

PACE
THE SUBURBAN BUS DIVISION OF
THE REGIONAL
TRANSPORTATION AUTHORITY
SINGLE AUDIT REPORT
December 31, 2005

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December 31, 2005

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

and

To the Board of Directors
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 basic financial statements of Pace, the Suburban Bus Division of the Regional Transportation Authority ("Pace") as of and for the year ended December 31, 2005, and have issued our report thereon dated April 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

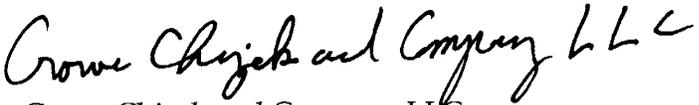
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pace's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pace's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, General Assembly, the Legislative Audit Commission, the Governor, the Finance/Audit Committee, and management of Pace and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Chizek and Company LLC

Oak Brook, Illinois
April 12, 2006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable William G. Holland
Auditor General
State of Illinois

and

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

Compliance

As Special Assistant Auditors for the Auditor General, we have audited the compliance of Pace, the Suburban Bus Division of the Regional Transportation Authority ("Pace") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Pace's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pace's management. Our responsibility is to express an opinion on Pace's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pace's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pace's compliance with those requirements.

In our opinion, Pace complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Pace is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pace's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Expenditures of Awards

We have audited the basic financial statements of Pace as of and for the year ended December 31, 2005, and have issued our report thereon dated April 12, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, General Assembly, the Legislative Audit Commission, the Governor, the Finance/Audit Committee, and management of Pace and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Chizek and Company LLC

Oak Brook, Illinois
April 12, 2006

PACE
THE SUBURBAN BUS DIVISION OF
THE REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	2005 Federal Expenditures
Federal Transit Administration (FTA)			
Direct Programs			
FTA 1994 Section 5307	20.507	IL-90-X260	\$ 22,915
FTA 1995 Section 5307	20.507	IL-90-X279	39,454
FTA 1996 Section 5307	20.507	IL-90-X303	66,728
FTA 1998 Section 5307	20.507	IL-90-X325	231,892
FTA 1998 Section 5307	20.507	IL-90-X345	228,742
FTA 1999 Section 5307	20.507	IL-90-X360	892,789
FTA 2000 Section 5307	20.507	IL-90-X379	4,320
FTA 2001 CMAQ	20.507	IL-90-X401	163,059
FTA 2001 Section 5307	20.507	IL-90-X404	1,853,418
FTA 2002 Section 5307	20.507	IL-90-X419	8,984,749
FTA 2002 Section 5307	20.507	IL-90-X420	217,464
FTA 2002 Emergency Prep.	20.507	IL-90-X003	18,612
FTA 2003 JARC	20.507	IL-90-X014	59,829
FTA 2003 CMAQ	20.507	IL-90-X452	3,385,692
FTA 2003 Section 2307	20.507	IL-90-X455	2,766,719
FTA 2004 Section 5307	20.507	IL-90-X484	870,263
FTA 2005 Section 5307	20.507	IL-90-X506	<u>24,778,374</u>
Subtotal Direct Programs			\$ 44,585,019
FTA and RTA Technical Studies Grant:			
2003 Unified Work Program	20.505	IL-08-0011	\$ 18,358
2004 Unified Work Program	20.505	IL-08-0012	109,039
2005 Unified Work Program	20.505	IL-08-0013	<u>59,509</u>
Total FTA and RTA Technical Studies Grant:			\$ 186,906

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	2005 Federal Expenditures
Pass through from State of Illinois			
U.S. Department of Homeland Security:			
State Domestic Preparedness Equipment Support Program	97.004	497-49405-1900-0024	\$ 33,782
U.S. Department of Transportation:			
Congestion, Mitigation, & Air Quality (CMAQ)	20.205	CMM-000S(391)	_____ 76,217
Total Expenditures of Federal Awards			<u>\$ 44,881,924</u>

PACE
THE SUBURBAN BUS DIVISION OF
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NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

December 31, 2005

1. Significant Accounting Policies

(a) Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of Pace for the period ended December 31, 2005.

(b) Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the full accrual basis of accounting.

PACE
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

- (1) Summary of Auditors' Results
- (a) The type of report issued on the financial statements: **Unqualified Opinion**
 - (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported** Material weaknesses: **No**
 - (c) Noncompliance which is material to the financial statements: **No**
 - (d) Reportable conditions in internal control over major programs: **None reported**
Material weaknesses: **No**
 - (e) The type of report issued on compliance for major programs: **Unqualified Opinion**
 - (f) Any audit findings which are required to be reported under section. 510(a) of *OMB Circular A-133*: **No**
 - (g) Major programs:

Federal Transit Cluster	20.507
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 - (h) Dollar threshold used to distinguish between Type A and Type B programs:
\$1,346,458
 - (i) Auditee qualified as a low-risk auditee under section .503 of *OMB circular A-133*:
Yes
- (2) Findings related to the financial statements in accordance with *Government Auditing Standards*: **None**
- (3) Findings and Questioned Costs relating to Federal Awards: **None**
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PACE
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2005

Condition Found: No conditions found in Single Audit Report dated December 31, 2004