MOVING BEYOND CONGESTION

WHERE THERE IS A WILL, THERE IS A WAY FORWARD.

RTA Annual Report 2006

"MOBILITY IS THE ECONOMIC ENGINE OF OUR REGION: IF OUR TRUCKS ARE STUCK ON THE HIGHWAYS, OUR COMPANIES ARE NOT MAKING MONEY."

Jerry Roper
President
Chicagoland Chamber of Commerce

"IF CURRENT BUS AND TRAIN SERVICES WERE SLICED BY 25%, TENS OF THOUSANDS MORE CARS WOULD OVERWHELM THE ROADS."

MarySue Barrett
President
Metropolitan Planning Council

SUPPORT FOR

"IF WE REALLY WANT A WORLD-CLASS TRANSIT SYSTEM, THEN WE'RE GOING TO HAVE TO MAKE THE INVESTMENTS."

Rep. Julie Hamos
(D-Evanston) Chair
Illinois House Mass Transit Committee

"PUBLIC TRANSPORTATION HAS NEVER BEEN MORE IMPORTANT THAN IT IS RIGHT NOW. QUITE SIMPLY, THERE IS NO GLOBAL WARMING SOLUTION WITHOUT A TRANSPORTATION SOLUTION."

Amanda Espitia
Executive Director
Illinois League of Conservation Voters

“THE NEEDS ARE REAL, THE PROBLEMS ARE REAL.”

William Holland
Illinois Auditor General

TRANSIT GROWS

Since the kickoff of the Moving Beyond Congestion strategic plan in July 2006, support has grown for an investment in our region’s transit system.

Realizing how important transit is to northeastern Illinois, more than 700 organizations, businesses, municipalities, community groups, labor and educational organizations as well as more than 15,000 individuals have joined as Partners for Transit to voice their support for a plan to maintain, enhance and expand our transit system. And the support continues to grow.

“THERE’S NO QUESTION THAT THERE WOULD BE A STEEP DEGRADATION OF SERVICE WITHOUT FUNDING.”

Joe DiJohn
Research Professor at the University of Illinois at Chicago’s Urban Transportation Center

OUR TRANSIT SYSTEM AT A CROSSROADS

2007 IS THE YEAR OF DECISION: NORTHEASTERN ILLINOIS' REGIONAL TRANSIT SYSTEM REPRESENTS ONE OF OUR MOST IMPORTANT PUBLIC ASSETS, VALUED AT OVER $27 BILLION AND GENERATING AN ANNUAL ECONOMIC IMPACT OF MORE THAN $12 BILLION.

The title of the RTA's 2005 annual report was "What's Next?" One year later, after the RTA conducted a rigorous strategic planning project beginning last July with the CTA, Metra and Pace, this question still remains unanswered regarding a solution to the pending funding crisis.

While our transit system currently provides two million rides daily throughout our six-county region, our future vision to achieve a world-class transit system is considerably less certain. As the Illinois Auditor General William Holland confirmed in his March 2007 audit of the RTA, CTA, Metra and Pace, public transit agencies are facing a financial crisis because of inadequate funding. This has forced us to use capital dollars to fund operations and to defer critically needed repairs and service expansion. The result is slow zones, rail cars and buses that have exceeded their useful lives, crumbling bridges and viaducts, and outmoded electrical and communications systems. Due to this funding shortfall, we have no choice but to reduce transit service, increase fares and continue diverting capital dollars to operations if additional funding for transit is not secured.

In partnership with the service boards, we announced our 30-year plan, Moving Beyond Congestion (MBC), in February 2007 to provide a blueprint for investing in public transit and to help make the case for more funding to maintain, enhance and expand our system. The plan is supported by more than 700 business, labor, education, government and planning groups called Partners for Transit and 15,000 residents throughout northeastern Illinois. For a region as strong and vibrant as ours, MBC offers Illinois a visionary and responsible plan to reduce traffic, improve air quality and enable workers, visitors, seniors, students and people with disabilities a safe, convenient and affordable way to move around.

MBC will bring the entire system towards a state of good repair and offer new transit service to growing suburbs and changing urban neighborhoods. It will help us meet new transportation needs, including reverse commuting and suburb-to-suburb travel. MBC is also key to attracting major international events like the 2016 Olympics by demonstrating our capacity to not only work and plan together but also our willingness to invest in our future.

By the time you read this, state lawmakers may have taken action to fund public transit. If not, we will be forced to dramatically scale back our plans. We hope that will not be necessary. In any case, we want to thank you for your support of public transportation. We encourage you to stay involved with us as we translate our bold plans into action to ensure a better quality of life, cleaner air and economic vitality. Where there's a will, there's a way forward.

Sincerely,

Jim

Jim Reilly, Chairman
Regional Transportation Authority

MOVING BEYOND CONGESTION

INVESTING IN TRANSIT STRENGTHENS OUR ECONOMY AND OUR QUALITY OF LIFE

Public transit is essential for our ability to compete in a global economy, our quality of life, our environment and to maintain mobility throughout the region.

Public transportation provides an important link between employers and their staff. It reduces pollution and reduces the use of oil. It cuts travel times and reduces traffic congestion. For people who do not drive, transit is a lifeline, enabling them to get around safely, conveniently and affordably. Are we prepared to make the needed investments to create jobs, reduce traffic, cut pollution and significantly improve our quality of life?

That's the question facing Illinois today as the CTA, Metra and Pace face rising costs on an aging system that provides two million rides every day. The Regional Transportation Authority helps these three public transit agencies plan together, balance their budgets, raise revenues and coordinate activities. This comprehensive strategic plan contains a five-year proposal that clearly describes the investments in transit that we must make in order to remain a strong and growing region.

THE CHALLENGE: an underfunded, aging system in a changing market

Our transit system includes more than 3,800 buses and vans and 2,300 train cars serving Chicago and hundreds of suburbs spread across six counties. Some parts of the system are newer and they work well. Other parts of the system are more than a century old and are in need of a major overhaul. Some of the busiest train and bus lines are so crowded during rush hour that people cannot board.

Many of our buses, trains and passenger vans are well past their useful life, leading to frequent breakdowns. At the same time, we have added needed new service in growing suburban communities and new transit options including ones for people with disabilities and senior citizens. Looking to the future, we want to enable people to transfer seamlessly between Metra, Pace and the CTA.

Jim Reilly, RTA Chairman, speaks at the Moving Beyond Congestion kickoff in July 2006, joined by Partners for Transit at Union Station.

NOW CONSIDER THESE FACTS:

Despite adding service, while the costs of fuel, security and employee health care and benefits have risen, the RTA and Service Boards have held operating expenses constant since 1986 (when controlling for inflation). The State of Illinois has historically supported public transit with hundreds of millions of dollars each year in capital funding.

No such funding has been provided since 2004. The challenge is made more complex because the agencies have been forced to divert limited capital dollars to help pay for operations. The 2007 budget contains a $226 million shortfall. Over the next five years, approximately $400 million more in annual operating funds are needed to keep our trains and buses running on time and address the growing demand for transit.

The region must invest an additional $10 billion in the next five years to replace older trains and buses, add service where it is critically needed and plan and design a transit system worthy of our reputation as one of the great metropolitan regions of the world. Over the next 30 years, $57 billion must be invested throughout the region in order to create the public transit system northeastern Illinois really wants and needs to meet population projections, development patterns, travel demands and air quality goals.

OUR FIVE-YEAR INVESTMENT LAYS THE FOUNDATION FOR THE FUTURE

Numbers like these are overwhelming until you see what is behind them, so here's what the five-year plan means for you. We divide our capital investments into three categories:

MAINTAIN– Repairs and upgrades that keep our existing systems in good working order so that there are fewer delays and other problems.

ENHANCE– Fewer capital-intensive projects, such as adding reverse commute options and suburb-to-suburb connections.

EXPAND– New train and bus routes requiring major investments that will be completed in the near future.

Maintain $7.3 billion:
The vast majority of funds in the program are dedicated to repairing and upgrading our current system.

ROLLING STOCK– To modernize the fleet, funds are needed to replace aging trains, buses and vans that are beyond their useful life.

TRACK AND STRUCTURE– Train tracks, railroad ties, bridges and viaducts need repairs. Metra has 1,200 miles of track and 800 bridges; CTA has hundreds of miles of track – above ground and below ground as well as over 100 bridges or viaducts. To speed travel times and avoid slow zones, we need to invest in order to fix rails and ties, bridges and structure and repairing signals, electrical systems and communications.

PASSENGER AND SUPPORT FACILITIES AND EQUIPMENT– Significant funds are needed to improve train stations and parking lots serving riders, as well as repair facilities for trains and buses both in the city and the suburbs.

Enhance $1.1 billion:
As the travel market changes, so do the demands on the system, warranting over $1 billion in added service throughout the system.

OFF-PEAK AND WEEKEND SERVICE– While the weekday commuter is the biggest segment of the market, more and more people are using transit outside the rush hours and all three agencies are under pressure to serve this growing demand.

FASTER SERVICE AND MORE SEATS– Both commuters and non-commuters want faster service, less crowding and more seats and that requires more drivers and more buses and trains.

Vans and vanpools are an increasingly popular public transit option for people with disabilities, seniors, and people living in low-density communities. Demand rose 22% since 1980 and will climb higher as baby boomers retire.

MORE REVERSE COMMUTING OPTIONS– One look at outbound highways in the morning shows growth in reverse commuting. Service options include shuttle buses from suburban train hubs to job centers and express bus routes.

SUBURB-TO-SUBURB– With six of the top 10 cities in the state located in the collar counties, inter-suburban travel is on the rise. Pace is looking at new services to meet this growing market.

PASSENGER EFFICIENCIES– Providing better customer information, easier transfers between trains and buses, coordinated schedules and better pedestrian connections are among a broad range of improvements.

Expand $1.6 billion:
Eleven major suburban and city projects are currently in the planning or design phase, 15 more in the proposal phase, and another two dozen projects have been suggested by various transit advocates and community leaders. Together these projects represent a solid return on our investments because local funds are often matched with federal dollars, making our money go further. These projects offer a bold and exciting vision for public transit in the coming decades.

FUNDING:
the wisdom and the will to invest

Capital: Billions in federal dollars are available each year for public transit projects. State and local governments must compete for these dollars by providing matching funds. The State of Illinois has provided no capital funds for transit since 2004. The strategic plan has identified a need for $10 billion in new capital funding over the next five years.

Operating: The RTA has also identified a need for $400 million in new operating funds annually for the next five years to improve current services and meet new demand.

CONCLUSION:
our future is at stake

We are engaged in an open, honest and vigorous debate on the subject of transit investments and funding. We encourage everyone who cares about our quality of life, our economy and our long-term health to continue to participate. We live, work and play in a highly mobile society. If we want it to grow and meet our future needs, now is the time to invest in public transit.

From the central city to the farthest suburbs, the Chicago region is poised for growth. At the heart of this vision is a modern, efficient public transit system that will leverage our economic assets and improve our quality of life.

THE REGIONAL TRANSPORTATION AUTHORITY

The Regional Transportation Authority (RTA) is the fiscal oversight, funding and planning agency for the transit Service Boards including the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail and Pace suburban bus and paratransit. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties in northeastern Illinois. The RTA is a special-purpose unit of local government and a municipal corporation of the State of Illinois. From the time of its creation, the RTA's mission has been to ensure financially sound, comprehensive and coordinated public transportation for northeastern Illinois.

The CTA, Metra and Pace handle their respective transit operations and fare responsibilities. Each is led by a Board of Directors that determines levels of service, fares and operational policies. The RTA's oversight responsibility is guided by the RTA's Board of Directors, which approves an annual budget and two-year financial plan. The Board consists of 12 members and a chairman appointed from the six-county region. The RTA Board also is required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the RTA and executed by the CTA, Metra and Pace.

The RTA is the second largest public transportation system in North America as measured by unlinked passenger trips, with more than two million rides daily. The combined assets of the RTA system are valued at more than $27 billion and include 4,800 bus and rail cars plus 600 vanpool vehicles. The system covers 7,200 route miles in the six-county region that currently has a population of approximately eight million people.

THE CHICAGO TRANSIT AUTHORITY

The Chicago Transit Authority (CTA) was created by the Illinois General Assembly in 1945 and began operations in 1947. It became the sole operator of Chicago transit in 1952 when it purchased the Chicago Motor Coach System. The CTA is the region's largest transit operator, providing service on 154 bus routes and eight rapid transit routes.

The CTA operates the second largest public transportation system in the U.S. Average weekday ridership on its bus and rail system is 1.6 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs. Bus operations provide 2,106 buses traveling over 154 routes covering 2,529 miles, with approximately 11,846 bus stops. Rail service on eight routes has 1,190 train cars traveling over 288 miles of track. The CTA is governed by the seven-member Chicago Transit Board.

METRA

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra (the commuter rail division) is responsible for the day-to-day operations of the region's commuter rail system including fare and service levels, capital improvements, finances, passenger services, safety and systems planning. The Metra rail system comprises 11 separate lines running north, west and south of Chicago. The system extends 565 route-miles to the limits of the six-county area and serves 237 local rail stations in more than 100 communities. Metra provides commuter rail service with an average weekday ridership of 310,800.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with the two largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner providing service between Chicago and South Bend, Indiana. Metra's hub in downtown Chicago has four terminals that feed service to all of Metra's 11 lines. Today, approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra. Metra is governed by a seven-member Board of Directors.

PACE

Pace was formed in 1983 as part of the reorganization of the RTA and began service in 1984. Last July, Pace assumed operating responsibility for all para-transit service in the RTA region.

Pace's mission is to provide efficient, well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility supplies line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information and travel demand. Achieving this mission will also require the continued restructuring of Pace's current fixed-route service.

Pace's suburban service area measures 3,446 square miles. The suburban area is divided among the six counties and incorporates 270 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Pace service includes approximately 160 regular routes, 55 feeder routes, 630 vanpool vehicles, 365 Pace-owned Dial-A-Ride para-transit vehicles, and various subscription, seasonal and shuttle routes.

Pace is governed by a 12-member Board of Directors made up of current and former village presidents and mayors.

RTA BOARD OF DIRECTORS

Jim Reilly
CHAIRMAN

Carole L. Brown
CHICAGO TRANSIT AUTHORITY

Willam R. Coulson
SUBURBAN COOK COUNTY

Patrick J. Durante
DUPAGE COUNTY

Armando Gomez, Sr.
CITY OF CHICAGO

Dwight A. Magalis
KANE, LAKE, MCHENRY AND WILL COUNTIES

Fred T. L. Norris
KANE, LAKE, MCHENRY AND WILL COUNTIES

Michael Rosenberg
CITY OF CHICAGO

Patrick V. Riley, Jr.
SUBURBAN COOK COUNTY

Judy Baar Topinka
SUBURBAN COOK COUNTY

Douglas M. Troiani
SUBURBAN COOK COUNTY

Rev. Addie L. Wyatt
CITY OF CHICAGO

RTA EXECUTIVE DIRECTOR

Stephen E. Schlickman

gton Heights Park District Associated General Contractors of Illinois Association for Individual Development Association of Cuban Journalists in Exile Associations for Council
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FINANCIALS FOR CALENDAR YEAR 2006

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Board of Directors
Regional Transportation Authority
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604

I have the pleasure to submit to you the Combining Financial Statements Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the year ending December 31, 2006. This Report fulfills the requirements of section 4.05 of the RTA Act. This Report represents the operations of our transit system in the aggregate and not as individual components. It shows the magnitude of the resources on hand and in use for public transportation in the northeastern Illinois region. The RTA's independent accountants have compiled the Combining Financial Statements Report. They have not subjected these statements to audit. The audited financial statements of each individual organization are available upon request. As always, the RTA staff acknowledges the commitment by the RTA Board and the Service Boards to fiscal responsibility, to ensure financially sound public transportation in northeastern Illinois.

Joseph G. Costello
Senior Deputy Executive Director
Finance & Administration
Regional Transportation Authority

June 15, 2007

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying special-purpose combining financial statements of the Regional Transportation Authority and Service Boards as of December 31, 2006, and for the year then ended, and the supplementary and statistical information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information that is the representation of management in the form of financial statements and supplementary and statistical information. We have not audited or reviewed the accompanying special-purpose combining financial statements and supplementary and statistical information and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying special-purpose financial statements and supplementary and statistical information were prepared for the purpose of complying with the statutory requirement of the Regional Transportation Authority Act as described in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Schaumburg, Illinois

June 15, 2007

December 31, 2006

(in thousands)	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
ASSETS							
Current Assets							
Cash and Investments							
Restricted—cash and cash equivalents	$	$	$	$ 20,264	$	$	$ 20,264
Unrestricted—cash and cash equivalents	14,058	27,736	84,781	295			126,870
Restricted—investments	129,428						129,428
Unrestricted—investments	458,937	10,914					469,851
Unamortized bond issue costs	579						579
Receivables							
Intergovernmental receivables	150,694				1,959		152,653
Grant projects		8,913	33,304	9,081		16,460	34,838
RTA financial assistance		144,507	46,459	40,182		69,918	161,230
Other carriers			1,397				1,397
Other receivables		143,879	10,118	5,674		1,000	158,672
Interest on investments	1,028						1,028
Materials and supplies		77,516	12,433	5,000			94,949
Prepaid expenses	6,670	5,126	1,402	807			14,005
Amount due under sale/leaseback				25,876			25,876
Total current assets	761,394	418,591	189,895	107,179	1,959	87,378	1,391,639
Fixed Assets							
Plant, property and equipment	11,428	6,908,803	4,926,149	411,433			12,257,813
Capital projects in progress			14,587	15,818			30,405
Less accumulated depreciation	(2,979)	(3,706,632)	(2,219,545)	(233,919)			(6,163,075)
Total fixed assets	8,449	3,202,171	2,721,191	193,332			6,125,143
Other Assets							
Unamortized bond issue costs	12,646	7,916					20,562
Investment relating to employee pension benefits plan		8,185					8,185
Restricted assets		506,904					506,904
Amount due under sale/leaseback		1,683,505	283,420	74,140			2,041,065
Total other assets	12,646	2,206,510	283,420	74,140			2,576,716
Total Assets	$ 782,489	$ 5,827,272	$ 3,194,506	$ 374,651	$ 1,959	$ 87,378	$ 10,093,499

(Continued)

December 31, 2006

		SERVICE BOARDS			COMBINING ADJUSTMENTS		
(in thousands)	RTA GOVERNMENT-WIDE FUNDS	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION	DEBIT	CREDIT	TOTAL COMBINED
LIABILITIES							
Current Liabilities							
Vouchers payable	$ 5	$ 123,719	$ 60,825	$ 10,970	$	$	$ 195,519
Accrued interest payable		3,458					3,458
Intergovernmental payables	86,377				86,377		
Due to other funds	892					1,959	2,851
Current portion of general obligation bonds payable	59,135	18,410					77,545
Current portion of unamortized bond premium	5,702						5,702
Other Current Liabilities							
Accrued other expenses	7,878	98,925	33,476	25,650	1,000		164,929
Unrealized revenue, capital grant		23,201					23,201
Deferred revenue, assistance and other	7,418	62,888	8,230	811			79,347
Capital lease obligation		107,226	17,193	25,876			150,295
Claims liability		63,411	12,756	9,315			85,482
Total current liabilities	167,407	501,238	132,480	72,622	87,377	1,959	788,328
Long-Term Liabilities							
General obligation bonds payable	2,292,260	488,885					2,781,145
Claims liability		102,432	20,303	13,755			136,490
Accrued interest payable	32,157						32,157
Capital lease obligation		1,634,602	266,227	74,140			1,974,969
Premium on capital lease payable		6,062					6,062
Deferred revenue	50,712	41,497					92,209
Accrued pension cost		1,263,394					1,263,394
Unamortized bond premium	130,906	41,060					171,966
Deferred rent	1,665						1,665
Other long-term liabilities		4,579		6,882			11,461
Total long-term liabilities	2,507,700	3,582,511	286,529	94,777			6,471,517
Total liabilities	2,675,107	4,083,749	419,009	167,399	87,377	1,959	7,259,846
NET ASSETS (DEFICIT)							
Invested in capital assets	8,449	2,933,473	2,721,191	193,332			5,856,445
Retained earnings			54,306				54,306
Payment on obligations and others		70,214					70,214
Accumulated unrestricted (deficit)	(1,901,067)	(1,260,164)		13,920	1,017,940	1,017,940	(3,147,311)
Total Net Assets (Deficit)	$ (1,892,618)	$ 1,743,523	$ 2,775,497	$ 207,252	$ 1,017,940	$ 1,017,940	$ 2,833,653

See notes to special-purpose combining financial statements and independent accountants' compilation report.

Year Ended December 31, 2006

		SERVICE BOARDS			COMBINING ADJUSTMENTS		
(in thousands)	RTA GOVERNMENT-WIDE FUNDS	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION	DEBIT	CREDIT	TOTAL COMBINED
REVENUES							
Service Boards operating revenues	$	$ 493,023	$ 275,274	$ 55,430	$ 1,013	$	$ 822,714
Sales taxes	112,024					634,804	746,828
Interest on sales taxes	317						317
Public Transportation Fund	186,136						186,136
Operating Assistance—CTA & Pace	54,252						54,252
State assistance	112,743						112,743
Investment income	36,920						36,920
Program revenues and others	4,172						4,172
Total revenues	506,564	493,023	275,274	55,430	1,013	634,804	1,964,082
EXPENSES							
Operating expenses		1,344,133	524,916	199,218		751	2,067,516
Depreciation		376,910	205,552	30,290			612,752
Financial Assistance to Service Boards	162,434					162,434	
Operating grant—CTA & Pace	54,252					54,252	
Capital grants—discretionary	26,731					26,731	
Capital grants—bonds	138,706					138,706	
Insurance (JSIF)	5,566						5,566
Administrative expenses	7,561						7,561
Regional expenses	20,674					262	20,412
Technology program	1,890						1,890
Bond-related expenses	122,790						122,790
Total expenses	540,604	1,721,043	730,468	229,508		383,136	2,838,487
Operating Loss	(34,040)	(1,228,020)	(455,194)	(174,078)	1,013	1,017,940	(874,405)
NONOPERATING REVENUE (EXPENSE)							
RTA financial assistance		524,056	256,301	98,500	851,491		27,366
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		118,559	18,239	6,344			143,142
Interest expense on leasing transactions		(113,753)	(18,239)	(6,344)			(138,336)
Interest expense on bond transactions		(14,557)					(14,557)
Other public funding		47,747	193,223	39,557			280,527
Capital grants		522,040	72,909	35,337	165,436		464,850
Investment income		36,079		1,602			37,681
Gain on sale of assets		28					28
Total nonoperating revenue (expense)		1,124,461	522,433	174,996	1,016,927		804,963
Changes In Net Assets	(34,040)	(103,559)	67,239	918	1,017,940	1,017,940	(69,442)
NET ASSETS (DEFICIT)							
Beginning of year	(1,858,578)	1,847,082	2,708,258	206,332			2,903,094
End of year	$ (1,892,618)	$ 1,743,523	$ 2,775,497	$ 207,252	$ 1,017,940	$ 1,017,940	$ 2,833,653

See notes to special-purpose combining financial statements and independent accountants' compilation report.

Year Ended December 31, 2006

(in thousands)	RTA JOINT SELF-INSURANCE FUND	SERVICE BOARDS CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS COMMUTER RAIL DIVISION	SERVICE BOARDS SUBURBAN BUS DIVISION	TOTAL COMBINED
CASH FLOWS FROM OPERATING ACTIVITIES					
Fares received from passengers	$	$ 468,319	$ 217,611	$ 48,559	$ 734,489
Payments to employees		(798,078)	(223,682)	(75,311)	(1,097,071)
Payments to vendors	(3,898)	(293,570)	(274,260)	(111,575)	(683,303)
Other receipts and payments		19,616	35,003	5,646	60,265
Net cash from operating activities	(3,898)	(603,713)	(245,328)	(132,681)	(985,620)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Financial assistance—operating		548,664	318,382	124,301	991,348
Net cash from non-capital financing activities		548,664	318,382	124,301	991,348
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest income from assets restricted for payment of leasehold obligations		118,559			118,559
Repayment of lease/leaseback obligations		(84,822)			(84,822)
Increase in assets restricted for payment of leasehold obligations		(33,737)		4,073	(29,664)
Payments of capital lease obligations		(22,583)		(4,073)	(26,656)
Financial assistance—grant projects		503,832	208,186	25,230	737,248
Proceeds from the sale of property and equipment		1,537			1,537
Bond Proceeds (net)		167,806			167,806
Payments for capital acquisition		(553,908)	(246,390)	(27,941)	(828,240)
Net cash from capital and related financing activities		96,684	(38,204)	(2,712)	55,768
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in Investment					
Investment income	1,341	36,079	3,754	1,662	42,836
Sales and purchases of investments, net	(599)	(95,674)			(96,273)
Net cash from investing activities	742	(59,595)	3,754	1,662	(53,437)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,156)	(17,960)	38,604	(9,430)	8,058
Cash And Cash Equivalents—Beginning of year	17,214	45,696	46,177	29,988	139,075
Cash And Cash Equivalents—End of year	$ 14,058	$ 27,736	$ 84,781	$ 20,559	$ 147,134
RECONCILIATION OF OPERATING ACTIVITIES					
Net loss from operations	$ (5,566)	$ (1,228,020)	$ (455,194)	$ (174,077)	$ (1,862,858)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation		376,910	205,552	30,290	612,752
Claims provision and settlement			831		831
State reduced fare assistance			(3,778)		(3,778)
Interest and dividends received			(3,754)		(3,754)
Changes in current assets and liabilities	1,668	247,397	11,014	11,107	271,187
Net Cash Flows from Operating Activities	$ (3,898)	$ (603,713)	$ (245,328)	$ (132,681)	$ (985,620)

See notes to special-purpose combining financial statements and independent accountants' compilation report.

1. BASIS OF ACCOUNTING

The accompanying special purpose combining financial statements are presented as required by the Regional Transportation Authority (RTA) Act (Act) and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America. The special purpose combining financial statements are not in accordance with accounting principles generally accepted in the United States of America primarily due to the RTA and Service Boards using different bases of accounting and due to the omission of significant disclosures. The RTA and each individual Service Board receive a separate audit of their financial statements in accordance with accounting principles generally accepted in the United States of America. These individual statements describe the basis of accounting for each entity and contain the omitted disclosures.

Intergovernmental receivables, payables, revenues, expenses, and expenditures have been eliminated in the Combining Adjustments columns; however, there are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these combining financial statements, such differences are recorded as combining adjustments to net assets.

The columns presenting the combined balances for the RTA and Service Boards are statutorily required and do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

2. ORGANIZATIONAL STRUCTURE

RTA

The RTA was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois Region (Region). The operating responsibilities of the RTA are set forth in the Act. The RTA is a unit of local government, body politic, political subdivision, and municipal corporation of the State of Illinois. As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority (CTA) and two operating divisions of the RTA: the Commuter Rail Division (Metra) and the Suburban Bus Division (Pace), each having its own independent board. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Act sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA system as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA is responsible for monitoring the budgets and financial performance of the Service Boards.

CTA

The CTA was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The Chicago City Council has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

Metra

The Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC), a public corporation, was established in 1980 to serve as the RTA's commuter rail service. The RTA Act, as amended effective November 9, 1983, established the Commuter Rail Division (CRD) to operate commuter rail transportation services. Both the NIRCRC and the CRD act under the registered service mark known as "Metra."

Metra has the responsibility for policy making with respect to actual day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for its operations. Metra is responsible for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application, and administration activities. Metra is directly responsible for the operation and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and Metra Southwest Service commuter lines.

Metra also provides commuter rail service under Purchase of Service Agreements (PSA) with Union Pacific Railroad, Burlington Northern Santa Fe Railway Company, and Northern Indiana Commuter Transportation District. Under these agreements, Metra funds the commuter-related operating deficits (as defined) or is entitled to receive the commuter-related operating surpluses (as defined) of these carriers. In addition, Metra provides certain direct expenses such as fuel and insurance coverage considered to be "in-kind assistance." The title to the roadway and structure assets of the PSA carriers, other than capital improvements funded by federal and state agencies, the RTA, and Metra, is vested with the carriers. Accordingly, such assets are not reflected in these financial statements.

Pace

The RTA Act, as amended effective November 9, 1983, established the Suburban Bus Division (Pace) to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry, and Will. The independent operations of Pace commenced on July 1, 1984.

Pace determines the level, nature, and kind of public transportation services that should be provided in the suburban region. Pace operates suburban bus services using stock, structures, and equipment purchased through capital grants funded by federal and state agencies and the RTA.

Reporting Periods

The RTA, CTA, Metra and Pace (the Combined Entities) all report on a calendar-year basis. All statements enclosed herewith are based on each entity's December 31, 2006 year-end.

3. REPORTING ENTITY

The RTA and each of the Service Boards have adopted the provisions of the Governmental Accounting Standards Board's Statement No. 14 (Statement No. 14), *The Financial Reporting Entity.*

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

In arriving at this conclusion, the following factors were considered:

- The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters including: ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors, who is also an RTA Board member.
- The Illinois statutes require the RTA Board to approve the budgets of the Service Boards, if such budgets meet specified system-generated revenue recovery ratios and other requirements as defined by the Act.
- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficit.

Accordingly, financial statements for the Service Boards are not included or combined with the RTA's financial statements under Statement No. 14. They are combined, however, in these Combining Financial Statements. Section 4.05 of the RTA Act requires that the RTA prepare a report combining "the audits of the Service Boards, and reviewing the state of the Authority, the Service Boards, and the public transportation agencies."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Combined Entities conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting

The RTA maintains records using a fund accounting model consisting of a General Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund (Business-Type Activities), Agency Fund, and Pension Trust Fund. All Governmental Funds and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund and the Pension Trust Fund are accounted for using the accrual method of accounting. For the purpose of these combining financial statements, all RTA funds have been combined.

The Service Boards are accounted for on a Proprietary Fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these combining financial statements, the individual Service Board financial statements are combined with those of the RTA.

Cash and Cash Equivalents

All investments of the Combined Entities are recorded at fair market value, except short-term investments which are reported at cost or amortized cost that reasonably approximates fair market value.

For the purposes of the combining statements of cash flows, the Combined Entities consider all investments with original maturities of three months or less to be cash equivalents. Such amounts are included in the "Cash and Cash Equivalents" line items on the accompanying balance sheet.

Fixed Assets

All fixed assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in fixed assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of fixed asset. These useful lives range from more than one year to forty years.

Materials and Supplies

Each Service Board records its inventory at the lower of cost or market. The CTA and Metra use the average-cost method and Pace uses the first-in/first-out method to determine cost.

Compensated Absences

All four entities have recorded liabilities for vested vacation time in the year the time was earned. The entities account for compensated absences under GASB Statement No. 16, *Accounting for Compensated Absences*, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability.

Revenues

The Combined Entities have five principal sources of revenue and other financial sources: (1) farebox revenue; (2) retailers' occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Taxes); (3) funds appropriated to the RTA by statute through the state's Public Transportation Fund (PTF) established under the RTA Act; (4) state or federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the RTA Act; and (5) investment income and other miscellaneous revenue.

Farebox Revenue

A major source of revenue to the Service Boards is fares collected from riders. Each Service Board has its own fare structure and method for collection of fares. Farebox revenue is recognized when fares paid are initially valid for transportation services.

Sales Tax

Sections 4.03 and 4.03.1 of the RTA Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

The Act authorizes the RTA to impose a Retailers' Occupation Tax (ROT), a Service Occupation Tax (SOT) and a Use Tax (UT). The RTA imposed this tax at the maximum rate in 1979. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 0.75% in Cook County and 0.25% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result the RTA tax on food and drugs is imposed at a rate of 1% throughout the six-county area.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate is identical to the ROT. The tax base is identical to the State service occupation tax base.

The UT is imposed on persons living in the six-county area for the privilege of using a vehicle purchased outside the six-county area that must be registered with the State. Unlike the State Use Tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed those portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State but registered or titled with a state agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the Replacement Fund). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a state agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the Reform Fund). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

SERVICE BOARD	COLLECTED WITHIN CHICAGO	COLLECTED WITHIN COOK COUNTY OUTSIDE CHICAGO	COLLECTED IN DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES
CTA	100%	30%	
Metra		55%	70%
Pace		15%	30%

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

Public Transportation Fund

In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the Public Transportation Fund (PTF), an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2007 fiscal year, which will end on June 30, 2007.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement

In the State's fiscal year 2006, which ended June 30, 2006, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation (IDOT) is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2006 and June 30, 2007, the grants were in the amount of $37 million each. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance

The State has authorized Additional State Assistance (ASA), which is supplemental financing for the RTA's Strategic Capital Improvement Program (SCIP) bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA recognized $40 million of ASA in 2006.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance (AFA) to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million and $100 million in the State's fiscal year 2006 and 2007, respectively. The RTA recognized $73 million of AFA in 2006.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Management's Use of Estimates

The preparation of financial statements in conformity with the Act requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. BUDGET AND BUDGETARY ACCOUNTING

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States, except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year; and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to the Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax Agency Fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There was one budget amendment to the 2006 budget. The amendment (2006-38) amended the RTA budget and amended the Pace budget and program. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% of the sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% of the sales tax receipts and other discretionary receipts.

The reimbursement of the Service Boards' capital expenditures and the payment of PTF funds, 15% funds, and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

6. LEASES

The RTA and CTA hold operating leases which are primarily for rent expense on the facilities they occupy. Metra has several operating leases, primarily for the use of passenger terminals. Pace has multiyear leases for vehicles and bus tires.

CTA

In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119 million. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters.

On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $931 million. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111 million.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased debt service payments over the next 27 years by approximately $388,000 resulting in an economic gain of approximately $20.4 million. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2.4 million. This amount is recorded as a component of long-term debt in the accompanying balance sheets.

The new bonds are payable from and secured by the lease entered into between the PBC and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. Bond issue costs and premium related to this transaction are presented as such on the balance sheets. The present value of the future payments to be made by the CTA under the lease of approximately $91.3 million is reflected in the accompanying December 31, 2006 balance sheet as a capital lease obligation.

In 2003, the CTA entered into a lease/leaseback agreement with a third party pertaining to certain buses (lots 1 and 2), with a book value of $25.8 million as of December 31, 2006. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA 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 the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $23.6 million is reflected in the accompanying December 31, 2006 balance sheet as capital lease obligation.

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of $42.1 million as of December 31, 2006. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA 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 the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $101.2 million is reflected in the accompanying December 31, 2006 balance sheet as capital lease obligation.

During 2002, the CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of $28.6 million as of December 31, 2006. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA 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 the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $169.9 million is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligation.

During 1998, the CTA entered into a lease/leaseback agreement (1998 Agreement) with a third party pertaining to a rail line (Green Line), with a book value of $273 million as of December 31, 2006. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (1998 Lease). The present value of the future payments to be made by the CTA under the lease of approximately $277 million is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligation.

During 1997, the CTA entered into four lease/leaseback agreements (1997 Agreements) with a third party pertaining to certain of its facilities having a book value of $54.2 million as of December 31, 2006. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (Leases). The CTA received certain funds as prepayments by the Equity Trust. The 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. The Equity Trust has a security interest in the deposits to guarantee the payments due from the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the Leases (net of the payment due from the Equity Trust in 2023 and 2024) of approximately $30.2 million is reflected in the accompanying December 31, 2006 balance sheet as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. The Federal Transit Administration (FTA) has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease/leaseback agreements (1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of $57.5 million as of December 31, 2006. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $30.4 million is reflected in the accompanying December 31, 2006 balance sheet as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80.0 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1995, the CTA entered into sale/leaseback agreements (1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling $487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. As of December 31, 2006, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $1.018 billion. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments for capital leases due:

2007	$	111,020
2008		211,149
2009		95,772
2010		109,211
2011		99,210
Thereafter		2,416,434
Total future minimum payments	$	3,042,796
Less interest		(1,305,568)
Present value of minimum lease payments	$	1,741,828

The present value of all future payments to be made by the CTA under all its leases of approximately $1.7 million is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligations.

Metra

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors (headlease) and simultaneously subleased the railcars back (sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes. At closing, the railcars had a fair market value of approximately $296.9 million and a book value of $262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately $274 million. Metra transferred approximately $177.4 million and $52.9 million of the prepayment proceeds to third parties, in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies. Both the debt payment undertaker and the equity payment undertaker have AA+ and Aa1 bond ratings from Standard & Poor's and Moody's, respectively. Both finance companies' performance under the agreement guaranteed by their parent company, which carries the same ratings. In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998. The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:

2007	$	17,193,268
2008		25,239,685
2009		28,481,563
2010		20,947,382
2011		20,947,382
Thereafter		401,014,939
Total future minimum payments	$	513,824,219
Less imputed interest		(230,403,827)
Present value of minimum lease payments	$	283,420,392

The present value of minimum lease payments of the Metra lease is $283.4 million, which is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligations.

Pace

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

The first lease and leaseback agreement with a third party pertained to certain buses (lots 1, 2, and 3) with a book value of $35.7 million as of December 31, 2006. 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 $64.5 million and is reflected in the accompanying December 31, 2006 statement of net assets as the total of the current and long-term portions of capital lease obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) with a book value of $19.9 million as of December 31, 2006. Under the bus lease agreements, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $35.5 million and is reflected in the accompanying December 31, 2006 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:

2007	$	25,876,035
2008		
2009		
2010		
2011		1,438,538
Thereafter		124,399,915
Total future minimum payments	$	151,714,488
Less interest		(51,698,763)
Present value of minimum lease payments	$	100,015,725

The present values of the future payments including the purchase option to be made by Pace under these leases are approximately $74.1 million and $25.9 million, respectively, and are reflected in the accompanying December 31, 2006 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

7. COMMITMENTS AND CONTINGENCIES

Each of the entities has various commitments that have arisen in the normal course of operations. None is expected to have a material adverse impact on its financial position as presented.

Each of the entities has also established liabilities for potential legal judgments to satisfy claims against the entity.

The RTA has also established a Loss Financing Plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq. Each of the Combined Entities has established its own investment policy which is in line with the State statute or, in some cases, more restrictive.

The Combined Entities have on hand, as of December 31, 2006, $610 million of cash and investments. Of this amount, $420 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims, and capital projects. In addition, CTA, Metra, and Pace hold $2.44 billion of investments in other assets for employee pension benefits, damage liabilities, and capital lease obligations, which are recorded as other assets in the financial statements.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	JANUARY 1, 2006	NEW ISSUES	CURRENT RETIREMENTS	DECEMBER 31, 2006
1990A	$ 60,795,000	$ –	$ –	$ 60,795,000
1991A	55,745,000	–	–	55,745,000
1992A* and 1992B	52,145,000	–	5,710,000	46,435,000
1994A* and 1994B	24,395,000	–	–	24,395,000
1994C* and 1994D	70,090,000	–	3,790,000	66,300,000
1997 Refunding	79,855,000	–	4,400,000	75,455,000
1999* Refunding	290,640,000	–	5,135,000	285,505,000
2000A*	244,270,000	–	4,480,000	239,790,000
2001A*	93,990,000	–	1,695,000	92,295,000
2001B Refunding*	34,470,000	–	1,485,000	32,985,000
2002A*	153,005,000	–	2,555,000	150,450,000
2002B	173,255,000	–	9,400,000	163,855,000
2003A*	255,440,000	–	4,130,000	251,310,000
2003B	147,645,000	–	2,435,000	145,210,000
2003C Refunding	13,315,000	–	3,115,000	10,200,000
2004A*	258,990,000	–	3,985,000	255,005,000
2005B Refunding	148,110,000	–	2,795,000	145,315,000
2006A*	–	250,350,000	–	250,350,000
Total	$2,156,155,000	$ 250,350,000	$ 55,110,000	$2,351,395,000

*Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2006, the total general obligation bonds payable of $2,351,395,000 are classified as current and long-term in the statement of net assets in the amounts of $59,135,000 and and $2,292,260,000, respectively.

Advance Refundings

On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued $23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore have been removed from the financial statements.

On January 19, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued $151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B, and 1993B Series general obligation bond issues. The RTA issued $98,385,000 of general obligation refunding bonds (1997 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series), and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore have been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued $19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore have been removed from the financial statements.

On May 2, 2005, the RTA issued $148 million in General Obligation bonds with a variable rate which resets weekly to currently refund $144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of $147 million (after payment of $892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be redeemed and the liability for those bonds has been removed from the government-wide statement of net assets. The current refunding resulted in a redemption premium of $2.9 million. The RTA completed the current refunding to reduce its total debt service payments with an estimated economic gain over the next 20 years of $2.1 million.

Debt Service Requirements

The "debt service requirements" set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements.

1990 General Obligation Bonds

In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990, and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ –	$ 4,377,240	$ 4,377,240
2008	–	4,377,240	4,377,240
2009	–	4,377,240	4,377,240
2010	3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012 – 2016	25,290,000	15,654,960	40,944,960
2017 – 2020	27,610,000	5,142,600	32,752,600
Total	$ 60,795,000	$ 42,409,440	$ 103,204,440

1991 General Obligation Bonds

In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992, and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ –	$ 3,734,914	$ 3,734,914
2008	–	3,734,915	3,734,915
2009	–	3,734,915	3,734,915
2010	–	3,734,915	3,734,915
2011	–	3,734,914	3,734,914
2012 – 2016	23,390,000	15,743,660	39,133,660
2017 – 2021	32,355,000	6,783,750	39,138,750
Total	$ 55,745,000	$ 41,201,983	$ 96,946,983

1992 General Obligation Bonds

In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 6,250,000	$ 3,225,410	$ 9,475,410
2008	6,840,000	2,636,360	9,476,360
2009	7,480,000	1,991,960	9,471,960
2010	–	1,396,960	1,396,960
2011	–	863,040	863,040
2012 – 2022	25,865,000	293,760	26,158,760
Total	$ 46,435,000	$ 10,407,490	$ 56,842,490

1994 General Obligation Bonds

In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ –	$ 1,951,600	$ 1,951,600
2008	–	1,951,600	1,951,600
2009	–	1,951,600	1,951,600
2010	–	1,951,600	1,951,600
2011	–	1,951,601	1,951,601
2012 – 2024	24,395,000	9,795,799	34,190,799
Total	$ 24,395,000	$ 19,553,800	$ 43,948,800

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,095,000	$ 4,979,569	$ 9,074,569
2008	4,420,000	4,649,612	9,069,612
2009	1,500,000	4,420,213	5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012–2016	21,460,000	17,698,676	39,158,676
2017–2025	31,455,000	4,313,844	35,768,844
Total	$ 66,300,000	$ 44,529,951	$ 110,829,951

1997 General Obligation Refunding Bonds

In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001–2002, in the aggregate amount of $4 million; Series 1991A Bonds, maturing November 1 in the years 2002–2006, 2008 and 2011, in the aggregate amount of $29 million; Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million; and Series 1993B Bonds, maturing June 1 in the years 2004–2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997A Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,625,000	$ 4,249,975	$ 8,874,975
2008	4,875,000	4,000,288	8,875,288
2009	5,155,000	3,724,463	8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012–2016	16,445,000	12,689,688	29,134,688
2017–2021	23,910,000	6,533,100	30,443,100
2022–2025	9,250,000	490,500	9,740,500
Total	$ 75,455,000	$ 38,246,077	$ 113,701,077

1999 General Obligation Refunding Bonds

In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund, in advance of maturity, the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million; Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million; Series 1994A Bonds, maturing June 1 in the years 2006–2009, 2012, 2015 and 2024, in the aggregate amount of $143 million; and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 5,395,000	$ 16,196,637	$ 21,591,637
2008	5,665,000	15,920,137	21,585,137
2009	7,670,000	15,586,762	23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012–2016	71,895,000	62,016,007	133,911,007
2017–2021	108,245,000	38,208,132	146,453,132
2022–2025	70,045,000	5,932,381	75,977,381
Total	$ 285,505,000	$ 183,709,382	$ 469,214,382

2000 General Obligation Bonds

In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2000A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.75% to 6.25% on January 1, 2001, and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,730,000	$ 15,138,538	$ 19,868,538
2008	4,995,000	14,866,563	19,861,563
2009	5,275,000	14,579,350	19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012–2016	33,155,000	63,867,064	99,022,064
2017–2021	47,200,000	51,474,251	98,674,251
2022–2026	63,860,000	34,675,576	98,535,576
2027–2030	67,100,000	11,236,225	78,336,225
Total	$ 239,790,000	$ 234,069,080	$ 473,859,080

2001 General Obligation Bonds

In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 6.00% on January 1, 2001, and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 1,785,000	$ 5,442,988	$ 7,227,988
2008	1,880,000	5,344,813	7,224,813
2009	1,980,000	5,241,413	7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012–2016	13,010,000	22,945,626	35,955,626
2017–2021	17,125,000	18,611,825	35,736,825
2022–2026	22,545,000	13,111,200	35,656,200
2027–2031	29,680,000	5,538,300	35,218,300
Total	$ 92,295,000	$ 86,386,241	$ 178,681,241

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund, in advance of maturity, the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004–2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 1,555,000	$ 1,755,488	$ 3,310,488
2008	1,630,000	1,679,750	3,309,750
2009	–	1,639,000	1,639,000
2010	–	1,639,000	1,639,000
2011	–	1,639,000	1,639,000
2012–2016	7,280,000	7,608,976	14,888,976
2017–2021	15,175,000	4,198,289	19,373,289
2022–2023	7,345,000	409,613	7,754,613
Total	$ 32,985,000	$ 20,569,116	$ 53,554,116

2002 General Obligation Bonds

In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 6.00% on July 1, 2002, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 2,690,000	$ 8,833,438	$ 11,523,438
2008	2,835,000	8,698,938	11,533,938
2009	2,985,000	8,557,188	11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012–2016	19,555,000	38,214,788	57,769,788
2017–2021	25,795,000	31,842,500	57,637,500
2022–2026	34,170,000	23,167,800	57,337,800
2027–2031	45,270,000	11,659,500	56,929,500
2032	10,685,000	641,100	11,326,100
Total	$ 150,450,000	$ 148,273,628	$ 298,723,628

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen-year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 9,710,000	$ 8,560,338	$ 18,270,338
2008	10,060,000	8,053,513	18,113,513
2009	10,450,000	7,515,125	17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012–2016	64,690,000	21,599,850	86,289,850
2017–2019	46,750,000	3,851,188	50,601,188
Total	$ 163,855,000	$ 62,853,427	$ 226,708,427

2003 General Obligation Bonds

In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.00% to 5.50% on January 1, 2004, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,335,000	$ 14,212,575	$ 18,547,575
2008	4,555,000	13,995,825	18,550,825
2009	4,790,000	13,768,075	18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012–2016	31,260,000	62,000,150	93,260,150
2017–2021	40,850,000	52,492,500	93,342,500
2022–2026	53,310,000	39,953,875	93,263,875
2027–2031	68,945,000	22,706,100	91,651,100
2032–2033	32,910,000	2,987,100	35,897,100
Total	$ 251,310,000	$ 248,921,100	$ 500,231,100

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2003, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 2,545,000	$ 7,868,325	$ 10,413,325
2008	2,675,000	7,763,925	10,438,925
2009	2,810,000	7,654,225	10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012–2016	18,125,000	34,306,451	52,431,451
2017–2021	23,535,000	28,619,915	52,154,915
2022–2026	30,595,000	21,217,738	51,812,738
2027–2031	39,785,000	11,435,439	51,220,439
2032–2033	19,080,000	1,111,476	20,191,476
Total	$ 145,210,000	$ 134,918,619	$ 280,128,619

In May 2003, the RTA issued $19 million in General Obligation Bonds, Series 2003C, to provide funds to refund, in advance of maturity, the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004–2009, in the aggregate amount of $19 million.

The Series 2003C Bonds mature on July 1 over a six-year period and interest is payable at rates ranging from 2.00% to 5.00% on January 1, 2004, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003C Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 3,240,000	$ 510,000	$ 3,750,000
2008	3,395,000	348,000	3,743,000
2009	3,565,000	178,250	3,743,250
Total	$ 10,200,000	$ 1,036,250	$ 11,236,250

2004 General Obligation Bonds

In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 5.75% on June 1, 2005, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,190,000	$ 13,966,038	$ 18,156,038
2008	4,405,000	13,751,163	18,156,163
2009	4,635,000	13,525,163	18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012–2016	29,825,000	60,874,539	90,699,539
2017–2021	38,540,000	51,393,107	89,933,107
2022–2026	50,115,000	39,418,282	89,533,282
2027–2031	65,155,000	23,587,544	88,742,544
2032–2034	48,150,000	4,249,825	52,399,825
Total	$ 255,005,000	$ 247,090,987	$ 502,095,987

2005 General Obligation Bonds

In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005–2025, in the aggregate amount of $147 million.

The Series 2005B Bonds mature on June 1 over a twenty-year period and interest is payable at variable rates which reset weekly, based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST*	TOTAL
2007	$ 2,940,000	$ 4,746,885	$ 7,686,885
2008	3,070,000	4,647,720	7,717,720
2009	6,535,000	4,489,238	11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012–2016	28,570,000	16,640,746	45,210,746
2017–2021	36,155,000	12,971,394	49,126,394
2022–2025	53,985,000	3,388,524	57,373,524
Total	$ 145,315,000	$ 55,189,287	$ 200,504,287

*Interest was calculated using a rate of 3.3%.

2006 General Obligation Bonds

In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 1,050,000	$ 9,191,367	$ 10,241,367
2008	3,385,000	12,210,531	15,595,531
2009	3,625,000	12,041,281	15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012–2016	23,425,000	55,166,406	78,591,406
2017–2021	31,540,000	48,529,656	80,069,656
2022–2026	81,025,000	36,437,156	117,462,156
2027–2031	60,545,000	14,796,219	75,341,219
2032–2035	38,020,000	5,571,675	43,591,675
Total	$ 250,350,000	$ 217,475,353	$ 467,825,353

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

The bonds are secured by an assignment of a lien on the sales taxes imposed by the RTA. All sales tax receipts are to be paid directly to the trustee by officials of the State. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $72 million in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2006.

10. PENSION

All eligible employees of the Combined Entities are covered under a pension plan. RTA employees, as well as nonunion employees of Metra and Pace, are covered under the RTA Pension Plan, which is a multi-employer, noncontributory, defined benefit cost sharing plan and trust. The union employees of Metra and Pace are covered under various other plans as required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union and nonunion employees and Chicago Transit Authority Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. The Supplemental Retirement Plan, which includes the Retirement Plan for Board Members and the Supplemental Retirement Plan for selected Officers, Executives, Supervisory and Professional Employees, provides benefits, in addition to the Employees' Retirement Plan, to management employees in certain employment classifications and Chicago Transit Authority Board members.

11. REGION-WIDE FINANCIAL INFORMATION

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation-related operations in the Northeastern Illinois region. This information includes the transportation-related results of the Service Boards' affiliated carriers. Accordingly, this region-wide information is presented in the combining region-wide schedules of revenues and expenditures and the combining region-wide statement of revenues and expenditures—budget and actual.

The basic financial statements of the RTA and the Service Boards used to prepare the combining statement of revenues and expenses do not include the aggregate of system-generated revenues and costs. The combining region-wide schedules of revenues and expenditures include the aggregate of all system-generated revenues and costs.

For purposes of the system-generated revenues recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with accounting principles generally accepted in the United States, with certain allowable adjustments as enumerated in the Act. Costs funded by federal capital grants are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act.

The Act requires that the aggregate of all system-generated revenues equal at least 50% of the aggregated costs of providing such public transportation.

For 2006, the region-wide system-generated revenues recovery ratio is calculated from the Combining Region-Wide Schedules of Revenues and Expenditures (Budget and Actual Budget Basis) as follows:

SYSTEM-GENERATED REVENUES RECOVERY RATIO (in thousands)	REVENUES	EXPENDITURES
CTA*	$ 586,668	$ 1,083,799
Metra**	275,274	502,028
Pace***	70,007	204,728
RTA****	15,821	28,824
Total	$ 947,770	$ 1,819,379

The RTA Board (Ordinance 2005-06) authorized the exclusion of added security costs from the Service Board expenditures including the allowable adjustments specified in the RTA Act. The amount that exceeds the RTA Act exclusion is added back to RTA system-generated expenses to calculate the System-Generated Revenue Recovery Ratio. The amount added to CTA and Metra expenditures was $16.2 million and $9.0 million, respectively. The region-wide system-generated revenues recovery ratio for 2006 equals 52.1%.

* The system-generated revenues recovery ratio for the CTA included leasehold revenues of $4.3 million and excluded CTA expenditures for security costs of $30.8 million. It also included in-kind services of $22 million, both as revenues and expenditures.

** Metra's $14.0 million security costs, $15.1 million costs for lease of transportation facilities and $2.7 million for funded depreciation to carriers were deducted from expenditures.

*** Pace included in-kind services of $5.5 million both as revenues and expenditures. Also, Pace included capital cost of contracting funding of $7.5 million in revenues.

**** The RTA subtracted back $14.6 million unrealized gain on swap valuation to its revenues. Also, the RTA excluded all capital related (depreciation) expenses of $254 thousand.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

12. RECONCILIATION OF GOVERNMENT-WIDE TO REGION-WIDE REVENUES AND EXPENDITURES

RTA's government-wide financial statements do not include fiduciary fund financial statement information which is added in the region-wide presentation. As also stated in Note 11, in-kind services are added in the system-generated revenues and expenditures.

The following data (in thousands) reconciles the combining government-wide to region-wide schedules of revenues and expenditures:

	RTA	CTA	METRA	PACE
Government-wide revenues (page 33)	$ 506,564	$1,745,794	$ 815,946	$ 236,771
Federal operating grants				7,465
Sales tax agency fund	673,929			
Pension trust fund	21,994			
In-kind services		22,000		5,509
Unrealized gain on swap valuation	(14,606)			
Region-wide revenues (page 34)	1,187,881	1,767,794	815,946	249,745
Government-wide expenditures (page 33)	540,604	1,849,353	748,707	235,852
Sales tax agency fund	673,929			
Pension trust fund	6,500			
In-kind services		22,000		5,509
Security costs		(30,831)	(14,022)	
Lease of transportation facilities			(15,139)	
Capital (Depreciation, disposals/additions)	(254)		(2,749)	
Region-wide expenditures (page 34)	1,220,779	1,840,522	716,799	241,361
Net revenues (expenditures)	$ (32,898)	$ (72,728)	$ 99,147	$ 8,384

13. SUBSEQUENT EVENTS

On February 20, 2007, pursuant to Part II, Article One of the Articles of Agreement of the Loss Financing Plan, the Fund made a payment to indemnify PACE in the amount of $4,750,000. PACE is required to make annual payments of $1,000,000 plus interest, calculated using the effective interest rate earned by the remaining assets of the Fund during such Occurrence Year, until the balance is paid in full.

On March 22, 2007, pursuant to Ordinance No. 2006-77, Ordinance Authorizing A Note Issuance Agreement, Bank of America, N.A. issued a working cash note to the RTA for $40,000,000. This note is to be used solely for purposes provided in the RTA Act. The note is an unsecured general obligation payable from any lawfully available moneys subordinate to any bonds or notes issued and outstanding.

On June 11, 2007, the RTA entered into two fixed to floating swaps. The aggregate notional value was $260 million. This was done pursuant to Ordinance No. 2006–33, which authorizes certain actions in connection with Interest Rate Swap Transactions. Both transactions expire in 2030 with optional termination by the counter parties in 2016.

Year Ended December 31, 2006

		SERVICE BOARDS			COMBINING ADJUSTMENTS		
(in thousands)	RTA GOVERNMENT-WIDE FUNDS	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION	DEBIT	CREDIT	TOTAL COMBINED
REVENUES:							
Service Boards operating revenues	$	$ 529,130	$ 275,274	$ 57,033	$ 1,013	$	$ 860,423
RTA financial assistance		524,056	256,301	98,500	851,491		27,366
Other public funding		47,747	193,223	39,557			280,527
Capital grants		522,040	72,909	35,337	165,436		464,851
Sales taxes	112,024					634,804	746,828
Interest on sales taxes	317						317
Public Transportation Fund	186,136						186,136
Operating Assistance—CTA & Pace	54,252						54,252
State assistance	112,743						112,743
Investment income	36,920						36,920
Program revenues and other	4,172						4,172
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		118,559	18,239	6,344			143,142
Total revenues	506,564	1,745,794	815,946	236,771	1,017,940	634,804	2,921,938
EXPENDITURES:							
Operating		1,344,133	524,916	199,218		751	2,067,516
Depreciation		376,910	205,552	30,290			612,752
Financial Assistance to Service Boards	162,434					162,434	
Operating Grant—CTA & Pace	54,252					54,252	
Capital grants—discretionary	26,731					26,731	
Capital grants—bonds	138,706					138,706	
Insurance (JSIF)	5,566						5,566
Administrative expenses	7,561						7,561
Regional expenses	20,674					262	20,412
Technology program	1,890						1,890
Bond-related expenses	122,790	14,557					137,347
Interest expense from leasing transactions		113,753	18,239	6,344			138,336
Total expenditures	540,604	1,849,353	748,707	235,852		383,136	2,991,380
Net Revenues (Expenditures)	$ (34,040)	$ (103,559)	$ 67,239	$ 919	$ 1,017,940	$ 1,017,940	$ (69,442)

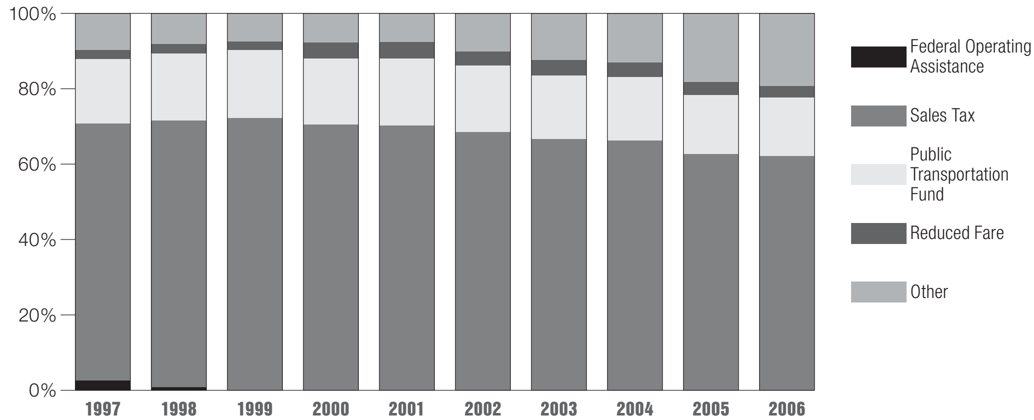
Note 1—Changes in net assets shown on page 18 and net revenues and expenditures shown on this page are similar.
Note 2—Government-wide to Region-wide revenues and expenditures shown on page 33 and 34, respectively, are reconciled in Note 12.

Year Ended December 31, 2006

		SERVICE BOARDS			COMBINING ADJUSTMENTS			
(in thousands)	RTA GOVERNMENT-WIDE AND FIDUCIARY	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION	CREDIT	DEBIT	TOTAL COMBINED	TOTAL REGION-WIDE BUDGET
REVENUES:								
RTA financial assistance	$	$ 524,056	$ 256,301	$ 98,500	$ 851,492	$	$ 27,365	$
Other public funding		47,747	193,223	39,557			280,527	
Capital grants		522,040	72,909	35,337	165,436		464,850	
Interest revenue from leasing transactions		118,559	18,239	6,344			143,142	
Sales taxes	746,829						746,829	719,900
Public Transportation Fund	186,136						186,136	179,975
Operating Assistance—CTA & Pace	54,252						54,252	54,252
State assistance	112,743						112,743	119,001
State reduced fare reimbursement	37,327				37,327			
Pension contribution	8,777				892		7,885	
Investment income	23,820						23,820	
Interest on sales taxes to Service Boards	1,797				1,797			
Subtotal	1,171,681	1,212,402	540,672	179,738	1,056,944		2,047,549	1,073,128
Investment income	26,317						26,317	9,571
Other revenues	4,172			7,465			11,637	4,431
Interest on sales taxes	317						317	150
Service Boards revenues		529,130	275,274	57,033	1,013		860,424	847,032
Add (Subtract):								
In-kind services		22,000		5,509			27,509	22,000
Leasehold revenue		4,262					4,262	4,262
Unrealized loss on swap valuation	(14,606)						(14,606)	
Subtotal	16,200	555,392	275,274	70,007	1,013		915,860	887,446
Total Revenues	1,187,881	1,767,794	815,946	249,745	1,057,957		2,963,409	1,960,574
EXPENDITURES:								
Pension and other employee benefits		267,694					267,694	
Depreciation		376,910	205,552	30,290			612,752	
Interest expenses from leasing transactions		113,753	18,239	6,344			138,336	
Interest expenses from bond transactions		14,557					14,557	
Operating grants to Service Boards	797,239					797,239		
CTA & Pace Operating Grant	54,252					54,252		
Capital grants—discretionary	26,731					26,731		
Capital grants—bonds	138,706					138,706		
State reduced fare reimbursement	37,327					37,327		
Regional expenses	12,066					262	11,804	
Bond-related expenses	122,790						122,790	
Interest on sales taxes to Service Boards	1,797					1,797		
Subtotal	1,190,908	772,914	223,791	36,634		1,056,314	1,167,933	
Operating expenses		1,076,439	524,916	199,218		751	1,799,822	1,774,795
Administrative expenses	7,561					892	6,669	6,684
Regional expenses	20,674						20,674	24,089
Technology program	1,890						1,890	6,532
Add (Subtract):								
In-kind services		22,000		5,509			27,509	26,452
Security costs		(30,831)	(14,022)				(44,853)	(52,331)
Lease of transportation facilities			(15,139)				(15,139)	(14,518)
Capital (depreciation, disposals/additions)	(254)		(2,749)				(3,003)	(2,632)
Subtotal	29,871	1,067,608	493,008	204,727		1,643	1,793,571	1,769,071
Total Expenditures	1,220,779	1,840,522	716,799	241,361		1,057,957	2,961,504	1,769,071
Net Revenues (Expenditures)	$ (32,898)	$ (72,728)	$ 99,147	$ 8,384	$ 1,057,957	$ 1,057,957	$ 1,905	$ 191,503

RTA Revenue by Source

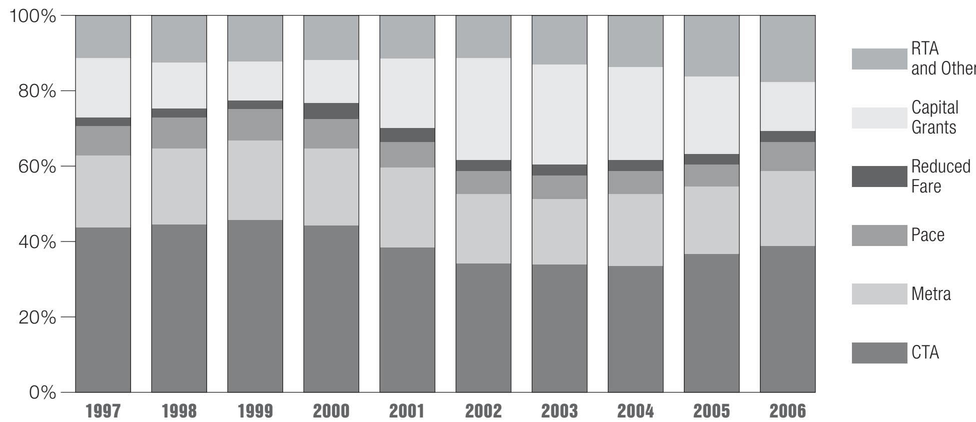
1997–2006



Last Ten Years (in thousands)	FEDERAL OPERATING ASSISTANCE	SALES TAX	PUBLIC TRANSPORTATION FUND	REDUCED FARE	OTHER	TOTAL
12 Months Ended 12/31/97	$ 21,591	$ 555,496	$ 139,093	$ 19,243	$ 79,935	$ 815,358
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,624	849,867
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	0	653,522	164,987	39,531	71,742	929,782
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	0	647,685	165,665	36,260	95,167	944,777
Percentage of Total	0.00%	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	0	654,988	164,739	39,662	122,517	981,906
Percentage of Total	0.00%	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	0	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	0.00%	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	0	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	0.00%	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	0	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	0.00%	62.11%	15.48%	3.10%	19.31%	100%

Distribution of Expenditures

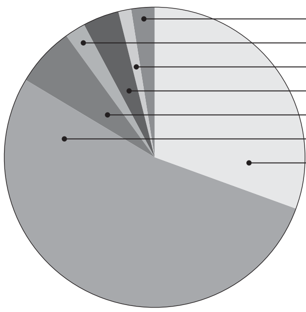
1997–2006



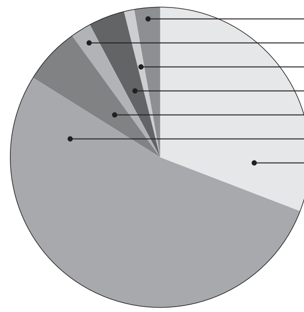
Last Ten Years (in thousands)	Financial Assistance				Reduced Fare	Capital Grants	RTA and Other	Total
	CTA	Metra	Pace	Total				
12 Months Ended 12/31/97	$ 377,198	$ 166,083	$ 67,337	$ 610,618	$ 19,243	$ 136,680	$ 97,701	$ 864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,436	842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%

Sales Tax Revenue Source by County/City of Chicago

2005



2006



Retailers' Occupation and Use Tax (Sales Tax) Revenues by County/City of Chicago

Last Ten Years (in thousands)	CITY OF CHICAGO	SUBURBAN COOK COUNTY	DuPAGE COUNTY	KANE COUNTY	LAKE COUNTY	McHENRY COUNTY	WILL COUNTY	TOTAL
12 Months Ended 12/31/97	$ 163,366	$ 313,113	$ 36,482	$ 9,301	$ 18,980	$ 5,329	$ 8,925	$ 555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
Percentage of Total	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%

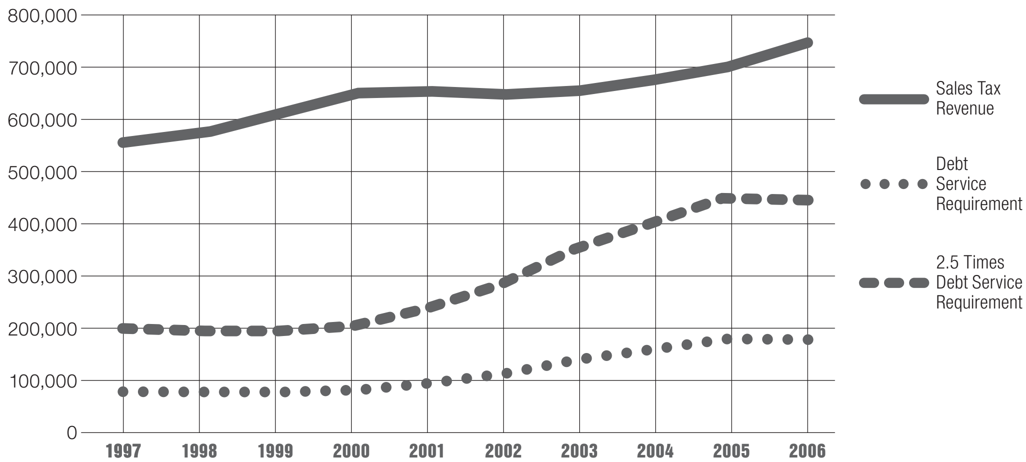
LEGAL DEBT CAPACITY

2006

		BALANCE OUTSTANDING AT DECEMBER 31, 2006	ISSUED	
LEGAL DEBT MARGIN				
Debt Limitation per Act for General Obligations				$ 2,600,000,000
Debt applicable to limitation				
Non-SCIP Bonds				
1990A	General Obligation Bonds	$ 60,795,000		
1991A	General Obligation Bonds	55,745,000		
1992B	General Obligation Bonds	6,395,000		
1994B	General Obligation Bonds	7,095,000		
1994D	General Obligation Bonds	35,070,000		
1997	General Obligation Refunding Bonds	75,455,000		
2002B	General Obligation Bonds	163,855,000		
2003B	General Obligation Bonds	145,210,000		
2003C	General Obligation Refunding Bonds	10,200,000		
2005B	General Obligation Refunding Bonds	145,315,000		
Total RTA Bonds Applicable to Limitation		$ 705,135,000		$ (705,135,000)
SCIP Bonds				
1992A	General Obligation Bonds	$ 40,040,000	$ 188,000,000	
1993A	General Obligation Bonds		55,000,000	
1994A	General Obligation Bonds	17,300,000	195,000,000	
1994C	General Obligation Bonds	31,230,000	62,000,000	
1999	General Obligation Refunding Bonds	285,505,000		
2000	General Obligation Bonds	239,790,000	260,000,000	
2001A	General Obligation Bonds	92,295,000	100,000,000	
2001B	General Obligation Refunding Bonds	32,985,000		
2002A	General Obligation Bonds	150,450,000	160,000,000	
2003A	General Obligation Bonds	251,310,000	260,000,000	
2004A	General Obligation Bonds	255,005,000	260,000,000	
2006A	General Obligation Bonds	250,350,000	250,350,000	
Total SCIP Bonds Applicable to Limitation			$ 1,790,350,000	$ (1,790,350,000)
Total SCIP Bonds Outstanding		$ 1,646,260,000		
Total Bonds Outstanding		$ 2,351,395,000		
Debt Margin for General Obligations				$ 104,515,000
Debt Limitation per Act for Working Cash Notes				100,000,000
Total Legal Debt Margin				$ 204,515,000

Comparison of Sales Tax Revenue to Debt Service Requirement

1997–2006
(in thousands)



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years (in thousands)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sales Tax Revenue	$ 555,496	$ 576,704	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829
Debt Service Requirement	78,359	77,883	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086
2.5 Times Debt Service Requirement	195,898	194,708	194,665	204,190	237,968	283,815	351,518	399,255	448,840	445,215

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying financial statements represent timing differences between payments made to trustees and payments made to bondholders. Also, investment income earned in the debt service accounts may lower actual cash transfers from the General Fund.

Table 6

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years (in thousands)

YEAR	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL	TOTAL EXPENDITURES	RATIO OF DEBT SERVICE TO TOTAL EXPENDITURES
1997	$ 13,898	$ 64,461	$ 78,359	$ 864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively)

Last Ten Calendar Years (in millions)

FEDERAL FISCAL YEAR	TOTAL AWARDED	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION
1997	$ 228.42	$ 127.56	$ 80.28	$ 20.58
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
Total	$ 3,893.67	$ 2,178.82	$ 1,417.91	$ 296.94

Source of data: Information obtained from the Service Boards' records.

Table 8

SERVICE BOARD OPERATING CHARACTERISTICS

2006

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 195.2 million riders per year

Motor Bus

- 154 bus routes
- 2,140 buses
- 298.4 million riders per year

Paratransit

- 1,201 thousand riders per year

Other

- 1.1 billion passenger rail miles per year
- 12.3 million rail miles per year
- 745.5 million passenger miles per year
- 68.2 million vehicle miles per year

Metra Commuter Rail Division

- 565 route miles
- 1,251 miles of track
- 251 stations
- 144 locomotives
- 820 passenger cars
- 241 electric cars
- 735 weekly trains operated
- 96.3% on-time performance
- 79.9 million riders per year

Other

- 1.6 billion passenger miles per year
- 43.3 million vehicle miles per year

Pace Suburban Bus Division

Fixed Route

- 155 regular routes
- 51 feeder routes
- 2 subscription routes
- 24 shuttle routes
- 584 vehicles in use during peak periods
- 33.7 million riders per year

Paratransit

- 62 local services
- 380 Pace owned lift-equipped buses in service
- 217 communities served
- 2.7 million riders per year

Other

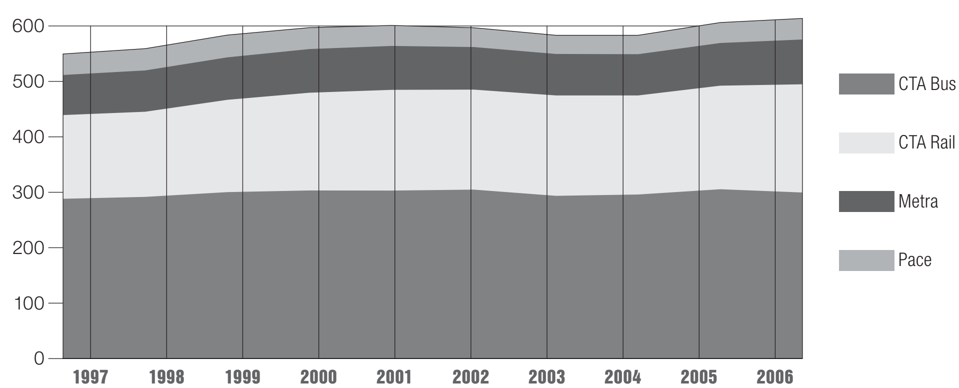
- 648 vanpools in operation
- 1.7 million riders for the year
- 18.3 million passenger miles per year
- 18.7 million vehicle miles per year

Source of data: Information obtained from the Service Boards' records.

Table 9

System Ridership—Unlinked Passenger Trips

1997–2006
(in millions)



Last Ten Years (in millions)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Service Consumed:										
CTA—Bus	288.3	291.7	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6
CTA—Rail	151.0	153.6	166.5	176.2	181.7	180.4	181.1	178.7	186.8	195.2
Total CTA*	439.3	445.3	466.7	479.6	484.8	485.2	474.7	474.7	492.3	494.8
Metra	72.3	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8
Pace	37.9	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0
System Total	549.5	559.1	583.5	597.0	601.0	596.8	583.2	583.2	606.2	613.6
Percent Change	0.0%	1.8%	4.4%	2.3%	0.7%	(0.7%)	(2.3%)	0.00%	3.93%	1.23%

*CTA Stat amounts include rail-to-rail transfers.

Source of data: Information obtained from the National Transit Database.

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2006.

(in thousands)	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
CTA					
Art's Transportation Co.	$ 169	$ 3,646	$ (3,477)	$ 3,477	$ –
Cook-DuPage Transportation Co.	401	12,321	(11,920)	11,920	–
SCR Transportation	298	6,981	(6,683)	6,683	–
Taxi Access Program	447	4,152	(3,705)	3,705	–
Total CTA	$ 1,315	$ 27,100	$ (25,785)	$ 25,785	$ –
METRA					
Union Pacific	$ 71,696	$ 159,810	$ (88,114)	$ 88,114	$ –
Burlington Northern/Santa Fe	43,377	63,628	(20,251)	20,251	–
Northern Indiana Commuter Transportation District (NICTD)	4,258	7,357	(3,100)	3,100	–
Total Metra	$ 119,330	$ 230,795	$ (111,465)	$ 111,465	$ –
PACE Summary of Services					
Fixed Route—Public Funded Carriers	$ 1,580	$ 3,042	$ (1,462)	$ 3,266	$ 1,687
Fixed Route—Private Contract Carriers	3,170	8,900	(5,730)	5,730	–
Total Fixed Route Service	$ 4,750	$ 11,942	$ (7,192)	$ 8,996	$ 1,687
Private Contract Carriers					
DAR Services	$ 699	$ 7,965	$ (7,262)	$ 3,127	$ 4,135
DAR and Stable Services	3,792	40,023	(36,232)	36,233	–
Total Private Contract Carriers	4,490	47,988	(43,494)	39,360	4,135
Paratransit—Municipal Carriers	571	6,437	(5,865)	1,105	4,759
Total Pace	$ 9,811	$ 66,366	$ (56,551)	$ 49,461	$ 10,581
Pace Detail of Services					
Fixed Route—Public Funded Carriers					
City of Highland Park	$ 421	$ 1,063	$ (642)	$ 1,190	$ 770
Village of Niles	496	1,243	(747)	1340	844
Village of Downers Grove	562	624	(62)	624	62
Northwestern University	101	112	(11)	112	11
Total	$ 1,580	$ 3,042	$ (1,462)	$ 3,266	$ 1,687
Private Contract Carriers—Fixed Route					
Academy Coach Lines	$ 597	$ 2,234	$ (1,637)	$ 1,637	$ –
Colonial Coach Lines	133	688	(555)	555	–
Laidlaw Transit	1,352	4,596	(3,244)	3,244	–
M V Transportation	13	69	(56)	56	
Cook County School Bus	926	1,088	(162)	162	–
Village of Schaumburg	149	225	(76)	76	–
Total	$ 3,170	$ 8,900	$ (5,730)	$ 5,730	$ –

IN THOUSANDS		OPERATING REVENUES		OPERATING EXPENDITURES		OPERATING DEFICIT		SERVICE BOARD FUNDING		OTHER PUBLIC FUNDING
PACE										
Detail of Services (continued)										
Private Contract Carrier—Dial-a-Ride Services										
Addison	$	4	$	63	$	(59)	$	6	$	52
Barrington		1		61		(60)		33		27
Bloomingdale Township		31		364		(333)		224		109
Central Lake		9		137		(128)		90		39
Central Will		68		651		(583)		395		188
Downers Grove		17		160		(143)		105		37
DuPage County		10		97		(87)		87		–
DuPage Township		13		172		(159)		116		43
Elk Grove		26		302		(276)		55		221
Freemont Township		1		10		(9)		(0)		9
Hampshire Township		1		11		(10)		7		2
Hanover Township		4		26		(22)		–		22
Hometown		1		20		(19)		4		15
Leyden Township		24		244		(220)		29		191
McHenry Township		117		1,902		(1,785)		1,166		619
Milton Township		9		152		(143)		101		42
N. Suburban Cook		4		60		(56)		56		–
Naperville/Lisle		111		824		(713)		249		464
Northeast Lake-Warren		14		348		(334)		301		33
Northeast Lake-Zion		1		19		(18)		10		8
Northwest Lake		21		302		(281)		281		–
Northwest Suburban Cook		19		198		(179)		(19)		198
Ride DuPage		173		1,410		(1,237)		(200)		1,437
South Cook		1		5		(4)		4		–
Southwest Lake-Cuba		1		5		(4)		2		2
Southwest Lake-Wauconda		4		25		(21)		12		9
Southwest Will		1		22		(21)		15		6
Village of Bloomingdale		2		22		(20)		(2)		22
Village of Skokie/West Cook		–		221		(221)		(73)		294
Wayne Township		5		81		(76)		58		18
Woodstock		6		51		(45)		17		28
Total	$	699	$	7,965	$	(7,262)	$	3,127	$	4,135
Private Contract Carriers—Dial-a-Ride and Stable Services (ADA Services)										
DuPage County	$	52	$	618	$	(566)	$	566	$	–
Kane County		59		540		(481)		481		–
North Suburban Cook		448		4,082		(3,634)		3,634		–
Northeastern/Central Lake		127		1,132		(1,005)		1,005		–
South Cook		736		4,662		(3,926)		3,926		–
Chicago ADA		2,155		27,195		(25,040)		25,040		–
Southwest/Central Will		30		355		(325)		325		–
West Cook		185		1,439		(1,255)		1,255		–
Total	$	3,792	$	40,023	$	(36,232)	$	36,233	$	–

IN THOUSANDS	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
Paratransit—Municipal Carriers					
Aurora	$ 26	$ 433	$ (407)	$ 67	$ 340
Batavia	3	59	(55)	9	47
Bensenville	26	235	(209)	44	165
Bloom	22	305	(283)	57	226
Crestwood	6	92	(86)	16	70
Dundee	8	94	(86)	16	71
Ela	16	146	(130)	20	110
Elgin	23	133	(110)	52	58
Forest Park	12	136	(124)	31	93
Fox Lake/Grant	3	9	(6)	3	3
Frankfort	13	163	(151)	24	126
Harvard	15	118	(104)	29	74
Lemont	5	70	(65)	12	53
Lyons	13	274	(261)	34	226
Norridge	16	89	(73)	31	42
Oak Park	27	325	(297)	61	236
Orland Park	29	376	(347)	56	291
Palatine	11	210	(198)	26	173
Palos Hills	10	74	(63)	16	47
Park Forest	26	119	(93)	49	44
Peotone	24	238	(215)	56	158
Rich Township	73	625	(552)	50	502
Schaumburg	67	964	(897)	160	737
St. Charles	21	164	(143)	20	123
Stickney	18	313	(295)	48	247
Tinley Park	10	79	(69)	20	49
Vernon	4	96	(92)	7	85
Woodstock	36	341	(304)	69	236
Worth Township	8	157	(149)	22	127
Total	$ 571	$ 6,437	$ (5,865)	$ 1,105	$ 4,759

Produced by the Communications and
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