Regional Transportation Authority and Service Boards

Special-Purpose Combining Financial Statements for the Year Ended December 31, 2008 and Independent Accountants' Compilation Report

2008

Regional Transportation Authority

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(See Independent Accountant's Compilation Report)

Prepared by:

Finance & Administration Department
Joseph G. Costello, CPA, CPFO
Senior Deputy Executive Director

and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

TABLE OF CONTENTS

Regional Transportation Authority

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Board of Directors
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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 ended December 31, 2008. 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.

J G Costello

Joseph G. Costello
Senior Deputy Executive Director,
Finance & Administration
Regional Transportation Authority
June 10, 2009

McGladrey & Pullen
Certified Public Accountants

Independent Accountant's Report

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, 2008, 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 10, 2009

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS
DECEMBER 31, 2008
(In Thousands)

		Service Boards					
ASSETS:	**RTA Government - Wide Funds**	**Chicago Transit Authority**	**Commuter Rail Division**	**Suburban Bus Division**	**Combining Adjustments Debit**	**Combining Adjustments Credit**	**Total Combined**
CURRENT ASSETS:							
Cash and investments:							
Restricted - cash and cash equivalents	$ -	$ 5,894	$ -	$ 22,350	$ -	$ -	$ 28,244
Unrestricted - cash and cash equivalents	14,301	61,672	60,012	9,388	-	-	145,373
Restricted - investments	262,774	-	-	-	-	-	262,774
Unrestricted - investments	142,663	1,000	-	-	-	-	143,663
Unamortized bond issue costs	579	-	-	-	-	-	579
Receivables:							
Due to general fund	19	-	-	-	-	-	19
Intergovernmental receivables	270,542	-	-	-	-	19,750	250,792
Grant projects	-	21,115	23,353	1,135	-	5,537	40,066
RTA financial assistance	-	258,832	60,867	42,748	-	164,991	197,456
Other carriers	-	-	8	-	-	-	8
Other receivables	-	88,727	10,964	11,592	-	872	110,411
Interest on investments	1,239	-	-	-	-	-	1,239
Loan to S.B. note and interest	1,358	-	-	-	-	-	1,358
Materials and supplies	-	102,919	13,950	5,809	-	-	122,678
Prepaid expenses	2,521	4,426	4,202	1,537	-	-	12,686
Total current assets	695,996	544,585	173,356	94,559		191,150	1,317,346
Fixed assets:							
Plant, property and equipment	13,677	7,376,619	5,244,254	437,885	-	-	13,072,435
Capital projects in progress	-	904,892	9,081	12,724	-	-	926,697
Less accumulated depreciation	(2,559)	(4,262,861)	(2,653,837)	(262,340)	-	-	(7,181,597)
Total fixed assets	11,118	4,018,650	2,599,498	188,269	-	-	6,817,535
Other assets:							
Unamortized bond issue costs	11,488	26,916	-	-	-	-	38,404
Note receivable	2,750	-	-	-	-	-	2,750
Investment relating to employee pension benefits plan	-	112,158	-	-	-	-	112,158
Restricted assets	-	536,690	-	-	-	-	536,690
Amount due under sale/leaseback	-	1,613,435	182,532	85,739	-	-	1,881,706
Total other assets	14,238	2,289,199	182,532	85,739	-	-	2,571,708
TOTAL ASSETS	$ 721,352	$ 6,852,434	$ 2,955,386	$ 368,567	$ -	$ 191,150	$ 10,706,589

(Continued)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS (Continued)
DECEMBER 31, 2008
(In Thousands)

		Service Boards			Combining Adjustments		
LIABILITIES	**RTA Government-Wide Funds**	**Chicago Transit Authority**	**Commuter Rail Division**	**Suburban Bus Division**	**Debit**	**Credit**	**Total Combined**
CURRENT LIABILITIES:							
Vouchers payable	$ 145	$ 207,026	$ 43,318	$ 5,870	$ -	$ -	$ 256,359
Accrued interest payable	-	16,909	-	151	-	-	17,060
Intergovernmental payables	170,528	-	-	849	170,528	-	849
Due to other funds	15,369	-	-	-	-	-	15,369
Current portion of general obligation bonds payable	68,455	28,715	-	-	-	-	97,170
Current portion of unamortized bond premium	5,702	-	-	-	-	-	5,702
Other current liabilities:							
Accrued other expenses	4,557	95,456	32,011	31,515	16,872	-	146,667
Unrealized revenue, capital grant	-	10,949	-	-	-	-	10,949
Deferred revenue, assistance and other	61,682	63,551	14,010	1,014	-	-	140,257
Working cash note payable	56,000	-	-	-	-	-	56,000
Capital lease obligation	-	99,688	14,660	-	-	-	114,348
Certificate of participation	-	4,893	-	-	-	-	4,893
Claims liability	-	76,848	5,004	14,564	3,750	-	92,666
Total current liabilities	382,438	604,035	109,003	53,963	191,150	-	958,289
LONG-TERM LIABILITIES:							
General obligation bonds payable	2,159,120	2,794,550	-	-	-	-	4,953,670
Claims liability	-	120,018	20,206	13,417	-	-	153,641
Accrued interest payable	33,919	-	-	-	-	-	33,919
Capital lease obligation	-	1,680,171	167,872	85,739	-	-	1,933,782
Premium on capital lease payable	-	5,387	-	-	-	-	5,387
Deferred revenue	47,060	32,973	-	-	-	-	80,033
Accrued pension cost	-	17,769	-	1,991	-	-	19,760
Unamortized bond premium	119,502	54,146	-	-	-	-	173,648
Certificate of participation	-	72,015	-	-	-	-	72,015
Deferred rent	2,076	-	-	-	-	-	2,076
Intergovernmental payables	-	-	-	3,108	-	-	3,108
Other long-term liabilities	-	3,863	-	7,336	-	-	11,199
Total long-term liabilities	2,361,677	4,780,892	188,078	111,591	-	-	7,442,238
Total liabilities	2,744,115	5,384,927	297,081	165,554	191,150	-	8,400,527
NET ASSETS (DEFICIT):							
Invested in capital assets	11,118	3,086,337	2,599,498	188,269	-	-	5,885,222
Fund equity restricted for:							
Payment on obligations and others	-	73,313	-	-	-	-	73,313
Accumulated unrestricted (deficit)	(2,033,881)	(1,692,143)	58,807	14,744	1,268,694	1,268,694	(3,652,473)
TOTAL NET ASSETS (DEFICIT)	$ (2,022,763)	$ 1,467,507	$ 2,658,305	$ 203,013	$ 1,268,694	$ 1,268,694	$ 2,306,062

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

(Concluded)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008
(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
REVENUES:							
Service Boards operating revenues	$ -	$ 510,776	$ 315,859	$ 58,662	$ 618	$ -	$ 884,679
Sales taxes	109,003	-	-	-	-	840,613	949,616
Interest on sales taxes	1,081	-	-	-	-	-	1,081
Public Transportation Fund	227,201	-	-	-	-	-	227,201
Operating assistance - CTA and Pace	14,441	-	-	-	-	-	14,441
State assistance	121,870	-	-	-	-	-	121,870
Investment income	(725)	-	-	-	-	-	(725)
Program revenues and others	3,380	-	-	-	-	-	3,380
Total revenues	476,251	510,776	315,859	58,662	618	840,613	2,201,543
EXPENSES:							
Operating expenses	-	1,194,390	594,603	279,431	-	352	2,068,072
Depreciation	-	403,248	220,883	33,186	-	-	657,317
Financial assistance to Service Boards	249,948	-	-	-	-	249,948	-
Operating grant - CTA and Pace	58,142	-	-	-	-	58,142	-
Capital grants—discretionary	26,288	-	-	-	-	26,288	-
Capital grants—bonds	93,085	-	-	-	-	93,085	-
Insurance (JSIF)	4,375	-	-	-	-	-	4,375
Administrative expenses	7,532	-	-	-	-	-	7,532
Regional expenses	20,656	-	-	-	-	266	20,390
Technology program	2,467	-	-	-	-	-	2,467
Bond-related expenses	127,495	-	-	-	-	-	127,495
Total expenses	589,988	1,597,638	815,486	312,617	-	428,081	2,887,648
OPERATING LOSS	(113,737)	(1,086,862)	(499,627)	(253,955)	618	1,268,694	(686,105)
NONOPERATING REVENUE (EXPENSE):							
RTA financial assistance	-	641,832	287,181	215,370	1,148,703	-	(4,320)
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transaction	-	118,962	14,808	5,119	-	-	138,889
Interest expense on leasing transactions	-	(116,767)	(14,808)	(5,119)	-	-	(136,694)
Interest expense on bond transactions	-	(72,028)	-		-	-	(72,028)
Other public funding	-	37,650	98,952	3,357	-	-	139,959
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765
Investment income	-	9,330	-	1,085	-	-	10,415
Gain on sale of assets	-	350	-	-	-	-	350
Total nonoperating revenue (expense)	-	1,142,111	405,105	247,458	1,268,076	-	526,598
CHANGES IN NET ASSETS	(113,737)	55,249	(94,522)	(6,497)	1,268,694	1,268,694	(159,507)
NET ASSETS (DEFICIT):							
Beginning of year	(1,909,026)	1,412,258	2,752,827	209,510	-	-	2,465,569
End of year	$ (2,022,763)	$ 1,467,507	$ 2,658,305	$ 203,013	$ 1,268,694	$ 1,268,694	$ 2,306,062

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

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008
(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	$ -	$ 475,443	$ 251,695	$ 43,013	$ 770,151
Payments to employees	-	(2,498,635)	(250,909)	(93,826)	(2,843,370)
Payments to vendors	(3,002)	(315,122)	(334,099)	(175,480)	(827,703)
Other receipts and payments	-	(18,896)	46,435	6,400	33,939
Net cash from operating activities	(3,002)	(2,357,210)	(286,878)	(219,893)	(2,866,983)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Financial assistance—operating	-	509,072	275,928	199,653	984,653
Transfer from General Fund	3,920	-	-	-	3,920
Net cash from noncapital financing activities	3,920	509,072	275,928	199,653	988,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of leasehold obligations	-	118,962	-	-	118,962
Repayment of lease\leaseback obligations	-	(207,852)	-	-	(207,852)
Increase/decrease in assets restricted for payment of leasehold obligations	-	86,013	-	19,396	105,409
Payments of capital lease obligations	-	-	-	(19,396)	(19,396)
Proceeds from capital leases	-	120,523	-	-	120,523
Financial assistance—grant projects	-	603,624	117,684	32,962	754,270
Proceeds from the sale of property and equipment	-	350	-	-	350
Bond proceeds (net)	-	2,349,739	-	-	2,349,739
Payments for capital acquisition	-	(1,000,845)	(148,655)	(29,846)	(1,179,346)
Net cash from capital and related financing activities	-	2,070,514	(30,971)	3,116	2,042,659
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	786	9,330	2,627	1,236	13,979
Sales and purchases of investments, net	100	(424,301)	-	-	(424,201)
Net cash from investing activities	886	(414,971)	2,627	1,236	(410,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,804	(192,595)	(39,294)	(15,888)	(245,973)
CASH AND CASH EQUIVALENTS—Beginning of year	12,497	260,161	99,306	47,626	419,590
CASH AND CASH EQUIVALENTS—End of year	$ 14,301	$ 67,566	$ 60,012	$ 31,738	$ 173,617
RECONCILIATION OF OPERATING ACTIVITIES:					
Net loss from operations	$ (4,224)	$ (1,086,862)	$ (499,627)	$ (253,955)	$ (1,844,668)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	-	403,248	220,883	33,186	657,317
Claims provision and settlement	-	-	(5,131)	-	(5,131)
State reduced fare assistance	-	-	(2,865)	-	(2,865)
Interest and dividends received	-	-	(2,627)	-	(2,627)
Changes in current assets and liabilities	1,222	(1,673,596)	2,489	876	(1,669,009)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (3,002)	$ (2,357,210)	$ (286,878)	$ (219,893)	$ (2,866,983)

See notes to special-purpose combining financial statements and independent accountant's 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 a different basis 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, 2008 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 required 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 statements of net assets.

Capital Assets—All capital assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in capital assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of capital 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 Taxes

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 permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook and .50% in the collar counties. The individual collar counties keep .25% of the increase. 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 1% in Cook County and .75% 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 1.25% in Cook, and .75% in collar counties.

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 and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas 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.

As indicated above, the RTA imposes a sales tax in the six-county Northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1.25% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 1% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.5% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.5% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

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 that 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.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008, the real estate transfer tax in the City of Chicago was increased 0.3% (e.g. for every $500 in sales price $1.50 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase will rise from 5% to 30%.

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above. Consequently, this tax has never been imposed.

Off-Street Parking Tax

The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax

The Act authorizes the RTA to impose a $50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

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," 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 2009 fiscal year which will end June 30, 2010. During 2008, the PTF was 30% on some sales tax and 5% on other sales tax and the RETT. The PTF is 30% on both sales tax and RETT beginning in 2009.

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 2009, which ends June 30, 2009, 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, 2008 and June

30, 2009, the grants were in the amount of $36.7 million and $28.9 million, respectively. In 2007, the state provided the RTA with advanced reduce fare reimbursements in the amount of $15.6 million. 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 $39.7 million of ASA in 2008.

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 in the State's fiscal years 2008 and 2009, per year. The RTA recognized $82 million of AFA in 2008.

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 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 were several amendments to the 2008 budget. The 2008 budget (Ordinance 2007-63) was last revised on December 18, 2008 (Ordinance 2008-81). This ordinance amended the 2008 RTA budget and the budgets of the CTA, Metra, and Pace. 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% 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% sales tax receipts and other discretionary receipts.

The reimbursement of 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 multi-year leases for vehicles and bus tires.

CTA

During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty foot New Flyer articulated hybrid buses and certain related parts and equipment at an estimated aggregate cost of $120.5 million. The terms of the agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year, beginning on December 1, 2008. The present value of the future payments to be made by the CTA under the lease of approximately $120.2 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In 2003, 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 Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91.3 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 $111.1 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 payment over the next 27 years by approximately $388 thousand 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 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 $87.2 million is reflected in the accompanying December 31, 2008 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 with a book value of $17.6 million as of December 31, 2008. 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 $15.6 million is reflected in the accompanying December 31, 2008 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 $30.2 million as of December 31, 2008. 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 $111.6 million is reflected in the accompanying December 31, 2008 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 $12.8 million as of December 31, 2008. 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 $80.8 million is reflected in the accompanying December 31, 2008 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 $240.6 million as of December 31, 2008. 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 $251.4 million is reflected in the accompanying December 31, 2008 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 $47.6 million as of December 31, 2008. 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 $34.9 million is reflected in the accompanying December 31, 2008 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 $51.4 million as of December 31, 2008. 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 $35 million is reflected in the accompanying December 31, 2008 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 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, 2008, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $1,043.3 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.

Change in Capital Lease Obligations:

Changes in capital leases for the year ended December 31, 2008 are as follows (in thousands of dollars):

2008	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	$ 15,022	$ 535	$ -	$ 15,557	$ 535	$ -
2002 (Buses)	106,255	5,356	-	111,611	5,356	-
2002 (QTE)	173,733	10,154	(103,094)	80,793	10,154	-
1998 (Green)	271,031	18,508	(38,184)	251,355	18,508	25,885
1997 (Garages)	32,464	2,442	-	34,906	2,442	-
1996 (Skokie/Racine)	32,611	2,397	-	35,008	2,397	-
1995 (Pickle)	1,030,340	76,622	(63,698)	1,043,264	75,680	63,698
Total lease/leasebacks	1,661,456	116,014	(204,976)	1,572,494	115,072	89,583
2005 PBC Lease	88,965		(1,790)	87,175	4,384	1,880
2008 Bus Lease	-	120,523	(333)	120,190	1,631	8,225
Total capital lease obligation	$ 1,750,421	$ 236,537	$ (207,099)	$ 1,779,859	$ 121,087	$ 99,688

* Additions include accretion of interest.

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

Future Minimum Lease Payments: As of December 31, 2008, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2009	$ 109,209
2010	122,647
2011	112,647
2012	111,440
2013	191,063
2014 - 2018	1,750,021
2019 - 2023	311,950
2024 - 2028	139,834
2029 - 2033	30,942
Total future minimum payments	2,879,753
Less interest	(1,099,894)
Present value of minimum lease payments	$ 1,779,859

The present value of all future payments to be made by the CTA under all its leases of approximately $1.8 million is reflected in the accompanying December 31, 2008 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.

In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998.

In 2008, American International Group, Inc ("AIG") incurred a ratings downgrade. AIG acted as the Debt Payment Undertaker ("DPU"), Equity Payment Undertaker (EPU"), and Standby Letter of Credit Provider ("SLOCP") for these transactions. Once AIG's rating fell below levels specified per the terms of the agreements, AIG was required to provide additional collateral to securitize the transactions. Later in 2008, AIG's credit ratings were further downgraded which triggered an event of default. No notices of default were or have been received; however, the investors can demand to have AIG replaced or that some other suitable arrangement be made.

On December 18, 2008, one of the investors terminated their transaction. A second investor has advised Metra that they are satisfied with AIG in its capacities. The remaining investor has sent notices demanding that AIG be replaced. Subsequently, the investor has been allowing Metra to pursue potential options that could be mutually acceptable to both the investor and Metra. Metra does not anticipate a material adverse financial impact as a result.

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: As of December 31, 2008, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2009	$ 14,660,341
2010	14,660,341
2011	14,660,341
2012	14,660,341
2013	14,660,341
2014 - 2018	73,301,706
2019 - 2021	154,316,955
Total future minimum payments	300,920,366
Less imputed interest	(118,388,183)
Present value of minimum lease payments	$ 182,532,183

The present value of minimum lease payments of the Metra lease is $182.5 million which is reflected in the accompanying December 31, 2008 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 (lot 1, 2, and 3) with a book value of $25.3 million as of December 31, 2008. 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 $60.8 million and is reflected in the accompanying December 31, 2008 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 $15.1 million as of December 31, 2008. 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 $24.9 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

2008	Beginning balance	Additions	Reductions	Ending balance	Interest expense	Due in one year
2003 (Buses)	$ 57,273,790	$ 3,573,739	$ -	$ 60,847,529	$ 3,573,739	$ -
2003 (Buses)	23,346,028	1,545,668	-	24,891,695	1,545,667	-
Total	$ 80,619,818	$ 5,119,407	$ -	$ 85,739,224	$ 5,119,406	$ -

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

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

2009	$ -
2010	-
2011	-
2012	1,438,538
2013	-
2014 - 2016	124,399,915
Total future minimum payments	125,838,453
Less interest	(40,099,229)
Present value of minimum lease payments	$ 85,739,224
A reconciliation of the Statement of Net Assets to amount presented above:	
Capital lease obligation	$ 85,739,224
Less: current portion	-
Capital lease obligation - long-term portion	$ 85,739,224

The present value of the future payments including the purchase option to be made by Pace under these leases are approximately $85.7 million and is reflected in the accompanying December 31, 2008 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 235/1, 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, 2008, $575 million of cash and investments. Of this amount, $286 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 $2.57 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, 2008	New Issues	Current Retirements	December 31, 2008
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000
1991A	55,745,000	-	-	55,745,000
1992A* & 1992B	40,185,000	-	6,840,000	33,345,000
1994A* & 1994B	24,395,000	-	-	24,395,000
1994C* & 1994D	62,205,000	-	4,420,000	57,785,000
1997 Refunding	70,830,000	-	4,875,000	65,955,000
1999* Refunding	280,110,000	-	5,665,000	274,445,000
2000A*	235,060,000	-	4,995,000	230,065,000
2001A*	90,510,000	-	1,880,000	88,630,000
2001B Refunding*	31,430,000	-	1,630,000	29,800,000
2002A*	147,760,000	-	2,835,000	144,925,000
2002B	154,145,000	-	10,060,000	144,085,000
2003A*	246,975,000	-	4,555,000	242,420,000
2003B	142,665,000	-	2,675,000	139,990,000
2003C Refunding	6,960,000	-	3,395,000	3,565,000
2004A*	250,815,000	-	4,405,000	246,410,000
2005B Refunding	142,375,000	-	3,070,000	139,305,000
2006A*	249,300,000	-	3,385,000	245,915,000
Total	$ 2,292,260,000	$ -	$ 64,685,000	$ 2,227,575,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2008, the total general obligation bonds payable of $2,227,575,000 are classified as current and long-term in the Statement of Net Assets in the amounts of $68,455,000 and $2,159,120,000, 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, 2008, $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, 2008, $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, 2008, $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, 2008, $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, 2008, $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, 2008, $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 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 defeased and the liability for those bonds has been removed from the financial statements.

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. The “principal” columns represent principal payments due bondholders from the trustee.

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
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	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014-2018	29,060,000	11,882,160	40,942,160
2019-2020	14,765,000	1,613,160	16,378,160
Total	$ 60,795,000	$ 33,654,960	$ 94,449,960

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
2009	$ -	$ 3,734,915	$ 3,734,915
2010	-	3,734,915	3,734,915
2011	-	3,734,914	3,734,914
2012	4,090,000	3,734,915	7,824,915
2013	4,365,000	3,460,885	7,825,885
2014-2018	26,635,000	12,504,210	39,139,210
2019-2021	20,655,000	2,827,400	23,482,400
Total	$ 55,745,000	$ 33,732,154	$ 89,477,154

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
2009	$ 7,480,000	$ 1,991,960	$ 9,471,960
2010	-	1,396,960	1,396,960
2011	-	863,040	863,040
2012	25,865,000	293,760	26,158,760
Total	$ 33,345,000	$ 4,545,720	$ 37,890,720

***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
2009	$ -	$ 1,951,600	$ 1,951,600
2010	-	1,951,600	1,951,600
2011	-	1,951,601	1,951,601
2012	-	1,951,600	1,951,600
2013	-	1,951,600	1,951,600
2014-2024	24,395,000	5,892,599	30,287,599
Total	$ 24,395,000	$ 15,650,600	$ 40,045,600

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**
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	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014-2018	35,420,000	13,311,401	48,731,401
2019-2025	13,560,000	798,250	14,358,250
Total	$ 57,785,000	$ 34,900,770	$ 92,685,770

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
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	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014-2018	19,975,000	10,473,150	30,448,150
2019-2023	24,445,000	3,559,650	28,004,650
Total	$ 65,955,000	$ 29,995,814	$ 95,950,814

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
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	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014-2018	77,325,000	53,475,820	130,800,820
2019-2023	123,665,000	24,175,543	147,840,543
2024-2025	22,180,000	918,600	23,098,600
Total	$274,445,000	$151,592,608	$ 426,037,608

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.

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

Year Ending December 31	**Debt Service Requirements**		
	Principal	**Interest**	**Total**
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	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014-2018	39,505,000	59,341,439	98,846,439
2019-2023	53,240,000	45,391,439	98,631,439
2024-2028	72,120,000	26,201,825	98,321,825
2029-2030	35,595,000	3,505,775	39,100,775
Total	$230,065,000	$204,063,979	$ 434,128,979

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 5.0% to 6.0% in January 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**
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	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014-2018	14,520,000	21,295,563	35,815,563
2019-2023	19,115,000	16,639,575	35,754,575
2024-2028	25,165,000	10,329,300	35,494,300
2029-2031	18,780,000	2,294,700	21,074,700
Total	$ 88,630,000	$ 75,598,440	$ 164,228,440

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 Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2009	$ -	$ 1,639,000	$ 1,639,000
2010	-	1,639,000	1,639,000
2011	-	1,639,000	1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014-2018	12,855,000	6,505,814	19,360,814
2019-2023	16,945,000	2,433,064	19,378,064
Total	$ 29,800,000	$ 17,133,878	$ 46,933,878

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 5.0% to 6.0% 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
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	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014-2018	21,830,000	35,902,425	57,732,425
2019-2023	28,860,000	28,669,500	57,529,500
2024-2028	38,240,000	18,948,600	57,188,600
2029-2032	39,360,000	6,069,900	45,429,900
Total	$144,925,000	$130,741,252	$ 275,666,252

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 semi-annually 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
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	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014-2018	70,935,000	14,285,272	85,220,272
2019	16,355,000	439,541	16,794,541
Total	$144,085,000	$ 46,239,576	$ 190,324,576

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 2.0% to 5.5% 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
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	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014-2018	34,790,000	58,554,050	93,344,050
2019-2023	45,470,000	47,875,525	93,345,525
2024-2028	59,130,000	33,753,000	92,883,000
2029-2033	76,375,000	14,215,500	90,590,500
Total	$242,420,000	$220,712,700	$ 463,132,700

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 4.0% to 5.5% 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**
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	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014-2018	20,105,000	32,213,614	52,318,614
2019-2023	26,140,000	25,889,577	52,029,577
2024-2028	33,985,000	17,658,901	51,643,901
2029-2033	44,190,000	6,619,114	50,809,114
Total	$139,990,000	$119,286,369	$ 259,276,369

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 2.0% to 5.0% 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**
2009	$ 3,565,000	$ 178,250	$ 3,743,250

***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 5.0% 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	Debt Service Requirements		
December 31	Principal	Interest	Total
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	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014-2018	32,995,000	57,438,382	90,433,382
2019-2023	42,810,000	46,897,732	89,707,732
2024-2028	55,660,000	33,727,451	89,387,451
2029-2034	89,275,000	16,185,531	105,460,531
Total	$246,410,000	$219,373,786	$ 465,783,786

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	Debt Service Requirements		
December 31	Principal	Interest*	Total
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	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014-2018	18,475,000	15,148,404	33,623,404
2019-2023	59,200,000	9,770,477	68,970,477
2024-2025	25,485,000	753,968	26,238,968
Total	$139,305,000	$ 45,794,682	$ 185,099,682

** 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
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	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014-2018	26,470,000	52,750,656	79,220,656
2019-2023	45,150,000	44,925,656	90,075,656
2024-2028	99,210,000	28,014,906	127,224,906
2029-2033	18,735,000	9,866,056	28,601,056
2033-2035	36,450,000	2,204,775	38,654,775
Total	$245,915,000	$196,073,456	$ 441,988,456

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, $78,391,542 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2008.

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 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 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 2008, 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*	$ 596,317	$ 1,204,005
Metra**	320,825	559,316
Pace***	61,139	179,627
RTA****	17,462	29,300
Total	$ 995,743	$ 1,972,248

The region-wide system-generated revenues recovery ratio for 2008 equals 56.19%.

* The system-generated revenues recovery ratio for the CTA included leasehold revenues of $4.3 million and Senior Free Rides revenue of $17.5 million, but excluded CTA expenditures for security costs of $32.4 million. It also included in-kind services of $22 million, both as revenues and expenditures.

** Metra's system-generated revenues recovery ratio included Senior Free Rides revenue of $5 million, but excluded $16.6 million security costs, $16 million costs for lease of transportation facilities and $2.7 million for funded depreciation to carriers were deducted from expenditures.

*** Pace system-generated revenues recovery ratio included Senior Free Rides revenue of $1.5 million, and in-kind services of $7.7 million both as revenues and expenditures.

**** The RTA subtract back $15.9 million of unrealized loss on swap valuation to its revenues. Also, the RTA excluded all capital related depreciation expenses of $235 thousand.

**** $200 million of new expenses are exempted from the farebox recovery ratio to avoid the need to match each new dollar with a 50 cent fare increase. This exemption is phased out over 5 years, thereby requiring gradual fare increases.

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

Also, in the RTA Act section 4.01(b) requires the RTA Board to determine that the level of fares charged for ADA paratransit services is sufficient to cause the aggregate of all projected revenues from such fares charged and received in each fiscal year to equal at least 10% of the aggregate costs of providing such ADA paratransit services in fiscal years 2008. Pace ended the year with a 10.0% recovery ratio for Regional ADA Paratransit Services. The 2008 budget for ADA paratransit service adopted by the RTA meets the 10% recovery ratio requirement.

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 37)	$ 476,251	$ 1,841,682	$ 735,772	$ 311,391
Sales tax agency fund	871,535	-	-	-
Pension trust fund	(16,185)	33,188	-	-
Senior free rides		17,500	-	-
In-kind services	-	22,000	-	7,671
ADA Regional Paratransit funding	-	-	-	107,935
Interest on bonds	-	4,385	-	-
Unrealized loss on swap valuation	23,986	-	-	-
Region-wide revenues (page 38)	1,355,587	1,918,755	735,772	426,997
Government-wide expenditures (page 37)	589,988	1,786,433	830,294	317,887
Sales tax agency fund	871,535	-	-	-
Pension trust fund	9,858	-	-	-
In-kind services	-	22,000	-	7,671
Security costs	-	(32,382)	(16,558)	-
Lease of transportation facilities	-	-	(15,985)	-
Prior year positive balance lease proceeds	-	20,000	-	-
Pension and other employee benefits	-	13,191	-	-
Capital (depreciation, disposals/additions)	(732)	-	(2,744)	-
Region-wide expenditures (page 38)	1,470,649	1,809,242	795,007	325,558
Net revenues (expenditures)	$ (115,062)	$ 109,513	$ (59,235)	$ 101,439

13. SUBSEQUENT EVENTS

During 1998, the CTA entered into a lease and leaseback agreement (Green Line Lease) with three equity investors pertaining to the railway tracks, train stations and adjacent property on the Green Line. The CTA's payments associated with this agreement were guaranteed by American International Group Inc (AIG). During 2008, AIG's credit rating was reduced amid the U.S. global economic crisis. Although each equity investor had the right to demand that the CTA replace AIG as guarantor, one of the investors decided to simply exercise the option to terminate the Green Line transaction with CTA. CTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account. These negotiations were finalized in 2009 and final payment was made and a termination agreement was executed. The restricted lease assets and associated lease liability related to this transaction were removed from CTA's financial statements upon termination and payment in 2009. CTA is in negotiations with the remaining two equity investors to determine whether to unwind the transaction or restructure the agreements with a new guarantor.

During 2008, CTA issued nearly $2 billion in Sales and Transfer Tax Receipts Revenue Bonds for the purpose of funding the pension and retiree healthcare. These bonds were initially executed as fixed rate bonds with a relatively high interest rate. In April 2009, CTA executed a basis swap transaction that has a net effect of changing the interest rate characteristics of the debt for a portion of the bonds from a fixed rate to a variable interest rate. The transaction was structured such that CTA will receive upfront cash payments in 2009 and 2010. Beginning in 2011 CTA will pay a percentage of a tax-exempt index (SIFMA) and receive a taxable index (LIBOR) plus a fixed payment annually over 20 years based on the notional amount of the transaction of $567,130,000. CTA has the right to terminate this basis swap transaction at any time.

In January 2009, the RTA borrowed $24 million under the terms of the working cash note agreement. The funds were used to supplement CTA's cash flow.

On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority's (Illinois) (RTA, or the Authority) general obligation (GO) bond rating to 'AA-,' from 'AA,' and assigned a Negative Outlook to outstanding GO debt. In conjunction, Fitch assigned an 'F1+' rating to the Authority's approximately $132.8 million Series 2005B GO variable rate notes and an 'F1' rating to its approximately $260 million taxable GO working cash notes, Series 2009B. The Series 2009B and Series 2005B notes are expected to price during June 2009. The downgrade affects and the Negative Outlook applies to approximately $650.4 million of outstanding GO bonds.

On June 8, 2009, Moody's Investors Service assigned an Aa3 rating to the approximately $132.8 million remarketing of the Regional Transportation Authority (RTA) General Obligation Variable Rate Bonds, Series 2005B. At the same time, Moody's has downgraded the RTA's approximately $2.5 billion outstanding parity bonds to Aa3 from Aa2. The outlook is stable. The bonds are secured by a gross pledge of sales taxes and other state aid and constitute a full faith and credit obligation of the RTA.

In June 2009 the RTA intends to issue up to $260 million of Working Cash Notes that will mature not later than June 1, 2011. The purpose of the funding is to payoff an existing note and to provide timely operating funding for RTA and the Service Boards necessitated by the economic downturn.

On July 1, 2009 the RTA will initiate a mandatory tender of all Series 2005B bonds ($132,770,000), modify the indenture, and reissue the bonds in a different mode. (This is not a refunding. The par value and maturity of Series 2005B will not be changed by the transaction.) The mandatory tender will allow the Authority to eliminate the need to have a liquidity provider, change the interest reset frequency from weekly to monthly and lengthen the extension period from seven days to 12 months.

* * * * * *

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING GOVERNMENT-WIDE SCHEDULES OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

		Service Boards					
	RTA Government-Wide Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments Debit	Combining Adjustments Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 520,456	$ 315,859	$ 58,662	$ 618	$ -	$ 894,359
RTA financial assistance	-	641,832	287,181	216,607	1,148,703	-	(3,083)
Other public funding	-	37,650	98,952	3,357	-	-	139,959
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765
Sales taxes	109,003	-	-	-	-	840,613	949,616
Interest on sales taxes	1,081	-	-	-	-	-	1,081
Public Transportation Fund	227,201	-	-	-	-	-	227,201
Operating assistance CTA and Pace	14,441	-	-	-	-	-	14,441
State assistance	121,870	-	-	-	-	-	121,870
Investment income	(725)	-	-	-	-	-	(725)
Program revenues and other	3,380	-	-	-	-	-	3,380
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889
Total revenues	476,251	1,841,682	735,772	311,391	1,268,694	840,613	2,937,015
EXPENDITURES:							
Operating	-	1,194,390	594,603	279,432	-	352	2,068,073
Depreciation	-	403,248	220,883	33,186	-	-	657,317
Financial Assistance to Service Boards	249,948	-	-	-	-	249,948	-
Operating Assistance - CTA & Pace	58,142	-	-	-	-	58,142	-
Capital grants—discretionary	26,288	-	-	-	-	26,288	-
Capital grants—bonds	93,085	-	-	-	-	93,085	-
Insurance (JSIF)	4,375	-	-	-	-	-	4,375
Administrative expenses	7,532	-	-	-	-	-	7,532
Regional expenses	20,656	-	-	-	-	266	20,390
Technology program	2,467	-	-	-	-	-	2,467
Bond-related expenses	127,495	72,028	-	-	-	-	199,523
Interest expense	-	-	-	150	-	-	150
Interest expense from leasing transactions	-	116,767	14,808	5,119	-	-	136,694
Total expenditures	589,988	1,786,433	830,294	317,887	-	428,081	3,096,521
NET REVENUES (EXPENDITURES)	$ (113,737)	$ 55,249	$ (94,522)	$ (6,496)	$ 1,268,694	$ 1,268,694	$ (159,508)

Note 1—Changes in net assets shown on page 4 and net revenues and expenditures shown on this page are similar.
Note 2—Government-wide to Region-wide revenues and expenditures shown on this page are reconciled in Note 12.

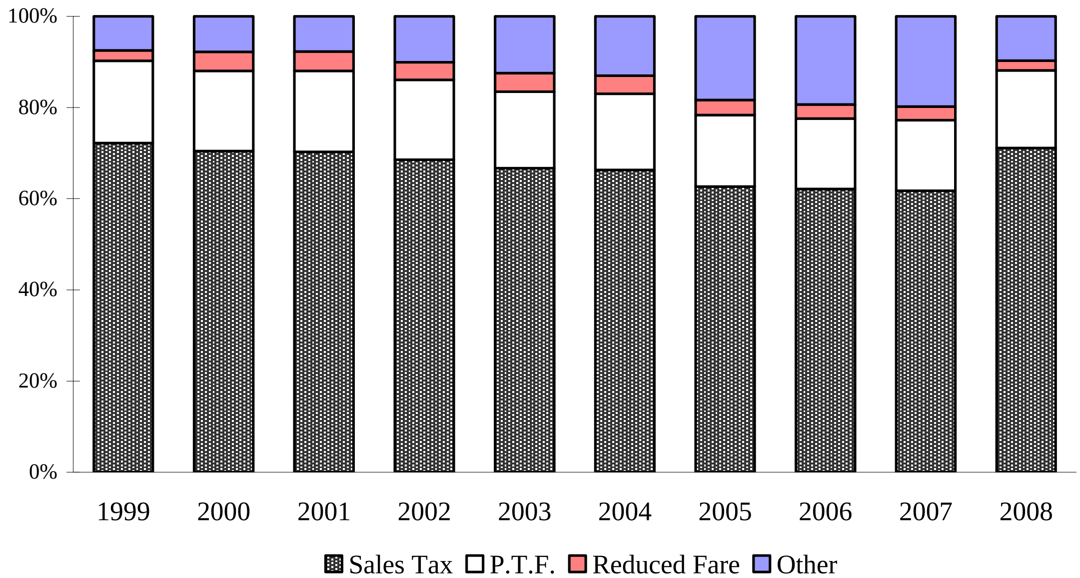
REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING REGION-WIDE SCHEDULES OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	RTA Government-Wide and Fiduciary Funds	Service Boards Chicago Transit Authority	Service Boards Commuter Rail Division	Service Boards Suburban Bus Division	Combining Adjustments Debit	Combining Adjustments Credit	Total Combined	Total Region-Wide Budget
REVENUES:								
RTA financial assistance	$ -	$ 641,832	$ 287,181	$ 216,607	$ 1,148,703	$ -	$ (3,083)	$ -
Other public funding	-	37,650	98,952	3,357	-	-	139,959	-
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765	-
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889	-
Sales taxes	949,617	-	-	-	-	-	949,617	996,957
Public Transportation Fund	227,201	-	-	-	-	-	227,201	189,600
Operating assistance CTA and Pace	14,441	-	-	-	-	-	14,441	10,000
State assistance	121,870	-	-	-	-	-	121,870	116,477
State reduced fare reimbursement	28,919	-	-	-	28,919	-	-	-
Pension and JSIF contribution	9,195	-	-	-	995	-	8,200	-
Pension and other employee benefits	-	33,188	-	-	-	-	33,188	-
Investment income	(15,120)	-	-	-	-	-	(15,120)	-
Interest on bond transactions	-	4,385	-	-	-	-	4,385	-
Interest on sales taxes to Service Boards	2,002	-	-	-	2,002	-	-	-
Subtotal	1,338,125	1,354,537	419,913	252,729	1,299,992	-	2,065,312	1,313,034
Investment income	(10,834)	-	-	-	-	-	(10,834)	12,965
Other revenues	3,229	-	-	107,935	-	-	111,164	19,470
Interest on sales taxes	1,081	-	-	-	-	-	1,081	1,065
Service Boards revenues	-	520,456	315,859	58,662	618	-	894,359	1,020,817
Add (Subtract):								
Senior Free Ride	-	17,500	-	-	-	-	17,500	-
In-kind services	-	22,000	-	7,671	-	-	29,671	22,000
Leasehold revenue	-	4,262	-	-	-	-	4,262	4,262
Unrealized gain (loss) on swap valuation	23,986	-	-	-	-	-	23,986	-
Subtotal	17,462	564,218	315,859	174,268	618	-	1,071,189	1,080,579
Total revenues	1,355,587	1,918,755	735,772	426,997	1,300,610	-	3,136,501	2,393,613
EXPENDITURES:								
Depreciation	-	403,248	220,883	33,186	-	-	657,317	-
Interest expenses from leasing transactions	-	116,767	14,808	5,119	-	-	136,694	-
Interest expenses from bond transactions	-	72,028	-	-	-	-	72,028	-
Operating grants to Service Boards	1,090,561	-	-	-	-	1,090,561	-	-
CTA & PACE (PTF) expenditures	58,142	-	-	-	-	58,142	-	-
Capital grants—discretionary	26,289	-	-	-	-	26,289	-	-
Capital grants—bonds	93,085	-	-	-	-	93,085	-	-
State reduced fare reimbursement	28,919	-	-	-	-	28,919	-	-
Regional expenses and other	14,233	-	-	-	-	266	13,967	-
Bond-related expenses	127,495	-	-	-	-	-	127,495	-
Interest expense	-	-	-	150	-	-	150	-
Interest on sales taxes to Service Boards	2,002	-	-	-	-	2,002	-	-
Subtotal	1,440,726	592,043	235,691	38,455	-	1,299,264	1,007,651	-
Operating expenses		1,194,390	594,603	279,432	-	352	2,068,073	1,971,491
Prior year positive balance - lease proceeds	-	20,000	-	-	-	-	20,000	-
Pension and other employee benefits	-	13,191	-	-	-	-	13,191	-
Administrative expenses	7,532	-	-	-	-	995	6,537	8,209
Regional expenses	20,656	-	-	-	-	-	20,656	25,403
Technology program	2,467	-	-	-	-	-	2,467	1,473
Add (Subtract):	-	-	-	-	-	-	-	-
In-kind services	-	22,000	-	7,671	-	-	29,671	29,671
Security costs	-	(32,382)	(16,558)	-	-	-	(48,940)	(48,940)
Lease of transportation facilities	-	-	(15,985)	-	-	-	(15,985)	(15,985)
Capital (Depreciation, disposals/additions)	(732)	-	(2,744)	-	-	-	(3,476)	(3,476)
Subtotal	29,923	1,217,199	559,316	287,103	-	1,347	2,092,194	1,967,846
Total expenditures	1,470,649	1,809,242	795,007	325,558	-	1,300,611	3,099,845	1,967,846
NET REVENUES (EXPENDITURES)	$ (115,062)	$ 109,513	$ (59,235)	$ 101,439	$ 1,300,610	$ 1,300,611	$ 36,656	$ 425,767

Table 1

RTA REVENUE BY SOURCE

1999-2008



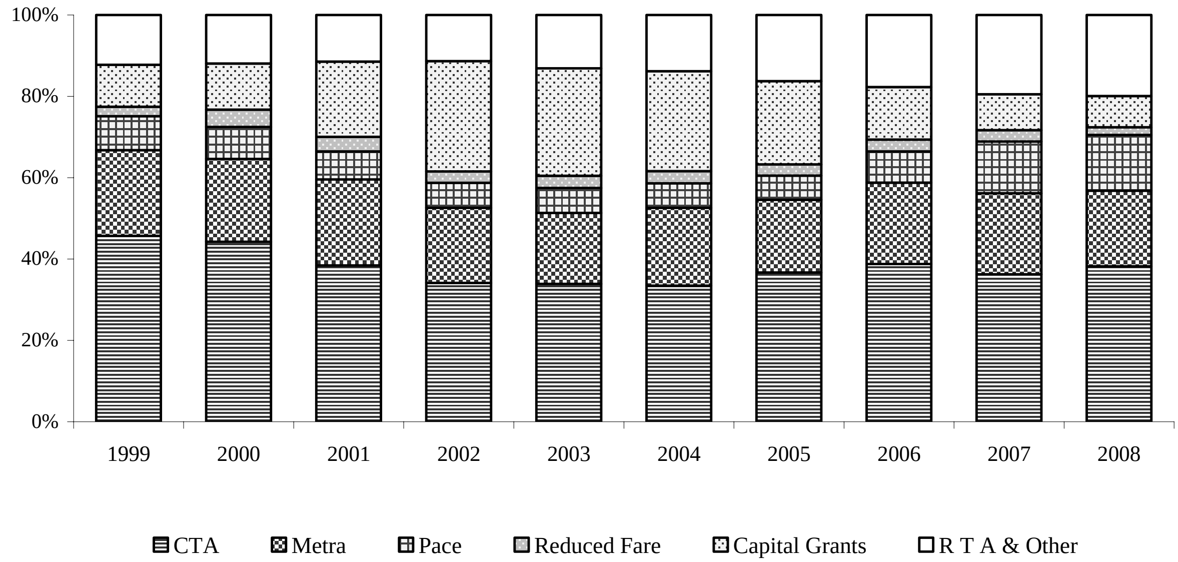
Last Ten Years *(In Thousands)*

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/99	$613,514	$153,343	$19,386	$63,624	$849,867
Percentage of Total	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	650,284	162,247	38,759	71,947	923,237
Percentage of Total	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	653,522	164,987	39,531	71,742	929,782
Percentage of Total	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	647,685	165,665	36,260	95,167	944,777
Percentage of Total	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	654,988	164,739	39,662	122,517	981,906
Percentage of Total	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	949,617	227,201	28,919	129,784	1,335,521
Percentage of Total	71.10%	17.01%	2.17%	9.72%	100%

Table 2

DISTRIBUTION OF EXPENDITURES

1999-2008



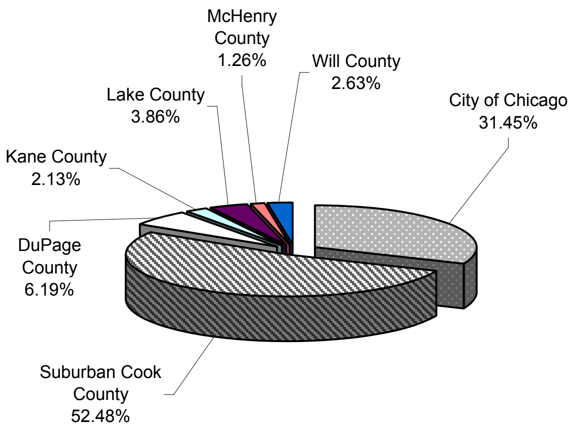
Last Ten Years *(In Thousands)*

	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
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%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%

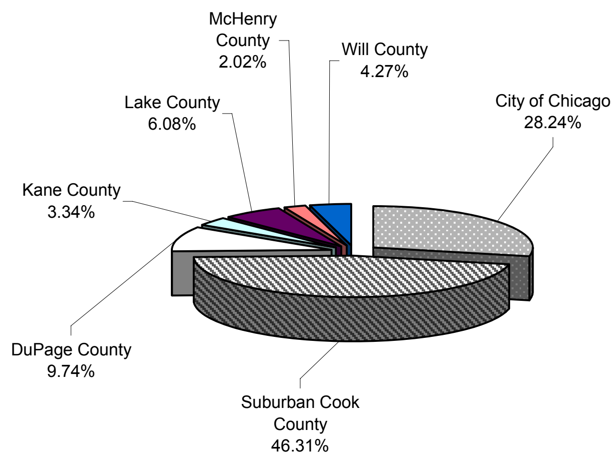
Table 3

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

2007



2008



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 12/31/99	$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%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	219,093	533,095	75,587	25,908	47,143	15,700	33,091	949,617
Percentage of Total	23.07%	56.14%	7.96%	2.73%	4.96%	1.65%	3.48%	100%

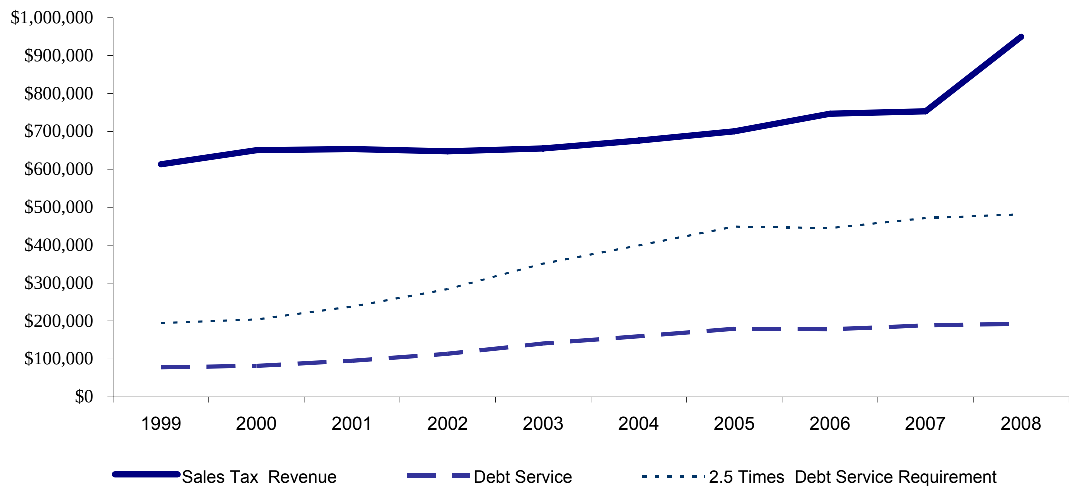
LEGAL DEBT CAPACITY

2008

		Balance Outstanding at December 31, 2008	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	4,590,000		
1994B	General Obligation Bonds	7,095,000		
1994D	General Obligation Bonds	29,225,000		
1997	General Obligation Refunding Bonds	65,955,000		
2002B	General Obligation Bonds	144,085,000		
2003B	General Obligation Bonds	139,990,000		
2003C	General Obligation Refunding Bonds	3,565,000		
2005B	General Obligation Refunding Bonds	139,305,000		
Total RTA Bonds Applicable to Limitation		$650,350,000		(650,350,000)
SCIP Bonds:				
1992A	General Obligation Bonds	$28,755,000	$188,000,000	
1993A	General Obligation Bonds		55,000,000	
1994A	General Obligation Bonds	17,300,000	195,000,000	
1994C	General Obligation Bonds	28,560,000	62,000,000	
1999	General Obligation Refunding Bonds	274,445,000		
2000	General Obligation Bonds	230,065,000	260,000,000	
2001A	General Obligation Bonds	88,630,000	100,000,000	
2001B	General Obligation Refunding Bonds	29,800,000		
2002A	General Obligation Bonds	144,925,000	160,000,000	
2003A	General Obligation Bonds	242,420,000	260,000,000	
2004A	General Obligation Bonds	246,410,000	260,000,000	
2006A	General Obligation Bonds	245,915,000	250,350,000	
Total SCIP Bonds Applicable to Limitation			$1,790,350,000	(1,790,350,000)
Total SCIP Bonds Outstanding		$1,577,225,000		
Total Bonds Outstanding		$2,227,575,000		
Debt Margin for General Obligations				$159,300,000
Debt Limitation per Act for Working Cash Notes				$400,000,000
Total RTA Working Cash Notes Applicable to Limitation		$56,000,000	$56,000,000	(56,000,000)
Debt Margin for Working Cash Notes				$344,000,000
Total Legal Debt Margin				$503,300,000

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1999 - 2008
(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)*

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Tax Revenue	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829	$ 752,922	$ 949,617
Debt Service Requirement	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551	192,555
2.5 Times Debt Service Requirement	$194,665	$204,190	$237,968	$283,815	$351,518	$399,255	$448,840	$445,215	$471,378	$481,388

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.

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
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%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

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

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
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
2007	449.49	288.61	128.45	32.43
2008	489.91	279.38	169.55	40.98
Total	$ 4,351.70	$ 2,476.28	$ 1,547.46	$ 327.96

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

Table 8

SERVICE BOARD OPERATING CHARACTERISTICS

2008

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 143 stations served
- 1,190 rapid transit cars
- 198.1 million riders per year
- 1,288 STO* positions

Motor Bus

- 153 bus routes
- 2,150 buses
- 328.2 million riders per year
- 4,346 STO* positions

Other

- 1.2 billion passenger rail miles per year
- 12.3 million rail miles per year
- 779.8 million passenger miles per year
- 70.8 million vehicle miles per year
- 5,233 without STO* Postions

*STO is Scheduled transit operators. This classification includes bus operators, motormen, conductors, and customer assistants.

*Metra Commuter Rail Division

- 487.7 route miles
- 1,155 miles of track
- 239 stations
- 144 locomotives
- 823 passenger cars
- 171 electric cars
- 702 weekly trains operated
- 95.4% on-time performance
- 86.8 million riders per year
- 4,007 full-time employees

Other

- 1.7 billion passenger miles per year
- 44.7 million vehicle miles per year

**All data excludes NICTD South Shore*

Pace Suburban Bus Division

Fixed Route

- 144 regular routes
- 48 feeder routes
- 1 subscription routes
- 19 shuttle routes
- 573 vehicles in use during peak periods
- 34.6 million riders per year
- 12 seasonal routes
- 703 Pace-owed busses
- 1,358 full-time employees

Paratransit**

- 168 Pace owned lift-equipped buses in service
- 3.7 millions of riders per year
- 35 full-time employees

Dial-A-Ride**

- 61 local services
- 203 Pace owned lift-equipped buses in service
- 222 communities served
- 1.1 millions of riders per year
- 6.3 million passenger miles per year
- 4.7 million vehicle miles per year

Other

- 721 vanpools in operation
- 2.0 million riders for the year
- 22.3 million passenger miles per year
- 31.0 million vehicle miles per year

**Prior to 2008 ADA Paratransit and Dial-A-Ride were combined.

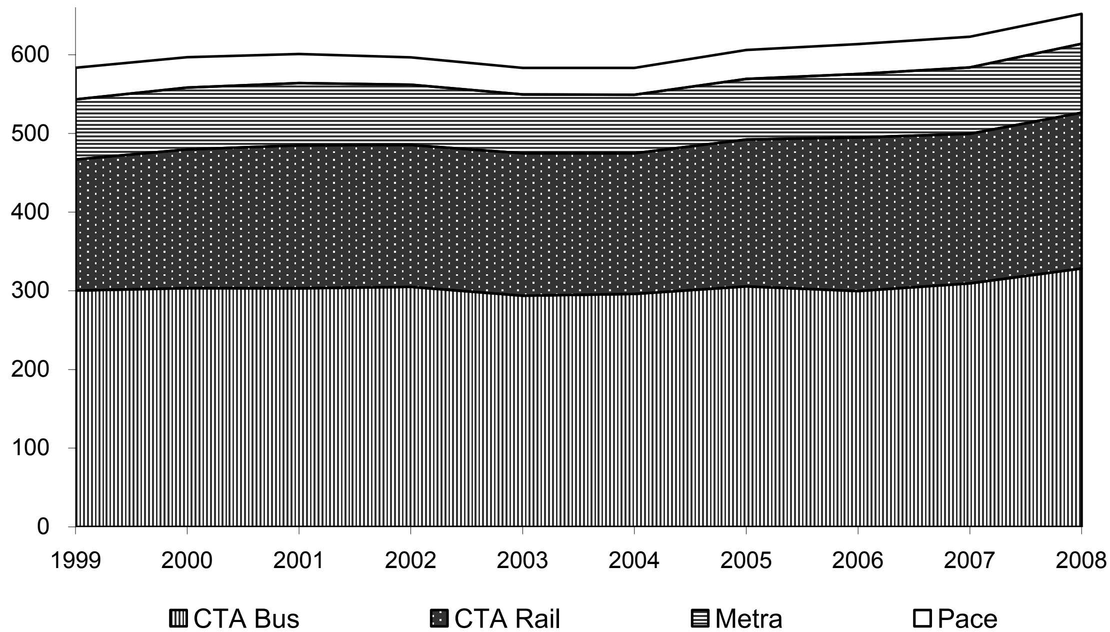
Source of data: Information obtained from the Service Boards' records.

Table 9

1999-2008

(In Millions)

SYSTEM RIDERSHIP
UNLINKED PASSENGER TRIPS



Last Ten Years *(In Millions)*

Service Consumed:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA - Bus	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2
CTA - Rail	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1
Total CTA*	466.7	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6	526.3
Metra	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7
Pace**	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0	37.8
System Total	583.5	597.0	601.0	596.8	583.2	583.2	606.2	613.6	623.0	651.8
Percent Change	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%	4.62%

CTA Stat amounts include rail-to-rail transfers.

*****PACE 2007 Stat amount includes ADA Paratransit rides.***

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 2008.

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Metra					
Union Pacific	$ 84,171	$ 187,214	$ (103,043)	$ 103,043	$ -
Burlington Northern/Santa Fe	50,480	71,209	(20,729)	20,729	-
Northern Indiana Commuter Transportation District (NICTD)	4,468	9,188	(4,720)	4,720	-
Total Metra	$ 139,119	$ 267,611	$ (128,492)	$ 128,492	$ -
Pace					
Summary of Services					
Fixed Route - Public Funded Carriers	$ 1,973	$ 3,504	$ (1,531)	$ 3,908	$ 1,935
Fixed Route - Private Contract Carriers	2,728	9,748	(7,020)	7,020	-
Total Fixed Route Service	4,701	13,252	(8,551)	10,928	1,935
Private Contract Carriers					
DAR Services	1,295	10,536	(9,241)	4,827	4,414
DAR and Stable Services	7,676	97,111	(89,435)	89,435	-
Total Private Contract Carriers	8,970	107,646	(98,676)	94,262	4,414
Paratransit - Municipal Carriers	454	5,866	(5,412)	895	4,517
Total Pace	$ 14,125	$ 126,764	$ (112,639)	$ 106,086	$ 10,866

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services					
Fixed Route - Public Funded Carriers					
City of Highland Park	$ 447	$ 1,070	$ (623)	$ 1,269	$ 822
Village of Niles	524	1,384	(860)	1,587	1,063
Village of Downers Grove	428	476	(48)	476	48
Village of Schaumburg	573	573	-	576	3
Total	$ 1,973	$ 3,504	$ (1,531)	$ 3,908	$ 1,935
Private Contract Carriers - Fixed Route					
Academy Coach Lines	$ 627	$ 3,123	$ (2,496)	$ 2,496	$ -
Colonial Coach Lines	145	694	(549)	549	-
First Student	1,657	4,852	(3,195)	3,195	-
M V Transportation	126	826	(699)	699	
Village of Schaumburg	173	253	(80)	80	-
Total	$ 2,728	$ 9,748	$ (7,020)	$ 7,020	$ -
Private Contract Carriers - Dial-a-Ride Services					
Addison	$ 2	$ 50	$ (48)	$ 3	$ 45
Aurora Township	64	544	(481)	301	180
Barrington	2	70	(68)	29	39
Batavia Township	8	72	(64)	40	24
Bloomingdale Township	32	383	(351)	246	106
Central Lake	8	141	(133)	91	41
Central Will	61	658	(598)	399	199
Downers Grove	19	147	(127)	97	30
Dundee	14	124	(110)	67	43
Dupage County	9	90	(80)	80	-
Dupage Township	8	144	(136)	99	36
Elgin	53	365	(311)	248	63
Elk Grove	27	339	(312)	31	281
Freemont Township	1	9	(8)	(1)	9
Hampshire Township	1	19	(18)	14	5
Hanover Township	3	29	(26)	(0)	26
Hometown	1	22	(21)	4	17
Joliet Call in and Ride	1	15	(15)	15	-
Leyden Township	23	249	(226)	11	215
Marengo	-	10	(10)	10	-
McHenry Township	93	1,452	(1,360)	682	678
Milton Township	15	195	(181)	121	60
N. Suburban Cook	2	65	(63)	63	-
Naperville/Lisle	164	839	(675)	328	346
Northeast Lake-Warren	15	370	(355)	316	39
Northeast Lake-Zion	2	39	(37)	28	9
Northwest Lake	18	282	(264)	264	-
Pioneer Center	7	41	(34)	34	-
Northwest Suburban Cook	19	267	(248)	211	37
Ride DuPage	193	1,740	(1,547)	159	1,388
Ride In Kane	27	839	(812)	642	170
South Cook	-	-	-	-	-

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Private Contract Carries - Dial - a- Ride Services, continued					
Southwest Lake-Cuba	$ 1	$ 6	$ (5)	$ 2	$ 2
Southwest Lake-Wauconda	4	32	(28)	13	15
Southwest Will	1	18	(17)	13	5
Village of Bloomingdale	2	24	(22)	(2)	24
Village of Skokie/West Cook	318	232	87	(87)	-
Village of St. Charles	30	205	(175)	113	62
Wayne Township	5	82	(77)	59	19
Woodstock	39	329	(289)	88	202
Total	$ 1,295	$ 10,536	$ (9,241)	$ 4,827	$ 4,414
Private Contract Carriers - Dial-a-Ride and Stable Services (ADA Services)					
DuPage County	$ 76	$ 865	$ (789)	$ 789	$ -
Kane County	50	578	(528)	528	-
North Suburban Cook	463	5,498	(5,035)	5,035	-
Northeastern/Central Lake	123	1,140	(1,016)	1,016	-
South Cook	898	6,169	(5,271)	5,271	-
Chicago ADA	5,846	80,411	(74,565)	74,565	-
Southwest/Central Will	34	449	(415)	415	-
West Cook	185	2,001	(1,816)	1,816	-
Total	$ 7,676	$ 97,111	$ (89,435)	$ 89,435	$ -
Paratransit - Municipal Carriers					
Aurora	$ 3	$ 58	$ (55)	$ 7	$ 48
Batavia	0	14	(14)	1	13
Bensenville	26	261	(235)	55	180
Bloom	23	365	(342)	56	286
Crestwood	6	102	(97)	15	82
Elgin	3	18	(16)	7	9
Ela	11	155	(144)	21	123
Forest Park	14	154	(140)	33	107
Fox Lake/Grant	3	8	(5)	3	2
Frankfort	25	198	(173)	26	147
Harvard	10	70	(60)	16	44
Lemont	5	78	(72)	13	59
Lyons	12	310	(298)	33	264
Norridge	13	102	(89)	32	57
Oak Park	30	349	(320)	65	255

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Paratransit - Municipal Carriers, continued					
Orland Park	$ 25	$ 426	$ (401)	$ 47	$ 354
Palatine	11	252	(241)	26	215
Palos Hills	10	88	(78)	14	65
Park Forest	23	106	(84)	45	39
Peotone	21	322	(300)	58	243
Rich Township	59	578	(519)	53	466
Schaumburg	84	1,092	(1,008)	172	835
St. Charles	1	23	(21)	2	19
Stickney	17	311	(294)	46	248
Tinley Park	8	108	(100)	21	79
Vernon	4	117	(112)	8	104
Worth Township	7	200	(193)	19	174
Total	$ 454	$ 5,866	$ (5,412)	$ 895	$ 4,517

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

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www.rtachicago.com

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Chicago, Illinois 60661
(312) 913-3110

Community Outreach
(312) 913-3237

RTA ADA Certification Helpline
Voice (312) 663- 4357
TTY (312) 913-3122

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Call 836-7000 from any area code in the six-county region
TTY (312) 836-4949
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