues

Total Operating Revenues rose 6.5% or \$3.4 million in 2005. Factors contributing to the increase in revenue included additional revenue related to the RTA fare integration program and increased paratransit revenue and advertising revenue. Specific changes in operating revenue are noted as follows:

- **Pace-owned Service Revenue** – The increase is comprised of additional revenue received for RTA Fare Integration related to Pace’s acceptance of the CTA 7 Day, University and Visitor passes.
- **Paratransit Revenue** – The increase in paratransit revenue is due primarily to an increase in local subsidies which includes a full year of the Ride DuPage program revenue. The Ride DuPage program began mid-year in 2004.
- **Advertising Revenues** – The 11.2% rise in advertising revenue is due to an increase in the minimum revenue guarantee outlined in the contract.
- **Miscellaneous Income** – The decrease is primarily related to a decrease in revenue for the Unified Work Program (UWP).

### Operating Expenses

Total Operating Expenses increased by \$10.9 million (or 6.1%) in 2005 with the largest increase reflected in Pace-Owned, Contracted Carrier and Centralized Operations expenses.

- **Pace-Owned Service Expenses** – Pace-owned service expenses increased 4.5% due to increases in salaries and fringe benefits, a reduction in salary credits available for project administration, CMAQ and JARC programs and an increase in bus parts expense.
- **CMAQ/JARC Expenses** – The funding was exhausted on a number of CMAQ/JARC routes in 2005 resulting in decreased expenses for these programs.
- **Paratransit Expenses** – The paratransit expense growth is attributed to the increase in demand for ADA services and additional costs associated with a full year of the Ride DuPage program expenses.
- **Centralized Operations** – The 25.5% increase is comprised of a continued rise in fuel costs and increased auto liability and workers compensation claims expense.
- **Depreciation Expense** – The decrease of \$1.5 million in depreciation expense is due to a large number of fixed route buses that were no longer depreciated in 2005 because their useful life was met in 2004.

### **Non-Operating Revenues**

Non-Operating Revenues increased \$31.9 million or 29.6% to \$139.6 million in 2005. Specific factors contributing to the increase are outlined below:

- **Federal Operating Grants** – Pace received additional Federal 5307 Funding of \$12.6 million to maintain operating vehicles and \$2.7 million to fund the cost of providing ADA services.
- **Capital Grant Reimbursements** – Grant reimbursements increased \$15.3 million over the prior year mainly due to the purchase of fixed route and paratransit buses and vanpool vehicles during 2005.
- **ADA Regional Paratransit Funding** – Pace received \$1.0 million from the RTA to fund start up costs associated with assuming the Chicago ADA service in 2006 that is currently operated by the CTA.

## 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. 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.

In 2005, Sales Tax revenues continued to slightly improve from the economic downturn of the last several years. Although, the RTA is forecasting that the Sales Tax growth will continue into 2006 and the outlying years, the overall outlook for regional funding continues to be unfavorable based on projected operating needs. Pace expects to receive \$78,552,000 in Sales Tax Revenues in 2006. This represents approximately 10.9% of the total RTA region's estimated receipt of \$719.9 million. The following table summarizes historical and forecasted sales tax and PTF growth through 2007. PTF funding for the region is directly correlated to sales tax receipts and has grown similarly.

	<b>Sales Tax (000's)</b>	<b>% of Change</b>	<b>PTF</b>	<b>% of Change</b>
1992	\$ 445,891	4.8%	\$ 109,843	3.2%
1993	\$ 462,393	3.7%	\$ 115,771	5.4%
1994	\$ 497,698	7.6%	\$ 124,002	7.1%
1995	\$ 513,304	3.1%	\$ 129,866	4.7%
1996	\$ 532,304	3.7%	\$ 133,044	2.4%
1997	\$ 555,496	4.4%	\$ 139,093	4.5%
1998	\$ 576,704	3.8%	\$ 144,846	4.1%
1999	\$ 613,514	6.4%	\$ 153,343	5.9%
2000	\$ 650,284	6.0%	\$ 162,247	5.8%
2001	\$ 653,522	0.5%	\$ 164,987	1.7%
2002	\$ 647,685	-0.9%	\$ 161,921	-1.9%
2003	\$ 654,988	1.1%	\$ 164,739	1.7%
2004	\$ 675,629	3.2%	\$ 168,988	2.6%
2005	\$ 700,395	3.7%	\$ 175,688	4.0%
2006E	\$ 719,900	2.8%	\$ 179,975	2.4%
2007E	\$ 742,930	3.2%	\$ 185,733	3.2%

### Operating Budget and Capital Program

In September 2005, the RTA amended the funding mark and farebox recovery ratio originally established in the 2005 Operating Budget. RTA increased the operating funding mark by \$1.0 million for costs Pace expects to incur for start up activities related to the transition of the Chicago ADA service. As a result, the RTA also reduced the 2005 farebox

recovery ratio from 40.0% to 39.7% to accommodate the \$1.0 million expenditure for start up costs.

The RTA Board of Directors on September 15, 2005 established Pace's 2006 funding level at \$142.8 million which includes \$140.8 million for operations and \$2.0 million to reimburse Pace for the fare integration program.

The 2006 budget includes funding for the Chicago ADA service that Pace will assume from the CTA on July 1, 2006. The budget is split out between Suburban Services and Regional ADA Paratransit Service which includes Pace's existing ADA service. The ADA Paratransit budget shows that the RTA and FTA will provide \$27.1 million in funding to cover the costs for the second half of 2006 for the three private companies that have contracted with the CTA to provide ADA service.

The 2006 operating expense budget totals for both the Suburban Service and Regional ADA Paratransit Service is \$202.3 million. These expenses will be covered by \$61.6 million in operating revenue, \$81.6 million in RTA operating subsidies, \$27.1 million in RTA and FTA ADA funding, \$29.7 million in federal operating funds and \$2.3 million in Pace funds.

The 2006 capital program totals \$29.1 million. All of Pace's Federal 5307 capital funding will be redirected to support operations so there are no funds available for capital projects in 2006. Pace is redirecting \$12.7 million in previously authorized RTA Strategic Capital Improvement Program (SCIP) Bonds to ensure critical projects are funded. Pace is also relying on \$8.9 million in funding from a new RTA initiative. The RTA will be pursuing funding from the State for the Region to match federal capital funds or other capital projects. Pace will also rely on \$7.4 million in Federal CMAQ and 5309 funding.

#### Recovery Ratio Requirement

The recovery ratio is defined as the ratio of operating income to operating expense. In 2000, the RTA increased Pace's recovery ratio to 40%, which was significantly higher than Pace's historical performance. The RTA has maintained the 40% requirement since 2000. For 2005, the RTA set the recovery ratio mark at 40% but later amended it in September to 39.7% to incorporate additional expenditures related to the transition of the Chicago ADA service. Pace met its budgeted recovery ratio of 39.7% for 2005. The RTA has continued to allow the use of costs incurred by Pace's Advantage contractors and funds received for Federal Capital Cost of Contracting to be included in calculating the recovery ratio.

For 2006, the RTA set a combined total system recovery ratio of 35% for Suburban Services and Regional ADA Paratransit Services. Given these provisions, Pace will apply a sufficient amount of Advantage and Capital Cost of Contracting credits in order to reach the 35% recovery ratio requirement.

#### **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.

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**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**  
**WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2004**

**ASSETS**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<u>Current Assets:</u>		
Cash and Investments		
Unrestricted	\$ 9,442,010	\$ 7,460,711
Restricted-Leasing Transaction	2,425,247	2,464,714
Restricted-Claims	<u>18,120,910</u>	<u>15,236,437</u>
Total Cash and Investments	<u>29,988,167</u>	<u>25,161,862</u>
Accounts Receivable:		
Regional Transportation Authority	23,307,800	22,392,838
Capital Grant Projects-FTA & IDOT	1,899,817	2,374,633
Other	<u>4,243,859</u>	<u>3,213,316</u>
Total Accounts Receivable	<u>29,451,476</u>	<u>27,980,787</u>
Prepaid Expenses	765,007	1,074,183
Inventory - Spare Parts	4,703,375	4,318,064
Assets Restricted for Repayment of Leasing Commitments - Current	<u>4,072,866</u>	<u>12,444,395</u>
Total Other Current Assets	<u>9,541,248</u>	<u>17,836,642</u>
Total Current Assets	<u>68,980,891</u>	<u>70,979,291</u>
<u>Noncurrent Assets</u>		
Capital Assets not Being Depreciated		
Land	16,003,505	16,003,505
Capital Projects in Progress	-	<u>1,609,150</u>
Total Capital Assets not Being Depreciated	<u>16,003,505</u>	<u>17,612,655</u>
Capital Assets Being Depreciated, Net		
Equipment	360,709,960	347,225,376
Building and Improvements	110,967,534	108,916,319
Less Accumulated Depreciation	<u>(299,909,226)</u>	<u>(289,105,178)</u>
Total Capital Assets Being Depreciated, Net	<u>171,768,268</u>	<u>167,036,517</u>
Assets Restricted for Repayment of Leasing Commitments - Noncurrent	<u>93,671,807</u>	<u>91,026,502</u>
Total Noncurrent Assets	<u>281,443,580</u>	<u>275,675,675</u>
Total Assets	<u>\$ 350,424,471</u>	<u>\$ 346,654,966</u>

See accompanying notes to the financial statements.



**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**  
**WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2004**

<b>LIABILITIES</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
<u>Current Liabilities:</u>		
Accounts Payable:		
Operating	\$ 436,673	\$ 313,229
Capital	2,332,509	1,627,306
Accrued Payroll Expenses	6,278,235	5,887,545
Other Accrued Expenses	7,151,551	6,765,091
Deferred Revenue	587,168	518,631
Current Portion of Insurance Reserves	11,489,770	10,210,289
Current Portion of Capital Lease Obligation	4,072,866	12,444,395
	<hr/>	<hr/>
Total Current Liabilities	32,348,772	37,766,486
<u>Other Liabilities:</u>		
Insurance Reserve, Non-Current Portion	11,410,573	8,272,838
Advance From State	6,265,136	6,123,962
Capital Lease Obligation, Less Current Portion	93,671,807	91,026,502
Other Liabilities	395,497	389,946
	<hr/>	<hr/>
Total Other Liabilities	111,743,013	105,813,248
	<hr/>	<hr/>
Total Liabilities	144,091,785	143,579,734
<b>NET ASSETS</b>		
Invested in Capital Assets	187,771,773	184,649,172
Unrestricted Net Assets	18,560,914	18,426,059
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b><u><u>\$ 206,332,687</u></u></b>	<b><u><u>\$ 203,075,231</u></u></b>

See accompanying notes to the financial statements.

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**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2005**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2005</u>	<u>2004</u>
<u>Operating Revenue</u>		
Pace-owned service revenue	\$ 27,605,939	\$ 26,455,191
CMAQ/JARC Services	245,345	244,326
Fixed route carrier revenue	4,635,410	4,550,942
Paratransit revenue	11,093,172	9,161,086
Vanpool revenue	2,694,295	2,518,964
Reduced fare reimbursement from IDOT	3,236,102	3,265,564
Advertising revenue	4,084,183	3,674,162
Miscellaneous	1,222,446	1,581,235
Total Operating Revenue	<u>54,816,892</u>	<u>51,451,470</u>
<u>Operating expenses:</u>		
Pace-owned service expenses	70,701,982	67,637,306
CMAQ/JARC expenses	933,059	1,219,032
Contract Payments:		
Fixed route carriers	11,585,232	11,338,017
Paratransit carriers	26,156,760	23,880,894
Vanpool expenses	2,530,884	2,554,465
Centralized operations	32,361,699	25,785,148
Administrative expenses	15,354,274	14,805,942
Depreciation	31,567,767	33,036,213
Total Operating Expenses	<u>191,191,657</u>	<u>180,257,017</u>
Operating Income (Loss)	<u>(136,374,765)</u>	<u>(128,805,547)</u>
<u>Non Operating Revenue</u>		
Retailers' occupation and use tax from RTA	76,398,719	73,536,217
RTA Discretionary Funding	2,653,281	5,515,783
Federal Operating Grants	24,502,086	9,439,153
ADA Regional Paratransit Funding from RTA	1,000,000	-
Capital Grants Reimbursements	34,112,483	18,839,353
Interest on Investments	965,652	438,173
Interest Revenue from Leasing Transaction	6,718,171	6,747,246
Interest Expense on Leasing Transaction	(6,718,171)	(6,747,246)
Total Non-Operating Revenue	<u>139,632,221</u>	<u>107,768,679</u>
Net Change in Net Assets	3,257,456	(21,036,868)
Beginning Net Assets	203,075,231	224,112,099
Ending Net Assets	<u>\$ 206,332,687</u>	<u>\$ 203,075,231</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, 2005**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Increase (Decrease) in cash and temporary investments</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Cash Flows from operating activities:		
Cash received from fares	\$ 48,717,143	\$ 45,807,099
Cash received from other operating items	5,306,629	5,255,397
Cash payments to and on behalf of employees for services	(83,308,756)	(80,107,533)
Cash payment to contractual service providers and suppliers	<u>(71,101,525)</u>	<u>(61,912,120)</u>
Net cash used for operating activities	<u>(100,386,509)</u>	<u>(90,957,157)</u>
Cash flows from non-capital financing activities:		
Cash received from R.O.T. and use tax	76,398,719	73,536,217
Cash received from state assistance	2,099,515	8,593,888
ADA Regional Paratransit Funding from RTA	1,000,000	-
Cash received from other subsidies	24,502,086	9,439,153
Cash Advance on Sales Tax	<u>141,175</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>104,141,495</u>	<u>91,569,258</u>
Cash flows from capital and related financing activities:		
Proceeds restricted for repayment of leasing commitments	12,444,395	7,094,202
Payment of leasing obligation	(12,444,395)	(7,094,202)
Capital contributed from capital grants	34,127,065	24,288,126
Acquisition and construction of capital assets	<u>(33,985,164)</u>	<u>(24,746,960)</u>
Net cash provided (used) by capital and related financing activities	<u>141,901</u>	<u>(458,834)</u>
Cash flows from investing activities:		
Cash received from interest on short-term investments	<u>929,418</u>	<u>418,448</u>
Net cash provided (used) by investing activities	<u>929,418</u>	<u>418,448</u>
Net increase (decrease) in cash and short-term investments	4,826,305	571,715
Cash and short-term investments at beginning of year	<u>25,161,862</u>	<u>24,590,147</u>
Cash and short-term investments at end of year	<u>\$ 29,988,167</u>	<u>\$ 25,161,862</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, 2005  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>		
Operating Income (Loss)	(\$136,374,765)	(\$128,805,547)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation Expense	31,567,767	33,036,213
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(895,272)	(416,386)
(Increase) decrease in inventory	(385,311)	(512,424)
(Increase) decrease in prepaid expenses	309,176	77,401
Increase (decrease) in accounts payable	123,445	(132,829)
Increase (decrease) in accrued payroll	390,688	326,511
Increase (decrease) in self insurance liability	4,417,216	2,994,492
Increase (decrease) in other liabilities	460,547	2,475,412
Total adjustments	<u>35,988,256</u>	<u>37,848,390</u>
Net cash used by operating activities	<u><u>(\$100,386,509)</u></u>	<u><u>(\$90,957,157)</u></u>

See accompanying notes to the financial statements.

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**PACE  
THE SUBURBAN BUS DIVISION  
OF THE REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**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 suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will.

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

The Suburban Bus Division Board consists of twelve directors, all located in 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.

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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a. Reporting Entity

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

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

a. Reporting Entity (continued)

(2) Fiscal dependency on the primary government.

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

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

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

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

b. Change in Accounting Principles

In May, 2004, GASB released Statement No. 44 "Economic Condition Reporting: The Statistical Section". This statement is effective for fiscal periods beginning after June 15, 2005. While Pace was not required to implement the statement until fiscal year ending December 31, 2006, Pace has elected early implementation of the statement and has implemented it for the fiscal year ending December 31, 2004. Statement No. 44 outlines new requirements for the data that is to be included in the Statistical Section of the Comprehensive Annual Financial Report.

In March 2003, GASB released Statement No. 40 "Deposit and Investment Risk Disclosures — an amendment of GASB Statement No. 3". The statement is effective for fiscal periods beginning after June 15, 2004. Pace has implemented this statement for fiscal period ending December 31, 2005. Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement are also disclosed.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Change in Accounting Principles

In June, 2004, GASB released Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after December 15, 2006 for phase one governments (those with total annual revenues over \$100 million). Pace will be implementing this statement for fiscal year ended December 31, 2007. The statement addresses post employment benefits other than pension and establishes standards for the measurement, recognition, and display of expense, expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c. Basis of Accounting (Continued)

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

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

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), and Federal Operating Assistance under the Transit Act (FTA).

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.

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.

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.

e. Reimbursement of Public Contract Carriers Expense

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

f. Contract Payments to Private Transportation Carriers

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

g. Compensated Absences

Vacation benefits have been accounted for in conformity with the provisions of Governmental Accounting Standards Board (GASB) Statement 16. Statement 16 provides that employee vacation, sick and other leave benefits that vest and accumulate and it is probable the employer will compensate, must be recognized as expenses and liabilities in the year in which the benefits are earned rather than in the year in which they are paid.

h. Restricted Assets

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

i. Inventories - Spare Parts

Inventories are valued at the lower of cost or market with cost determined on the first-in, first-out method. The inventories are located at the suburban bus system's operating divisions and public contract transportation agencies.

j. Property and Equipment and Accumulated Depreciation

Property and equipment are recorded at historical cost. Pace capitalizes assets with a useful life of one year or more that is either (a) capital equipment, (b) operation equipment with a unit cost of \$300 or more, (c) costs incurred to extend an asset's useful life as part of a fleet enhancement or major rebuild/rehabilitation program, or (d) an item determined to be highly susceptible to theft. Most of the assets have been acquired through capital grant projects funded by FTA, IDOT and the RTA. Costs funded by capital grants are recorded as capital items and are included in capital assets. Pace leases property and equipment to transportation agencies for a nominal fee. 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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

j. Property and Equipment and Accumulated Depreciation (Continued)

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

The estimated useful lives are as follows:

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

k. Capital Projects in Progress

Capital projects in progress represents ongoing capital grant projects in various stages of completion. In 2004, \$1,609,150 in progress payments were made for vans and paratransit buses that were not yet in service. There were no capital projects in progress at December 31, 2005.

l. Capital Grants

Pace receives capital grants for asset acquisition, rehabilitation and construction of public transportation facilities and equipment, under Sections 5307 and 5309 of the Federal Transit Act. The Illinois Department of Transportation also contributes capital grant funding. In addition, the RTA has provided funding 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 \$577,889 and \$580,954 for capital projects from its positive budget variance account, in 2005 and 2004, respectively.

m. Centralized Operations

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

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. Deposits and Investments

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

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

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.

**3. DEPOSITS AND INVESTMENTS**

a. Cash

The carrying amount of cash was \$6,984,719 at December 31, 2005, while the bank balances were \$8,630,184. At December 31, 2005 Pace's petty cash fund totaled \$5,937. All account balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) or are held in a third party institution in the name of Pace. Bank deposits over FDIC insurable limits are secured by collateral to protect deposits in a single financial institution if it were to default. Collateral will have a market value equivalent to at least 105% of deposits at that particular institution. The collateral shall be marked to market and adjusted on at least a monthly basis.

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**3. DEPOSITS AND INVESTMENTS (Continued)**

b. Certificates of Deposit

Certificates of Deposit amounted to \$20,489,070 at December 31, 2005. All Certificates of Deposit were either insured by the Federal Deposit Insurance Corporation (FDIC) or are held in a third party institution in the name of Pace. Bank deposits over FDIC insurable limits are secured by collateral to protect deposits in a single financial institution if it were to default. Collateral will have a market value equivalent to at least 105% of deposits at that particular institution. The collateral shall be marked to market and adjusted on at least a monthly basis.

c. Investments (excluding Pension Funds)

Investments are governed by 30 ILCS 235, Public Funds Investment Act. The Board of Directors maintains a formal Investment Policy which addresses the governing provisions of the state law as well as specifying additional guidelines for the investment process. The allowable investments per Pace's policy mirror those specified in the State statute. In general, these investments include instruments issued by the U.S. Government, federal agencies, high grade commercial paper, bank deposits, investment pools created under the State Treasurer's Act, and selected money market mutual funds.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for Pace's investments at December 31, 2005.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>Quality Rating</u>
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-5</u>	
State Investment Pool	\$ 8,441	\$ 8,441	\$ -	\$ -	AAA
U.S. Agencies	<u>2,500,000</u>	<u>2,200,000</u>	<u>300,000</u>	<u>-</u>	AAA
Total	<u>\$2,508,441</u>	<u>\$2,208,441</u>	<u>\$300,000</u>	<u>\$ -</u>	

**Interest Rate Risk.** As a means of limiting its exposure to fair market value losses arising from rising interest rates, investments of Pace shall be limited to instruments maturing no longer than five years from the time of purchase.

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**3. DEPOSITS AND INVESTMENTS (Continued)**

c. Investments (continued)

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

**Concentration of Credit Risk.** Pace places no limit on the amount that may be invested in any one issuer. As of December 31, 2005, 99.65% of Pace's investments are in U.S. Agencies as follows: 19.93% in Federal National Mortgage Association, 39.86% in Federal Home Loan Mortgage Corporation and 39.86% in Federal Home Loan Bank.

**4. RELATIONSHIP WITH REGIONAL TRANSPORTATION AUTHORITY**

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

	<u>2005</u>	<u>2004</u>
Amounts due from RTA:		
Sales tax and public funding	\$20,602,177	\$20,048,411
Operating and capital grants	592,624	132,392
Reduced fare reimbursement	1,779,543	1,741,249
Other	<u>333,456</u>	<u>470,786</u>
	<u>\$23,307,800</u>	<u>\$22,392,838</u>

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**5. RISK MANAGEMENT**

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

Pace's specific self insured retentions for general liability, automobile liability and workers compensation coverage as of December 31, 2005 are structured as follows:

General Liability	\$100,000 Each Occurrence
Automobile Liability	\$5,000,000 Each Occurrence
Excess Workers Compensation	\$1,000,000 Each Occurrence

Excess general liability and automobile liability insurance is purchased in various layers up to \$15,000,000 per each occurrence and statutory limits of excess workers' compensation coverage have also been purchased. In addition, Pace participates in the RTA loss financing plan which provides risk retention (borrowing) and risk transfer (excess liability insurance) options for each of its members. The risk retention options in the RTA loss financing plan provide Pace with an option to borrow from the fund for general liability and automobile liability claims that exceed \$250,000, and a risk transfer mechanism for general liability and automobile liability claims that exceed \$15,000,000. The excess insurance purchased by the RTA Loss Financing plan includes coverage limits up to \$50,000,000.

Prior to December 15, 2005, there was no excess coverage for the general liability and automobile liability insurance layers between \$10 million and \$15 million. Excess insurance was purchased on December 15, 2005 to cover this gap. Prior to October 15, 2005, the excess workers' compensation self-insured retention was \$750,000 per each occurrence with statutory limits for coverage A and a \$1,000,000 employers' liability coverage limit.

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

	<u>Specific Stop Loss</u>		<u>Aggregate Stop Loss</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Corporate and All Divisions	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>N/A</u>	<u>N/A</u>



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**5. RISK MANAGEMENT (Continued)**

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

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

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

General liability, automobile liability, and workers' compensation claim liabilities for incurred losses to be settled by a lump-sum payment or other agreement, represent their present value using an expected future investment yield of 5 percent per year. Reserves for employee health and welfare coverage are established based on historical claim experience. The ultimate liability for general liability, automobile liability, workers' compensation, and the employee health and welfare plan is approximately \$22,900,343 and \$18,483,127 as of December 31, 2005 and 2004, respectively. Cash is reserved for general liability, automobile liability, and workers' compensation at a present value of \$18,120,910 and \$15,236,437 for this liability at December 31, 2005 and 2004, respectively.

Changes in the balances of claims liabilities were as follows:

	For the Year Ended December 31,	
	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$ 18,483,127	\$ 15,488,635
Current year claims and changes in estimates	9,702,647	5,770,705
Claim payments	<u>(5,285,431)</u>	<u>(2,776,213)</u>
	<u>\$ 22,900,343</u>	<u>\$ 18,483,127</u>

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**6. LEASING TRANSACTIONS**

During 2003, Pace entered into two lease and leaseback agreements with a third party pertaining to certain buses (lot 1, 2, and 3), with a book value of \$40.7 million at December 31, 2005. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, Pace entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately \$63.1 million and is reflected in the accompanying December 31, 2005 statement of net assets as the total of the current and long term portions of the Capital lease obligation.

Also during 2003, Pace entered into a second lease and leaseback agreement with a third party pertaining to certain buses (lot 4), with a book value of \$22.4 million at December 31, 2005. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, Pace entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately \$34.6 million and is reflected in the accompanying December 31, 2005 statement of net assets as the total of the current and long term portions of the Capital lease obligation.

2005	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	\$ 69,898,851	\$ 4,447,419	\$ 11,244,743	\$ 63,101,527	\$ 4,447,419	\$ 2,549,330
2003 (Buses)	\$ 33,572,046	\$ 2,270,752	\$ 1,199,652	\$ 34,643,146	\$ 2,270,752	\$ 1,523,536
Total	\$ 103,470,897	\$ 6,718,171	\$ 12,444,395	\$ 97,744,673	\$ 6,718,171	\$ 4,072,866

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**6. LEASING TRANSACTIONS (Continued)**

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

	Capital Leases
2006	\$ 4,072,866
2007	25,876,035
2008	0
2009	0
2010 – 2014	1,438,538
2015 – 2016	<u>124,399,915</u>
 Total minimum lease payments	 <u>155,787,354</u>
 Less interest	 <u>58,042,681</u>
Present value of minimum lease payments	<u>\$ 97,744,673</u>
 A reconciliation of the Statement of Net Assets to amount presented above:	
Capital lease obligation, less current portion	\$ 93,671,807
Capital lease obligation, current portion	<u>4,072,866</u>
Total	<u>\$ 97,744,673</u>

**7. OTHER LONG-TERM LIABILITIES**

Pace receives a one month advance from the Illinois Department of Revenue to compensate for the delay in the processing of sales tax payments. The advance is forwarded to the Regional Transportation Authority and is then allocated among the three service boards. Pace reported a liability of \$6,265,136 and \$6,123,962, respectively, for this advance for the year ended December 31, 2005 and December 31, 2004.

**8. COMMITMENTS AND CONTINGENCIES**

- a. Agreements with Pace's paratransit public funded carriers generally provide that Pace will reimburse the lesser of the approved budget, \$2.25 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.

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**8. COMMITMENTS AND CONTINGENCIES (Continued)**

- c. Pace receives significant financial assistance from federally assisted programs, principal of which is FTA. These programs are subject to audit under the requirements of *OMB Circular A-133* for which a separate report is issued.
- d. Pace has a lease through Bridgestone/Firestone for the lease of bus tires. The lease provides for a fixed monthly payment of \$8,325 with additional billing based on actual tire mileage. The per mile fee varies depending on the type of tire. The contract commenced on August 31, 2002 and goes through August 30, 2005. A two year option was exercised in 2005 which extended the contract through August 29, 2007.

The future minimum lease payments to maturity are as follows:

Fiscal Year	<u>Lease Payment</u>
<u>Ending</u>	
2006	\$ 99,900
2007	<u>66,600</u>
	<u>\$ 166,500</u>

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**9. NET ASSETS**

a. Designated Net Assets

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

	For the Year Ended <u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets	\$ 18,560,914	\$ 18,426,059
Less: Management Designated Net Assets	<u>5,643,866</u>	<u>7,017,537</u>
Undesignated Unrestricted Net Assets	<u>\$ 12,917,048</u>	<u>\$ 11,408,522</u>

b. Working Cash

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

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

	For the Year Ended <u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Net Assets	\$ 18,560,914	\$ 18,426,059
Less: Earnings Retained for Working Cash Purposes	(12,500,000)	(11,762,000)
Less: Management Designated Net Assets	<u>(5,643,866)</u>	<u>(7,017,537)</u>
Available Unrestricted Net Assets	<u>\$ 417,048</u>	<u>\$ (353,478)</u>

**PACE  
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OF THE REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**10. RETIREMENT PLANS**

**DEFINED BENEFIT PLANS**

a. Plan Descriptions

(1) RTA Plan

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

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

**Funding Policy** - As mentioned above, employee contributions are neither required nor allowed by the plan. The employer is required to contribute at an actuarially determined rate. Pace made a pension contribution of \$1,981,238 in December 2005. The employer contribution requirements are established and may be amended by the RTA Pension Plan Board of Trustees.

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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**10. RETIREMENT PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

a. Plan Descriptions (Continued)

(2) Pace West Division Plan

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

**Funding Policy** - Employee and employer contributions are required by the plan. Effective January 1, 2005, Pace's contribution to the plan increased from 2.5% to 3.5% of compensation and the employee's post-tax contribution rate increased from 4.2% to 5.4%. The employer and employee contribution requirements are established and may be amended through the Collective Bargaining Agreement. Since the employer's only obligation is to make contributions based on the Collective Bargaining Agreement, Pace does not have a net pension obligation.

**Schedule of Employer Contributions**

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed By Employer	Net Pension Obligation
2004	\$ 837,227	29%	\$ 0
2003	742,317	31%	0
2002	707,793	33%	0
2001	666,711	36%	0
2000	620,924	28%	0
1999	586,208	0%	0

**PACE  
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DECEMBER 31, 2005  
(CONTINUED)**

**10. RETIREMENT PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

a. Plan Descriptions (continued)

(2) Pace West Division Plan (continued)

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

Valuation date	1/1/05
Actuarial cost method	Entry age
Amortization method	Straight-line
Remaining Amortization Period	30
Amortization Method	Open Basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%

(3) Pace North Division Plan

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



**PACE**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**  
**(CONTINUED)**

**10. RETIREMENT PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

a. Plan Descriptions (Continued)

(3) Pace North Division Plan

**Funding Policy.** The employer was required to contribute 3.75% of compensation until October 1, 1999, when the contribution was increased to 4% of compensation. Prior to October 1, 1999, employee contributions were neither required nor allowed. After October 1, 1999, the employee is required to contribute 4% of compensation. The employer contribution requirements are established and may be amended through the Collective Bargaining Agreement. Since the employer's only obligation is to make contributions based on the Collective Bargaining Agreement, Pace does not have a net pension obligation.

**Schedule of Employer Contributions**

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed By Employer	Net Pension Obligation
2004	\$ 92,399	101%	\$ 0
2003	86,395	101%	0
2002	86,151	104%	0
2001	101,089	82%	0
2000	79,016	101%	0
1999	78,074	102%	0

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

Valuation date	1/1/05
Actuarial cost method	Entry age
Amortization method	Straight-line
Remaining amortization period	20
Amortization Method	Open Basis
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4%

**PACE  
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OF THE REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**10. RETIREMENT PLANS (Continued)**

**DEFINED BENEFIT PLANS (Continued)**

b. Summary of Significant Accounting Policies and Plan Asset Matters

**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**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

**DEFINED CONTRIBUTION PLANS**

a. Plan Description

The Divisions of the Pace Suburban Bus Division have established 401K plans and defined contribution plans through their respective collective bargaining agreements with the bargained for employees at the Division. The Division contributes a percentage of compensation for each participant as provided in the collective bargaining agreement. In some cases, there is a required employee 401K contribution pursuant to the collective bargaining agreement. Each 401K plan allows the employee participant to elect to contribute a percentage of the participant's compensation up to a maximum percentage. The defined contribution plans provide only for an employer contribution at the percentage of compensation specified in the collective bargaining agreement. The plans can be amended by the collective bargaining agreement or in writing by the parties to the collective bargaining agreement.

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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**10. RETIREMENT PLANS (Continued)**

**DEFINED CONTRIBUTION PLANS (Continued)**

b. Summary of Significant Accounting Policies

**Basis of Accounting**

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

**Method Used to Value Investments**

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

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

<u>Plan Name</u>	<u>Type of Plan</u>	<u>Number of Covered Employees</u>	<u>Employer Contribution Requirement</u>	<u>Employee Contribution Requirement</u>	<u>Employer Contribution Amount</u>	<u>Employee Contribution Amount</u>
Pace Fox Valley Division	401 K	47	5% of Compensation*	None	\$80,933	\$44,601
Pace Fox Valley Division	Defined Contribution	5	4% of Compensation	4% Of Compensation	\$6,447	\$6,447
Pace Heritage Division	401K	46	3.5% of Compensation	3.5% of Compensation	\$63,846	\$92,267
Pace North Shore Division	401K	46	3% of Compensation	None	\$53,183	\$102,852
Pace Northwest Division	401K	203	4% of Compensation	4% of Compensation	\$340,147	\$556,285 pre-tax/ \$1,518 post tax
Pace River Division	401K	52	5% of Compensation**	None	\$89,211	\$82,804
Pace River Division	Defined Contribution	12	4% of Compensation	4% of Compensation	\$19,424	\$19,424
Pace South Division	401K	196	4% of Compensation	4% of Compensation	\$278,223	\$332,115
Pace Southwest Division	401K	93	4% of Compensation	2% of Compensation	\$132,457	\$183,567

For 2005, the maximum employee pre-tax 401(k) contribution was \$14,000.

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**10. RETIREMENT PLANS (Continued)**

**DEFINED CONTRIBUTION PLANS (Continued)**

b. Summary of Significant Accounting Policies (Continued)

**Pace Administrative Plan**

In addition to the RTA Defined Benefit Plan, all Pace employees who are not covered by a retirement plan which is the subject of a collective bargaining agreement, are eligible to participate in a voluntary 401(K) Plan. Employees are eligible to participate after 60 days of service. A participant is fully vested in his/her account immediately. Contributions to the plan are voluntary for each participant. The Internal Revenue Code places limits on the amounts which employees may elect to contribute. There is no employer obligation to contribute. Plan provisions and contribution requirements are established and may be amended by the Administrative Plan Committee. For 2005, Pace contributed \$128,789 and the participants contributed \$1,155,792.

**11. OTHER POST EMPLOYMENT BENEFITS**

a. Description of Benefits

(1) RTA Pension Plan Participants

Pace offers retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan for Pace employees as follows. Employees who have attained age 55 with ten years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Employees who have attained age 65 or older with ten years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan depending upon their age (providing they were covered as dependents immediately prior to the employee's retirement).

(2) Pace West Division

Effective January 1, 2004, Pace contributes 2.5% of earnings to cover the costs of retiree's health coverage. In addition, Pace contributed an additional \$90,000 in 2004 for 2004 and \$90,000 in 2005 for 2005. 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. Only 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 coverage subject to the terms of the agreement. Retiree health coverage consists of enrollment in Pace' HMO plan or payment of a single coverage cash equivalent

**PACE  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**11. OTHER POST EMPLOYMENT BENEFITS (Continued)**

a. Description of Benefits (Continued)

(2) Pace West Division (Continued)

as outlined in the collective bargaining agreement. 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.

(3) Pace North Division

Pace North Division pays fifty percent (50%) of the paid Hospital, Surgical, Health and Accident Insurance Premium for certain retired union employees age 62 to 65, the other (50%) to be paid by the Amalgamated Transit Union, Local 900 Pension Plan.

b. Authority to Establish Plan

(1) RTA Plan

Benefits of this plan were established under the authority of the Pace Board of Directors.

(2) Pace West Division

The contractual obligation to contribute the amount indicated is under the collective bargaining agreement with Pace West Division and Local 241, Amalgamated Transit Union.

(3) Pace North Division

Such benefit was established under the collective bargaining agreement with Pace North Division and Local 900 of the Amalgamated Transit Union.

c. Description of Accounting Policies

(1) RTA Plan

Participant costs are paid by the retiree.

(2) Pace West Division

Participant costs are paid in accordance with the bargaining agreement.

**PACE  
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OF THE REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**11. OTHER POST EMPLOYMENT BENEFITS (Continued)**

c. Description of Accounting Policies (Continued)

(3) Pace North Division

Participant costs are paid in accordance with the bargaining agreement.

d. Expense Information

(1) RTA Plan

In 2005, Pace identified two employees as eligible participants in the health plan and 18 employees eligible in prior years as active participants in the plan. Pace recognized no plan expense for the year ended December 31, 2005.

(2) Pace West Division

Under the contractual obligation effective January 1, 2004, 2.5% of compensation plus \$90,000 was contributed to pay for the union retirees' health insurance in 2005.

(3) Pace North Division

In 2005, one employee was eligible for this benefit and participated in the plan.

e. Current Year Changes

(1) RTA Plan

None

(2) Pace West Division

None

(3) Pace North Division

None

**PACE  
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OF THE REGIONAL TRANSPORTATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(CONTINUED)**

**12. CHANGES IN CAPITAL ASSETS**

<u>Type</u>	<u>12/31/2004 Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2005 Balance</u>
Capital Assets not Being Depreciated				
Land	\$ 16,003,505	\$ -	\$ -	\$ 16,003,505
Capital Projects in Progress	<u>1,609,150</u>	<u>(1,609,150)</u>	<u>-</u>	<u>-</u>
Total Capital Assets not Being Depreciated	<u>17,612,655</u>	<u>(1,609,150)</u>	<u>-</u>	<u>16,003,505</u>
Capital Assets Being Depreciated				
Equipment	347,225,376	34,248,302	(20,763,718)	360,709,960
Buildings and Improvements	<u>108,916,319</u>	<u>2,051,215</u>	<u>-</u>	<u>110,967,534</u>
Total Capital Assets Being Depreciated	456,141,695	36,299,517	(20,763,718)	471,677,493
Total Capital Assets	<u>473,754,350</u>	<u>34,690,367</u>	<u>(20,763,718)</u>	<u>487,680,998</u>
Less: Accumulated Depreciation	<u>(289,105,178)</u>	<u>(31,567,767)</u>	<u>20,763,718</u>	<u>(299,909,226)</u>
Net	<u>\$ 184,649,172</u>	<u>\$ 3,122,600</u>	<u>\$ -</u>	<u>\$ 187,771,773</u>

**PACE  
THE SUBURBAN BUS DIVISION  
OF THE REGIONAL TRANSPORTATION AUTHORITY  
SCHEDULE OF PENSION FUNDING PROGRESS  
DECEMBER 31, 2005**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
<u>Regional Transportation Authority</u>						
01/01/05	\$ 90,334,371	\$ 105,976,209	\$ 15,641,838	85.24%	\$ 56,417,461	27.73%
01/01/04	87,998,878	97,275,818	9,276,940	90.46%	54,983,472	16.87%
01/01/03	80,974,751	87,815,116	6,840,365	92.21%	53,969,194	12.67%
01/01/02	76,888,695	79,946,039	3,057,344	96.18%	50,855,571	6.01%
01/01/01	81,992,858	71,286,653	(10,706,205)	115.02%	49,548,474	(21.61)%
01/01/00	86,771,358	64,467,694	(22,303,664)	134.60%	48,566,176	(45.92)%
<u>Pace West Division</u>						
01/01/05	\$ 15,720,950	\$ 18,370,532	\$ 2,649,582	85.58%	\$ 9,605,260	27.59%
01/01/04	15,253,660	17,422,949	2,169,289	87.55%	9,500,138	22.83%
01/01/03	14,867,056	16,132,602	1,265,546	92.16%	9,056,191	13.97%
01/01/02	14,784,021	15,445,772	661,751	95.72%	9,378,720	7.06 %
01/01/01	14,248,454	14,710,694	462,240	97.00%	9,219,965	5.01 %
01/01/00	13,523,865	14,010,585	486,720	96.53%	8,613,928	5.65 %
<u>Pace North Division</u>						
01/01/05	\$ 1,547,060	\$ 2,046,266	\$ 499,206	75.60%	\$ 2,235,755	22.33%
01/01/04	1,321,387	1,865,612	544,225	70.83%	2,202,832	24.71%
01/01/03	1,042,248	1,759,533	717,285	59.23%	2,063,155	34.77%
01/01/02	1,022,543	1,659,967	637,424	61.60%	2,056,080	31.00 %
01/01/01	929,046	1,466,346	537,300	63.36%	2,384,216	22.54 %
01/01/00	851,420	1,384,987	533,567	61.47%	2,310,024	23.10 %



**PACE  
THE SUBURBAN BUS DIVISION OF THE  
REGIONAL TRANSPORTATION AUTHORITY  
COMBINING SCHEDULE OF FIXED ROUTE CARRIER FINANCIAL  
RESULTS - PUBLIC FUNDED CARRIERS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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	\$1,061,212	\$128,342	\$1,189,554	\$418,208	\$771,346
Village of Niles	1,237,379	102,093	1,339,472	532,015	807,457
Village of Downers Grove	603,592	-	603,592	543,233	60,359
Northwestern University	107,475	-	107,475	96,727	10,748
<b>TOTAL</b>	<u>\$3,009,658</u>	<u>\$230,435</u>	<u>\$3,240,093</u>	<u>\$1,590,183</u>	<u>\$1,649,910</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, 2005**

<u>Regular Fixed Route</u>	<u>Operating Expenses</u>	<u>Passenger Revenue</u>	<u>Net Expenses</u>
Academy Coach Lines	\$1,844,475	\$619,252	\$1,225,223
Colonial Coach Lines	771,980	165,121	606,859
Laidlaw Transit	4,470,428	1,384,477	3,085,951
MV Transportation	67,220	13,817	53,403
Cook County School Bus	1,207,262	722,883	484,379
Village of Schaumburg	<u>214,209</u>	<u>139,676</u>	<u>74,533</u>
<b>TOTALS</b>	<b><u><u>\$8,575,574</u></u></b>	<b><u><u>\$3,045,226</u></u></b>	<b><u><u>\$5,530,348</u></u></b>

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**COMBINING SCHEDULE OF**  
**PARATRANSIT MUNICIPAL - CARRIER EXPENSE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>CARRIER</u>	<u>TOTAL REVENUE</u>	<u>TOTAL EXPENSE</u>	<u>OPERATING DEFICIT</u>	<u>PACE ASSISTANCE</u>	<u>NON-PACE ASSISTANCE</u>
Aurora	\$26,570	\$458,445	\$431,875	\$67,598	\$364,277
Batavia	3,342	54,604	51,262	8,985	42,277
Bensenville	24,701	237,923	213,222	42,601	170,621
Berwyn/Cicero	7,407	130,508	123,101	15,112	107,989
Bloom	22,398	307,329	284,931	58,893	226,038
Crestwood	6,329	85,558	79,229	16,694	62,536
Dundee	6,108	80,529	74,421	15,295	59,126
Ela	27,502	169,127	141,625	45,265	96,360
Elgin	18,569	110,833	92,264	50,725	41,539
Forest Park	10,394	116,830	106,436	28,788	77,648
Fox Lake/Grant	2,314	7,978	5,664	2,420	3,244
Frankfort	11,636	154,660	143,024	22,390	120,634
Harvard	14,110	111,901	97,791	28,199	69,592
Lemont	4,512	66,055	61,543	12,066	49,477
Lyons	13,039	252,865	239,826	35,002	204,824
Norridge	16,936	82,690	65,754	30,423	35,331
Oak Park	27,153	306,164	279,011	59,895	219,117
Orland Park	27,525	350,762	323,237	52,589	270,648
Palatine	11,738	214,286	202,548	25,981	176,566
Palos Hills	12,694	78,080	65,386	20,512	44,874
Park Forest	20,763	156,332	135,569	38,171	97,399
Peotone	20,680	241,114	220,434	55,029	165,405
Rich Township	86,208	626,583	540,375	48,861	491,514
Schaumburg	63,053	903,274	840,221	161,194	679,027
St. Charles	17,475	150,310	132,835	19,753	113,082
Stickney	18,950	274,152	255,202	52,094	203,107
Tinley Park	8,900	78,023	69,123	19,502	49,621
Vernon	3,712	102,962	99,250	7,113	92,138
Woodstock	42,676	376,499	333,823	77,973	255,851
Worth	8,700	161,451	152,751	23,953	128,798
<b>Total</b>	<b>\$586,094</b>	<b>\$6,447,827</b>	<b>\$5,861,733</b>	<b>\$1,143,076</b>	<b>\$4,718,660</b>

**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, 2005**

<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Non - Pace Assistance</u>	<u>Net Contract Cost</u>
Addison	\$48,117	\$2,938	\$39,557	\$5,622
Aurora	866	43	0	823
Barrington	65,851	1,119	30,622	34,110
Bloomington Township	360,417	34,637	102,131	223,649
Central Lake	132,359	9,202	33,830	89,327
Central Will	678,988	73,850	246,702	358,436
Downers Grove	149,534	13,740	33,769	102,025
DuPage County	72,575	9,498	0	63,077
DuPage Township	171,879	12,195	52,857	106,827
Elk Grove	269,308	25,226	187,621	56,461
Freemont Township	10,454	1,053	9,390	11
Hampshire Township	11,427	1,234	2,546	7,647
Hanover Township	21,738	3,349	18,616	(227)
Hometown	18,616	1,374	13,376	3,866
Leyden Township	228,907	22,691	175,396	30,820
McHenry County	1,782,064	120,315	543,414	1,118,335
Milton Township	143,327	8,372	37,848	97,107
N. Suburban Cook	69,366	4,483	0	64,883
Naperville/Lisle	634,187	70,645	274,006	289,536
Northeast Lake-Warren	251,285	10,857	35,972	204,456
Northeast Lake-Zion	18,842	1,409	8,826	8,607
Northwest Lake	284,346	22,793	0	261,553
Northwest Suburban Cook	23,592	2,630	23,202	(2,240)
Ride DuPage	1,382,235	166,133	1,369,182	(153,080)
South Cook	19,556	3,385	0	16,171
Southwest Lake-Cuba	4,583	914	1,699	1,970
Southwest Lake-Wauconda	23,025	4,590	6,441	11,994
Southwest Will	20,195	773	6,350	13,072
Village of Bloomington	15,159	1,004	14,853	(698)
Village of Skokie/West Cook	227,523	0	285,538	(58,015)
Wayne Township	80,997	5,659	16,439	58,899
<b>Total</b>	<b>\$7,221,319</b>	<b>\$636,109</b>	<b>\$3,570,185</b>	<b>\$3,015,024</b>

**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, 2005**

	ADA SERVICES		
<u>Project</u>	<u>Contract Expense</u>	<u>Passenger Revenue</u>	<u>Net Contract Cost</u>
South Cook	\$4,659,677	\$710,178	\$3,949,499
North Suburban Cook	3,730,436	417,648	3,312,788
West Cook	1,437,899	185,684	1,252,215
Northeastern/Central Lake	1,237,040	137,416	1,099,624
Kane County	533,185	55,889	477,296
Southwest/Central Will	336,784	24,680	312,104
DuPage County	552,596	50,631	501,965
	\$12,487,617	\$1,582,126	\$10,905,491
Total	\$12,487,617	\$1,582,126	\$10,905,491

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**SCHEDULE OF FAREBOX RECOVERY RATIO**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

## REVENUE

Pace-Owned Service Revenue	\$27,605,939
CMAQ/JARC Passenger Revenue	245,345
Fixed Route Carrier Revenue	4,635,410
Paratransit Revenue	11,093,172
Van Pool Revenue	2,694,295
Reduced Fare Reimbursement from IDOT	3,236,102
Advertising Revenue	4,084,183
Interest on Investments	965,652
Miscellaneous	1,222,446
* Capital Cost of Contracting	4,750,317
** Not-For-Profit Service Providers Revenue	4,692,550
<b>Total System Generated Revenue</b>	<u><u>\$65,225,411</u></u>

## OPERATING EXPENSES

Pace-Owned Service Expenses	\$70,701,982
CMAQ/JARC Expenses	933,059
Contract Payments:	
Fixed Route Carriers	11,585,232
Paratransit Carriers	26,156,760
Van Pool Expenses	2,530,884
Centralized Operations	32,361,699
Administrative Expenses	15,354,274
** Not-For-Profit Service Providers Expense	4,692,550
<b>Total Operating Expenses</b>	<u><u>\$164,316,440</u></u>

## FAREBOX RECOVERY RATIO

39.70%

\* Based on an opinion from the RTA, the Capital Cost of Contracting funding represents revenue used to compute the recovery ratio. In 2005, \$4,750,317 of Capital Cost of Contracting funding is included in the recovery ratio calculation.

\*\* Pace has a relationship with entities involved in the VIP 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 2005, Pace has included \$4,692,550 of revenues and expenses incurred by these entities in providing public transportation.

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**SCHEDULE OF REVENUE AND EXPENSES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Operating Revenue</u>			
Pace-Owned Service Revenue	\$ 26,260,006	\$ 27,605,939	\$ 1,345,933
CMAQ/JARC Passenger Revenue	218,587	245,345	26,758
Fixed Route Carrier Revenue	4,766,009	4,635,410	(130,599)
Paratransit Revenue	10,321,784	11,093,172	771,388
Vanpool Revenue	2,735,546	2,694,295	(41,251)
Reduced Fare Reimbursement from IDOT	3,478,000	3,236,102	(241,898)
Advertising Revenue	4,071,000	4,084,183	13,183
Interest on Investments	292,358	965,652	673,294
Miscellaneous	1,754,800	1,222,446	(532,354)
<b>Total Operating Revenue</b>	<u>53,898,090</u>	<u>55,782,544</u>	<u>1,884,454</u>
<u>Operating Expenses</u>			
Pace-Owned Service Expenses	71,381,169	70,701,982	679,187
CMAQ/JARC Expenses	1,068,278	933,059	135,219
Contract Payments:			
Fixed Route Carriers	11,982,259	11,585,232	397,027
Paratransit Carriers	27,261,419	26,156,760	1,104,659
Vanpool Expenses	2,643,586	2,530,884	112,702
Centralized Operations	27,650,712	32,361,699	(4,710,987)
Administrative Expenses	17,017,667	15,354,274	1,663,393
<b>Total Operating Expenses</b>	<u>159,005,090</u>	<u>159,623,890</u>	<u>(618,800)</u>
<b>Net Income from Operations</b>	<u>(105,107,000)</u>	<u>(103,841,346)</u>	<u>1,265,654</u>
<u>Non-Operating Revenue</u>			
Retailers' Occupation and Use Tax from RTA	75,691,000	76,398,719	707,719
RTA Discretionary Funding	3,361,000	2,653,281	(707,719)
ADA Regional Paratransit Funding from RTA	1,000,000	1,000,000	-
Federal Operating Grants	25,055,000	24,502,086	(552,914)
<b>Total Non-Operating Revenue</b>	<u>105,107,000</u>	<u>104,554,086</u>	<u>(552,914)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ -</u>	<u>\$ 712,740</u>	<u>\$ 712,740</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Provision for Depreciation		(31,567,767)	
Capital Grants Non-Operating Revenue		34,112,483	
<b>Increase (Decrease) in Net Assets - GAAP Basis</b>		<u>\$ 3,257,456</u>	

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED**  
**FROM UNRESTRICTED NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2004**

The Unrestricted Net Assets detailed in footnote 9 on page 55 is comprised of the unexpended portion  
of the accumulated positive budget variance

Group 1: Approved and Completed	<u>2005</u>	<u>2004</u>
Bulkhead Replacements	\$ 1,387,230	\$ 1,387,230
Improvements to Garages	10,856	-
MIS Computer Project	162,000	162,000
MIS Practice Manual	50,000	50,000
Ventilation Project	165,521	165,520
River Road Station Improvement (606)	21,697	21,697
Lake Cook Road Overpass	75,000	75,000
Transportation Center and Park 'n Rides	3,286,434	-
Administration Building Modifications	550,569	550,569
Bus Purchase	5,291,314	5,291,312
McHenry County Garage Study	15,090	15,090
Power Plants	106,946	106,946
Additional Bulkhead Replacements	1,013,418	1,013,417
Transit Information System	326,892	326,891
Pace Southwest Garage	112,999	112,998
North Shore Garage Equipment	63,247	63,247
Analysis for Schaumburg Trans. Center	71,870	71,870
Buffalo Grove Project	533,527	538,527
Heritage Roof Replacement	179,174	179,174
1992 Project Administration	200,000	200,000
Purchasing Maintenance Equipment 1995	15,687	15,687
Bus Overhaul Maintenance	204,000	204,000
1988 - 1992 Unanticipated Capital	361,787	361,787
Extended Warranties 1993	477,396	477,395
North Aurora Garage Construction	809,262	809,261
Purchase of 115 Vans for Vanpools	2,500,000	2,500,000
Paratransit Services	75,000	75,000
Extended Warrenties - 1994	342,357	342,357
Extended Warrenties	398,712	398,712
Extended Warrenties	259,548	-
Project Administration	113,698	113,698
Database Enhancement	54,839	54,839
Associated Capital	195,423	195,423
Ticket Vending Machines	465	-
1994 Improvements to Garages/Facilities	6,711	6,711
2000 Improvements to Garages	256,890	257,007
2001 Improvements to Garages/Facilities	292,699	292,699
1995 Project Administration	5,000	5,000
1996 Project Administration	26,094	26,094
1998 Project Administration	5,000	5,000
1999 Project Administration	30,000	30,000
Project Administration	7,031	7,031
2000 Project Administration	80,000	80,000
Trolley Buses	277,567	300,000
1991 Unanticipated Capital	165,798	165,798
1992 Unanticipated Capital	247,937	247,937
1996 Unanticipated Capital	19,892	19,892
1993 Unanticipated Capital	249,608	249,618
1997 Unanticipated Capital	250,000	250,000
1994 Unanticipated Capital	148,117	-
1996 Extended Warranties	32,955	32,955
1990 Unanticipated Capital	91,747	91,747
Totals Approved and Completed	<u>\$ 21,625,004</u>	<u>\$ 17,947,136</u>



**PACE  
THE SUBURBAN BUS DIVISION OF THE  
REGIONAL TRANSPORTATION AUTHORITY  
SCHEDULE OF PROJECTS FUNDED/TO BE FUNDED  
FROM UNRESTRICTED NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2004**

The Unrestricted Net Assets detailed in footnote 9 on page 55 is comprised of the unexpended portion  
of the accumulated positive budget variance

	<u>2005</u>	<u>2004</u>
Group II: Approved and in Progress		
Headquarters Facility	\$ 2,747,308	\$ 2,747,308
Bus Stop Signs/poles/Signals	7,000	-
Computer Equipment	133,000	133,000
Computer Equipment	305,000	305,000
DuPage Co Paratr Computer Sys	200,000	200,000
Extended Warranties	234,990	338,000
Extended Warranties	-	293,021
Ticket Vending Machines	-	250,000
Facilities Environmental Cleanup	1,400,000	1,400,000
Servicing Restructuring Study	200,000	200,000
1994 Improvements to Garages & Facilities	10,978	10,978
2002 Improvements to Garages	350,000	350,000
Maintenance Equipment	7,000	7,000
Maintenance/ Support Equipment	10,000	10,000
Related Capital Projects/Support Services	317,692	317,692
Office Equipment/Furniture	54,003	54,003
Office Equipment/Furniture	27,000	27,000
Transportation Center and Park'n Rides	-	3,422,604
1994 Unanticipated Capital	-	149,088
1995 Unanticipated Capital	152,008	152,008
1998 Unanticipated Capital	148,781	148,781
1999 Unanticipated Capital	249,818	250,000
2000 Unanticipated Capital	250,000	-
	<u>6,804,578</u>	<u>10,765,483</u>
Group III: Approved But Not Yet Started		
Bus Stop Signs/poles/Signals	-	7,000
DuPage County Garage	-	1,300,000
Facilities Environmental Cleanup	-	500,000
Improvements to Garages	350,000	350,000
Improvements to Garages	-	10,674
New Headquarters Facility	2,400,000	-
DuPage County Transportation Center	-	1,063,000
2000 Unanticipated Capital	-	250,000
2001 Unanticipated Capital	250,000	250,000
Totals Approved But Not Yet Started	<u>3,000,000</u>	<u>3,730,674</u>
Total Commitments	31,429,582	32,443,293
Previously Recognized Expenditures	<u>(25,785,716)</u>	<u>(25,425,756)</u>
Net Commitments	<u>\$ 5,643,866</u>	<u>\$ 7,017,537</u>

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# STATISTICAL SECTION

## Contents

Page

### Financial Trends

*An analysis of Net Assets by component and Change in Net Assets are presented as an indicator of Pace's financial performance and to show the overall change in financial position over time. The schedules begin with fiscal year 2000 which is the first year that Pace presented their financial statements in accordance with GASB 34.*

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### 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 the trend in fares and ridership over the last ten years. One key indicator that is used to assess operating performance is the farebox recovery ratio. This indicator shows the ratio of operating income to operating expense. A schedule is provided showing the trend in the farebox recovery ratio over the last ten years.*

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### Debt Capacity

*Pace does not issue bonds so there is no outstanding debt.*

### Demographic and Economic Information

*One of Pace's primary sources of funding is from sales tax revenues. Population growth and retail sales among the different counties that Pace serves can affect the funding received from the Regional Transportation Authority. 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, unemployment, principal employers, retail sales and sales tax for the last ten years.*

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### Operating Information

*Information in this section related to capital asset and infrastructure, full time equivalent employees, and operational indicators is presented to provide further information on Pace's operation.*

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**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**NET ASSETS BY COMPONENT**  
**LAST SIX YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Business-Type Activities						
Invested in Capital Assets	\$ 136,883,471	\$ 161,350,423	\$ 162,631,154	\$ 198,265,076	\$ 184,649,172	\$ 187,771,773
Unrestricted Net Assets	<u>17,739,642</u>	<u>16,519,896</u>	<u>16,506,283</u>	<u>25,847,022</u>	<u>18,426,059</u>	<u>18,560,914</u>
Total Net Assets - Business-Type Activities	<u>\$ 154,623,113</u>	<u>\$ 177,870,319</u>	<u>\$ 179,137,437</u>	<u>\$ 224,112,098</u>	<u>\$ 203,075,231</u>	<u>\$ 206,332,687</u>

Note: GASB 34 was implemented for fiscal year ending December 31, 2000

TABLE 2

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**CHANGE IN NET ASSETS**  
**LAST SIX YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Operating Revenue</u>						
Pace-owned service revenue	\$26,632,826	\$28,432,770	\$27,456,016	\$26,350,880	\$26,455,191	\$27,605,939
CMAQ/JARC Services	415,920	652,466	1,136,192	540,542	244,326	245,345
Fixed route carrier revenue	3,136,661	4,632,082	4,644,199	4,509,910	4,550,942	4,635,410
Paratransit revenue	6,532,768	7,472,923	7,866,694	8,347,813	9,161,086	11,093,172
Vanpool revenue	1,777,773	2,041,719	2,229,789	2,486,371	2,518,964	2,694,295
Reduced fare reimbursement from IDOT	3,708,628	3,656,912	3,273,537	3,408,426	3,265,564	3,236,102
Advertising revenue	2,385,517	2,993,372	3,047,178	3,346,493	3,674,162	4,084,183
Miscellaneous	559,092	1,294,707	887,342	850,232	1,581,235	1,222,446
<b>Total Operating Revenue</b>	<b>45,149,185</b>	<b>51,176,951</b>	<b>50,540,945</b>	<b>49,840,667</b>	<b>51,451,470</b>	<b>54,816,892</b>
<u>Operating expenses</u>						
Pace-owned service expenses	58,448,803	61,933,323	61,097,918	64,362,840	67,637,306	70,701,982
CMAQ/JARC expenses	1,610,290	1,056,267	2,138,028	3,154,329	1,219,031	933,059
Contract Payments:						
Fixed route carriers	9,998,666	10,630,504	10,596,428	10,738,267	11,338,017	11,585,232
Paratransit carriers	18,540,995	20,050,059	20,802,478	22,442,037	23,880,894	26,156,760
Vanpool expenses	1,787,192	2,053,739	2,133,973	2,430,843	2,554,465	2,530,884
Centralized operations	18,603,638	19,383,075	20,554,962	22,365,412	25,785,148	32,361,699
Administrative expenses	12,166,398	12,070,500	13,466,398	13,434,275	14,805,942	15,354,274
Depreciation	27,556,425	29,843,958	31,069,443	36,362,967	33,036,213	31,567,767
<b>Total Operating Expenses</b>	<b>148,712,407</b>	<b>157,021,425</b>	<b>161,859,628</b>	<b>175,290,970</b>	<b>180,257,017</b>	<b>191,191,657</b>
<b>Operating Income (Loss)</b>	<b>(103,563,222)</b>	<b>(105,844,474)</b>	<b>(111,318,683)</b>	<b>(125,450,303)</b>	<b>(128,805,547)</b>	<b>(136,374,765)</b>

TABLE 2  
(Continued)

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE**  
**REGIONAL TRANSPORTATION AUTHORITY**  
**CHANGE IN NET ASSETS**  
**LAST SIX YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Non-Operating Revenue</u>						
Retailers' occupation and use tax from RTA	69,889,007	70,734,690	70,193,508	70,994,766	73,536,217	76,398,719
RTA Discretionary Funding	1,882,993	4,267,310	8,858,492	11,752,234	5,515,783	2,653,281
Federal Operating Grants	698,316	425,266	2,128,943	13,696,883	9,439,153	24,502,086
ADA Regional Paratransit Funding from RTA	-	-	-	-	-	1,000,000
Capital Grants Reimbursements	30,454,311	53,067,564	31,162,305	71,326,566	18,839,353	34,112,483
Interest on Investments	1,074,684	596,850	242,551	230,028	438,173	965,652
Gain on Loss Portfolio Transfer	1,939,413	-	-	-	-	-
Leasing Transaction Proceeds	-	-	-	2,424,487	-	-
Interest Revenue from Leasing Transaction	-	-	-	1,497,204	6,747,246	6,718,171
Interest Expense on Leasing Transaction	-	-	-	(1,497,204)	(6,747,246)	(6,718,171)
Total Non-Operating Revenue	<u>105,938,724</u>	<u>129,091,680</u>	<u>112,585,799</u>	<u>170,424,964</u>	<u>107,768,679</u>	<u>139,632,221</u>
Net Change in Net Assets	2,375,502	23,247,206	1,267,117	44,974,661	(21,036,868)	3,257,456
Beginning Net Assets	<u>152,247,611</u>	<u>154,623,113</u>	<u>177,870,319</u>	<u>179,137,437</u>	<u>224,112,099</u>	<u>203,075,231</u>
Ending Net Assets	<u>\$ 154,623,113</u>	<u>\$ 177,870,319</u>	<u>\$ 179,137,436</u>	<u>\$ 224,112,098</u>	<u>\$ 203,075,231</u>	<u>\$ 206,332,687</u>

Note: GASB 34 was implemented for fiscal year ending December 31, 2000

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

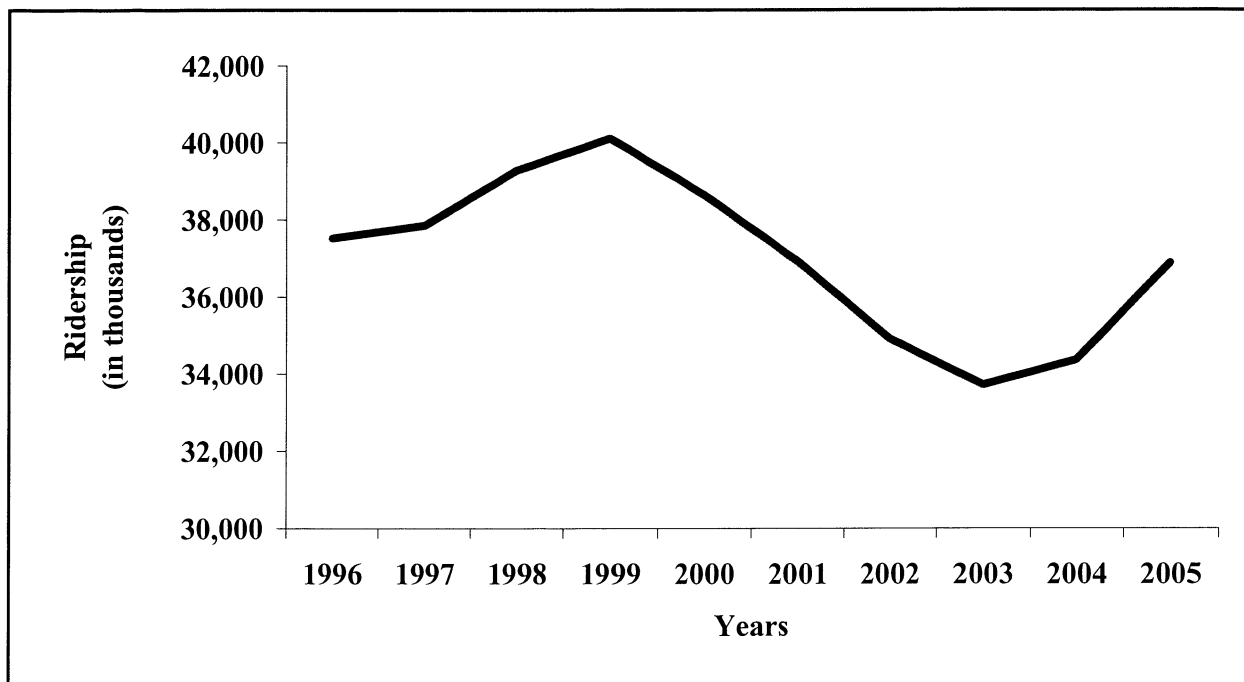
Fare Type	Effective <u>12/31/2005</u>		Effective <u>12/31/1996</u>	
	Full	Reduced	Full	Reduced
Basic Fare	\$1.50	\$0.75	\$1.15	\$0.55
Local Fare	\$1.25	\$0.60	\$1.00	\$0.50
Commuter Club Card	\$50.00	\$25.00	\$39.00	\$19.50
CTA/Pace 30 Day Pass	\$75.00	\$35.00	-	-
10 Ride Regular Ticket	\$15.00	\$7.50	\$11.50	\$5.50
10 Ride Local Ticket	\$12.50	\$6.00	\$10.00	\$5.00
10 Ride Premium Ticket	\$30.00	\$15.00	\$27.50	\$13.50
Link-up Pass	\$36.00	-	\$36.00	-
Plus Bus Pass	\$30.00	-	\$30.00	-
ADA Service - Cook & DuPage	\$3.00	-	\$1.50	-
ADA Service - Kane, Lake, McHenry & Will	\$2.50	-	-	-
Student Haul Pass	\$25.00	-	-	-
Student Summer Pass (valid June - August)	\$40.00	-	-	-

Note: Vanpool fares vary based on 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  
LAST TEN YEARS**

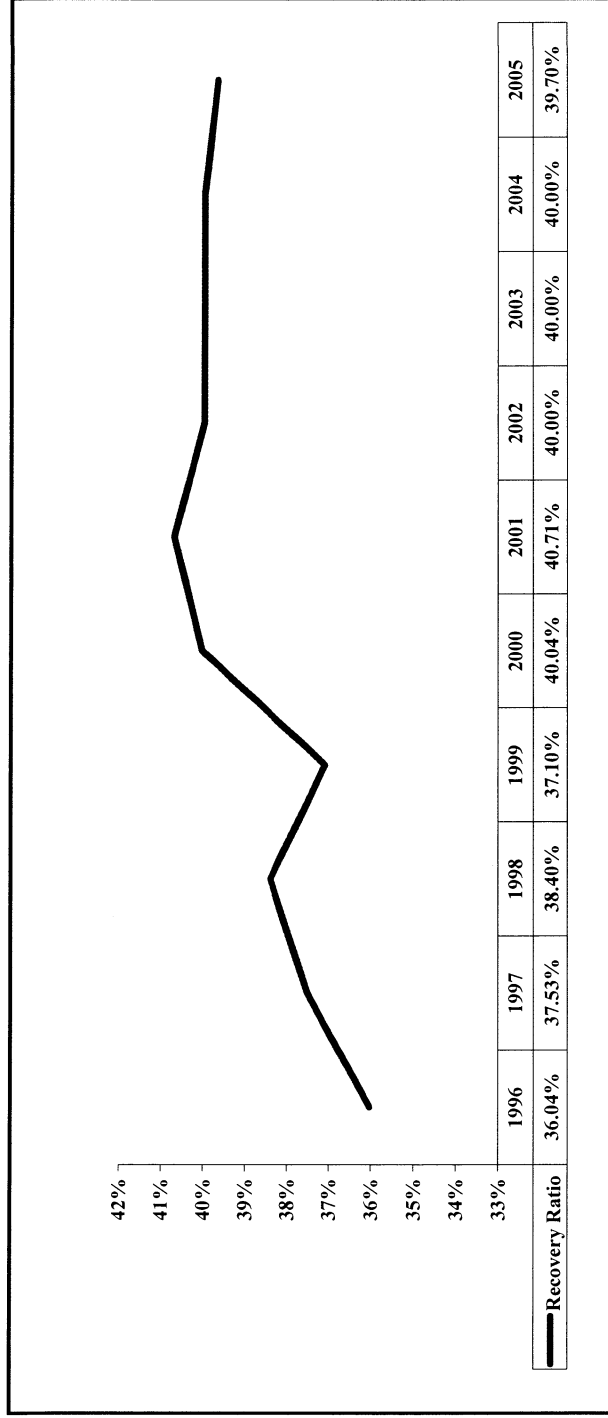
<u>Year</u>	<u>Ridership</u>
1996	37,514,551
1997	37,859,001
1998	39,280,922
1999	40,112,571
2000	38,644,241
2001	36,917,981
2002	34,898,859
2003	33,708,758
2004	34,359,279
2005	36,879,312



Source: Pace 2005 Ridership Report

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**PACE  
THE SUBURBAN BUS DIVISION OF THE  
REGIONAL TRANSPORTATION AUTHORITY  
FAREBOX RECOVERY RATIO  
LAST TEN YEARS**



Note 1: Pace has a relationship with entities involved in the VIP Advantage Program in which Pace leases a vehicle to that entity in order to provide public transportation. Consistent with the opinion of the Regional Transportation Administration, revenues and expenses incurred by such entities can be included in the computation of the recovery ratio. These revenues and expenses are included in the recovery ratio for years 2002 through 2005.

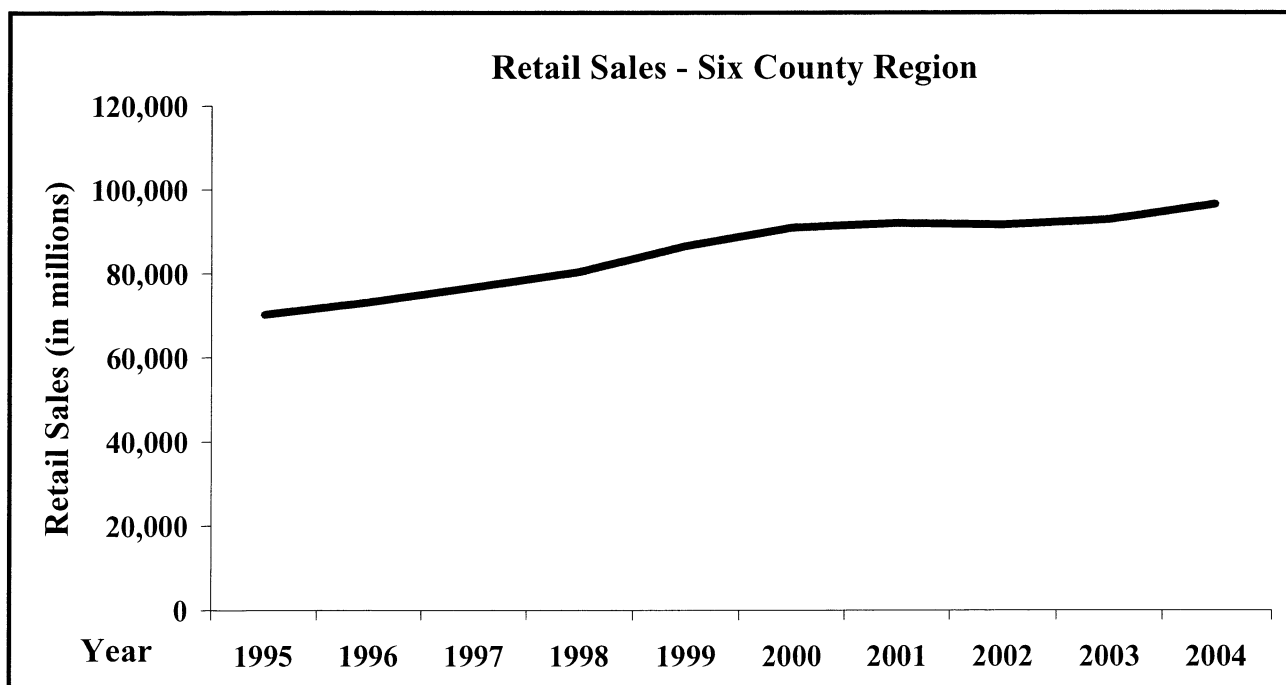
Note 2: Based on an opinion from the Regional Transportation Authority, Capital Cost of Contracting funding represents revenue that can be used in the computation of the recovery ratio. This funding is included in the recovery ratio for years 2003, 2004 and 2005.

Source: Pace Audited Financial Statements

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY**  
**RETAIL SALES BY COUNTY**  
**(INCLUDING CITY OF CHICAGO)**  
**LAST TEN YEARS**

**County Retail Sales (\$ - Millions)**

<u>County</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cook	43,083	44,366	46,190	47,674	50,917	53,429	53,736	53,397	53,781	55,173
DuPage	12,441	13,213	14,122	15,141	16,186	16,541	16,509	15,947	15,925	16,612
Kane	3,313	3,478	3,599	3,856	4,166	4,483	4,581	4,769	4,998	5,425
Lake	6,481	6,907	7,352	7,863	8,614	9,282	9,717	9,703	9,706	10,145
McHenry	1,830	1,972	2,061	2,219	2,527	2,685	2,765	2,870	2,958	3,169
Will	3,015	3,269	3,455	3,674	4,162	4,512	4,738	4,968	5,426	6,004
<b>Total</b>	<b>70,163</b>	<b>73,205</b>	<b>76,779</b>	<b>80,427</b>	<b>86,572</b>	<b>90,932</b>	<b>92,046</b>	<b>91,654</b>	<b>92,794</b>	<b>96,528</b>



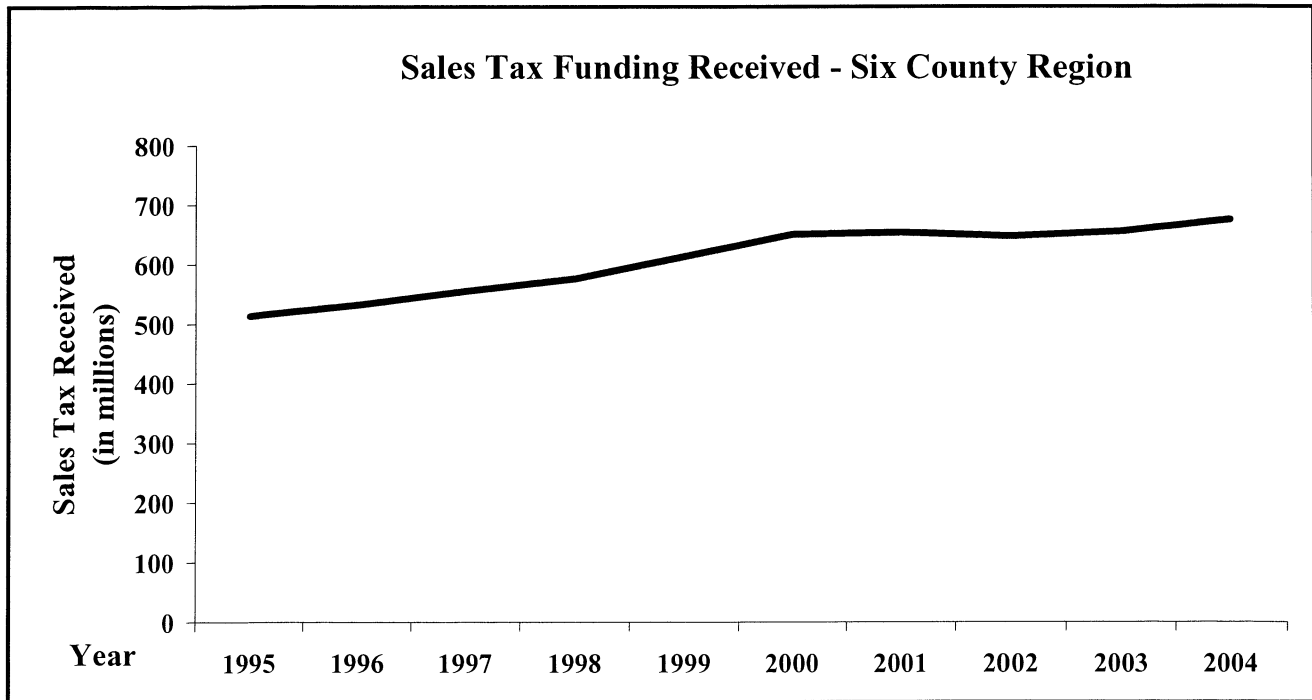
Source: Illinois Department of Commerce and Community Affairs, Office of Policy Development

Note: Information was available only up to 2004

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY**  
**TOTAL RTA SALES TAX FUNDING RECEIVED BY COUNTY**  
**(INCLUDING CITY OF CHICAGO)**  
**LAST TEN YEARS**

**Total RTA Sales Tax Funding Received by County (\$ - Millions)**

<u>County</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cook	443	457	476	492	521	553	555	549	555	569
DuPage	32	34	36	39	42	43	42	41	41	43
Kane	9	9	9	10	11	12	12	12	13	14
Lake	17	18	19	20	22	24	25	25	25	26
McHenry	5	5	5	6	7	7	7	7	8	8
Will	8	8	9	10	11	12	12	13	14	15
<b>Total</b>	<b>513</b>	<b>532</b>	<b>555</b>	<b>577</b>	<b>614</b>	<b>650</b>	<b>654</b>	<b>648</b>	<b>655</b>	<b>675</b>

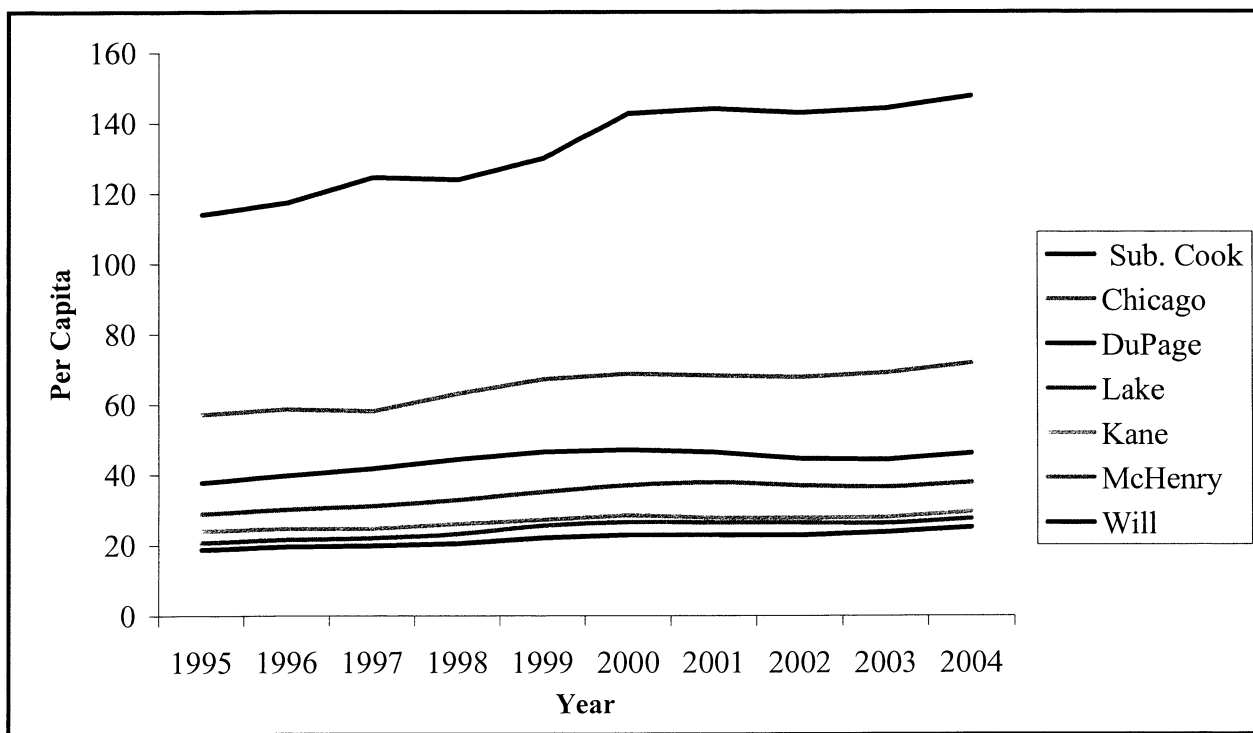


Source: Regional Transportation Authority, Northeastern Illinois, Comprehensive Annual Financial Report for year ended December 31, 2004

Note: Information is presented from 1995 to 2004 to correspond with Retail Sales data

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY**  
**SALES TAX RECEIVED PER CAPITA**  
**BASED ON POPULATION BY COUNTY**  
**LAST TEN YEARS**

<u>Year</u>	<u>Cook</u>		<u>DuPage</u>	<u>Lake</u>	<u>Kane</u>	<u>McHenry</u>	<u>Will</u>
	<u>Suburban</u>	<u>City of Chicago</u>					
1995	113.99	57.22	37.67	28.87	23.94	20.70	18.69
1996	117.28	58.65	39.79	30.07	24.65	21.60	19.55
1997	124.55	58.18	41.72	31.13	24.69	21.98	19.80
1998	123.84	63.09	44.32	32.84	25.93	23.18	20.40
1999	129.96	67.15	46.50	35.13	27.15	25.56	22.10
2000	142.78	68.73	47.14	36.97	28.43	26.53	22.95
2001	144.03	68.15	46.44	37.77	27.76	26.36	22.91
2002	142.88	67.70	44.48	36.91	27.70	26.42	22.90
2003	144.17	68.99	44.27	36.60	27.98	26.32	23.75
2004	147.55	71.75	46.07	37.74	29.53	27.53	25.14



Note 1: Cook County includes the City of Chicago. The Chicago Transit Authority receives sales tax funding for Chicago.

Note 2: Information available only up to 2004.

Source: Sales tax information received from RTA Combining Financial Report, Sales Tax Revenue by County/City of Chicago 2004  
 Population: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

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

<u>Year</u>	<u>Population</u>		<u>Personal Income (in thousands)</u>		<u>Per Capita Personal Income</u>
1994	7,644,193	\$	201,824,642	\$	26,402
1995	7,724,013		215,328,870		27,878
1996	7,803,964		227,813,824		29,192
1997	7,876,225		240,880,903		30,583
1998	7,955,504		258,512,231		32,495
1999	8,034,547		269,443,211		33,536
2000	8,110,751		290,755,378		35,848
2001	8,183,442		295,506,073		36,110
2002	8,238,948		296,704,940		36,012
2003	8,286,604		301,588,070		36,395

Note: Personal Income data by county not available for 2004 and 2005

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Dept. of Commerce

PACE THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY PRINCIPAL EMPLOYERS CURRENT AND TEN YEARS AGO						
<u>Employer</u>	2005			1996		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Six County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Six County Employment</u>
US Government	78,000	1	1.97%	72,000	1	1.87%
Jewel-Osco	34,037	2	0.86%	30,796	2	0.80%
Cook County	25,482	3	0.64%	27,385	3	0.71%
Advocate Heath Care	25,279	4	0.64%	19,914	6	0.52%
United Parcel Service of America	19,346	5	0.49%	-	-	-
State of Illinois	17,056	6	0.43%	21,509	5	0.56%
SBC Communications Inc.	16,500	7	0.42%	-	-	-
Wal-Mart Stores Inc.	16,350	8	0.41%	-	-	-
United Airlines	15,431	9	0.39%	14,613	10	0.38%
J.P Morgan Chase & Co.	15,366	10	0.39%	16,708	8	0.43%
Motorola Inc	-	-	-	23,500	4	0.61%
Ameritech	-	-	-	19,038	7	0.49%
Abbot Laboratories	-	-	-	15,300	9	0.40%

Note: The list above includes only suburban employers.

Source: Crain Chicago Business Annual List of Largest Employers



**PACE**  
**THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY**  
**UNEMPLOYMENT RATES BY COUNTY**  
**LAST TEN YEARS**

<b>Year</b>	<b>Cook</b>	<b>DuPage</b>	<b>Kane</b>	<b>Lake</b>	<b>McHenry</b>	<b>Will</b>	<b>Six County Area Average</b>
1996	5.9%	3.5%	5.1%	3.7%	4.1%	5.3%	5.3%
1997	5.3%	3.1%	4.5%	3.4%	3.8%	4.7%	4.8%
1998	5.0%	2.8%	4.1%	3.5%	3.6%	4.3%	4.5%
1999	5.0%	2.9%	4.1%	3.2%	3.5%	4.3%	4.5%
2000	4.9%	2.9%	4.3%	3.5%	3.4%	4.2%	4.4%
2001	6.1%	3.9%	5.3%	4.3%	4.5%	5.1%	5.5%
2002	7.4%	5.2%	6.6%	5.6%	5.7%	6.3%	6.8%
2003	7.3%	5.2%	7.0%	6.2%	6.3%	6.9%	6.8%
2004	6.6%	4.9%	5.9%	5.5%	5.2%	5.9%	6.1%
2005	6.4%	4.7%	5.8%	4.6%	5.2%	5.7%	5.9%

Source: Illinois Department of Employment Security, Local Area Unemployment Statistics

**PACE  
THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY  
CAPITAL ASSET AND INFRASTRUCTURE INFORMATION**

**CURRENT DATA**

<b>PACE ROLLING STOCK - ACTIVE FLEET</b>											
<u>Fixed Route (Fully Accessible)</u>				<u>Paratransit (Fully Accessible)</u>				<u>Vanpool</u>			
Manufacturer	Number of Vehicles	Year	Age	Manufacturer	Number of Vehicles	Year	Age	Type	Number of Vehicles	Year	Age
Ikarus 40'	15	1992	13	Chance Buses	3	1995	9	Vans	1	1995	10
Orion I 35'	21	1993	12	Eldorado Vans	2	2000	5	Vans	6	1996	9
Orion I 40'	83	1993	12	Eldorado Vans	83	2001	4	Vans	12	1997	8
Chance 26'	15	1995	10	Eldorado Buses	117	2001	4	Vans	26	1998	7
Nova 40'	22	1996	9	Eldorado Buses	50	2002	3	Vans	16	1999	6
Eldorado 29'	56	1997	8	Eldorado Vans	18	2002	3	Vans	115	2000	5
NABI 35'	30	1999	6	Eldorado Buses	31	2003	2	Vans	64	2001	4
NABI 40'	22	1999	6	Eldorado Buses	37	2004	1	Vans	94	2002	3
Chance Trolleys	7	2000	5	Eldorado Vans	23	2004	1	Vans	177	2003	2
Orion VI 40'	32	2000	5					Vans	30	2004	1
Orion VI 40'	121	2001	4					Vans	29	2005	0
MCI 40'	8	2002	3								
NABI 40'	84	2003	2								
NABI 35'	98	2003	2								
Orion 40'	6	2004	1								
NABI	60	2005	0								
<b>Total</b>	<b>680</b>			<b>Total</b>	<b>364</b>			<b>Total</b>	<b>570</b>		
<b>Average Age</b>	<b>5.4 years</b>			<b>Average Age</b>	<b>3.2 years</b>			<b>Average</b>	<b>3.47 years</b>		

<b>Facilities</b>	
Park -N- Rides	8
Shelters	683
Transportation Centers	7
Transfer Facilities	2
Operating Garages	11

<b>Routes by Service</b>	
Regular	237
Subscription	2
Seasonal	9
<b>Total</b>	<b>248</b>

Source: Pace 2006 Operating and Capital Program  
Pace 2005 Planning Service Report

**PACE**  
**THE SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY**  
**BUDGETED FULL TIME EQUIVALENTS BY EMPLOYEE FUNCTION**  
**LAST TEN YEARS**

	<b><u>General</u></b> <b><u>Administration</u></b>	<b><u>Vehicle</u></b> <b><u>Operations</u></b>	<b><u>Vehicle</u></b> <b><u>Maintenance</u></b>	<b><u>Non-Vehicle</u></b> <b><u>Maintenance</u></b>	<b><u>Total</u></b>
1996	185	850	242	15	1,292
1997	185	851	241	19	1,296
1998	191	846	239	19	1,295
1999	195	859	235	21	1,310
2000	188	874	238	23	1,323
2001	181	895	241	23	1,340
2002	180	920	245	23	1,368
2003	189	954	248	23	1,414
2004	194	947	248	23	1,412
2005	194	946	249	23	1,412

Source: Pace Annual Budget Documents

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

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b><u>Vehicle Miles (000's)</u></b>										
Fixed Route	22,907	23,692	23,932	24,495	24,437	25,405	25,289	25,199	24,752	24,648
Paratransit	8,007	7,813	7,932	7,468	7,326	7,441	7,478	7,702	7,880	8,450
Vanpool	4,711	5,277	5,995	6,857	6,534	7,165	7,815	8,244	8,392	9,315
Total	35,625	36,782	37,859	38,820	38,297	40,011	40,582	41,145	41,024	42,413
<b><u>Cost Per Mile</u></b>										
Fixed Route	\$2.74	\$2.73	\$2.70	\$2.72	\$2.87	\$2.90	\$2.92	\$3.11	\$3.24	\$3.45
Paratransit	\$1.88	\$1.95	\$2.11	\$2.36	\$2.53	\$2.69	\$2.78	\$2.91	\$3.03	\$3.18
Vanpool	\$0.25	\$0.33	\$0.28	\$0.24	\$0.27	\$0.29	\$0.27	\$0.29	\$0.30	\$0.27
Total	\$2.96	\$2.95	\$2.93	\$2.93	\$3.16	\$3.18	\$3.22	\$3.38	\$3.59	\$3.80
<b><u>Cost Per Passenger</u></b>										
Fixed Route	\$1.79	\$1.84	\$1.82	\$1.78	\$1.94	\$2.14	\$2.29	\$2.53	\$2.55	\$2.52
Paratransit	\$9.26	\$9.62	\$10.41	\$11.10	\$11.98	\$13.48	\$14.24	\$15.50	\$15.77	\$17.01
Vanpool	\$1.22	\$1.55	\$1.51	\$1.36	\$1.65	\$1.85	\$1.79	\$1.90	\$1.80	\$1.63
Total	\$2.81	\$2.87	\$2.82	\$2.83	\$3.13	\$3.44	\$3.75	\$4.12	\$4.29	\$4.37
<b><u>Subsidy Per Trip</u></b>										
Fixed Route	\$1.02	\$1.03	\$1.01	\$1.01	\$1.11	\$1.16	\$1.26	\$1.51	\$1.56	\$1.56
Paratransit	\$6.25	\$6.23	\$6.80	\$7.27	\$7.76	\$8.46	\$8.86	\$9.73	\$9.72	\$10.23
Vanpool	(\$0.07)	\$0.24	\$0.03	(\$0.07)	\$0.01	\$0.01	(\$0.08)	(\$0.04)	\$0.02	(\$0.14)
Total	\$1.80	\$1.79	\$1.74	\$1.78	\$1.89	\$2.04	\$2.29	\$2.56	\$2.78	\$2.87

Note 1: Total Vehicle Miles = Sum of all miles operated by passenger vehicles, including mileage when no passengers are carried  
 Cost Per Mile = Operating expenses divided by vehicle miles for a particular function or in total  
 Cost Per Passenger = Operating expense divided by ridership for a particular program or in total  
 Subsidy Per Trip = Operating expense less operating revenue divided by ridership