

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



**REGIONAL TRANSPORTATION AUTHORITY  
NORTHEASTERN ILLINOIS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**REGIONAL TRANSPORTATION AUTHORITY  
NORTHEASTERN ILLINOIS**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

**Prepared by:**

**Department of Finance and Administration**

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**REGIONAL TRANSPORTATION AUTHORITY**  
**2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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June 19, 2008

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To the Board of Directors  
Regional Transportation Authority  
Chicago, Illinois

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I have the pleasure to submit to you the Comprehensive Annual Financial Report ("CAFR") of the Regional Transportation Authority ("RTA") for the year ended December 31, 2007. The RTA staff has prepared this report as required by, and in accordance with, the RTA Act. This state law requires that the RTA publish financial statements presented in conformity with generally accepted accounting principles and audited by an independent certified public accountant.

This report consists of RTA management's representations concerning its finances. The responsibility for the accuracy, completeness, and fairness of the data rests with management. To the best of our knowledge and belief, this report contains data complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of the RTA has established an internal control structure designed to provide reasonable assurance that assets are safeguarded from loss, theft, or misuse, and that adequate and reliable accounting data is compiled to prepare financial statements in conformity with accounting principles generally accepted in the United States. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits of that control, and that the valuation of costs and benefits requires estimates and judgments by management.

In addition to the statutory requirement of the RTA Act for an annual audit by independent certified public accountants, the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, require the RTA to undergo an annual Single Audit. The RTA has engaged the firm of McGladrey and Pullen LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States and the standards set forth in the above circular in conducting the engagement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the RTA's financial statements for the year ended December 31, 2007 are presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first part of the financial section of this report.

A separately issued Single Audit report contains a schedule of expenditures of federal awards, the independent auditors' report on internal controls and compliance with applicable laws, regulations, contracts and grants, a schedule of findings and questioned costs, and other information related to the Single Audit.

Accounting principles generally accepted in the United States require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal complements management's discussion and analysis, and should be read in conjunction with it. The RTA management's discussion and analysis ("MD & A") can be found immediately following the report of the independent auditors.

## **OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY**

Illinois State law (the RTA Act, as amended) created the RTA as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system for Northeastern Illinois.

“It is the purpose of [the RTA] Act to provide for, aid and assist public transportation in the northeastern area of the State without impairing the overall quality of existing public transportation by providing for the creation of a single authority responsive to the people and elected officials of the area and with the power and the competence to provide financial review of the providers of public transportation in the metropolitan region and facilitate public transportation provided by Service Boards which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and State plans.”

### **History**

In 1974, upon approval of a referendum in the six counties of metropolitan Chicago (Cook, DuPage, Kane, Lake, McHenry, and Will), the Act created the RTA as a unit of local government, body politic, political subdivision, and municipal corporation. Initially, the RTA provided financial assistance to the then existing public transportation operators. Subsequently, the role of the RTA expanded to include the acquisition and operation of such public transportation providers, as well as contract with operators to provide service through the purchase of service agreements.

In 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The Act placed operating responsibilities with the Chicago Transit Authority (“CTA”) and two operating divisions of the RTA: the Commuter Rail Division (“Metra”) and the Suburban Bus Division (“Pace”). These three entities are defined in the Act as the “Service Boards”.

The CTA provides bus and rail transportation services within Chicago and 38 adjacent suburbs. Illinois State law (the Metropolitan Transportation Authority Act) created the CTA in 1945. The law established the CTA as an Illinois municipal corporation “separate and apart from all other government agencies” to consolidate Chicago’s public and private transportation carriers. The CTA commenced operations in 1947 and completed the consolidation of public transportation in 1952 upon purchasing the Chicago Motor Coach System.

The Northeast Illinois Regional Commuter Railroad Corporation (“NIRCRC”), a public corporation created in 1980 and operating under the service name of Metra, provides public transportation by commuter rail. The 1983 RTA restructuring formed a Commuter Rail Division, “responsible for providing public transportation by commuter rail.” The Commuter Rail Division continued the operation of NIRCRC to provide this transportation. Metra contracts with the Union Pacific Railroad, Burlington Northern Santa Fe, and Northern Indiana Commuter Transportation District to provide service through the purchase of service agreements. In addition, Metra operates the services provided on its North Central Service and South West Service rail lines, as well as the services formerly provided by Rock Island, Milwaukee Road, and Illinois Central Gulf.

The 1983 RTA restructuring also formed a Suburban Bus Division, “responsible for providing public transportation by bus and as may be provided in [the RTA] Act.” As such, the Division - operating under the service name Pace - provides non-rail public transportation throughout DuPage, Kane, Lake, McHenry, and Will counties, as well as the suburban area of Cook County.

Collectively, we refer to the RTA, the CTA, Metra, and Pace as the “RTA System.”

## **Mission**

The Act sets forth the responsibilities of the RTA. These responsibilities encompass planning, funding, and oversight duties. The Board of Directors has developed the following goals to carry out the RTA legislative mandates:

***Plan***—Ensure an integrated regional public transportation system through comprehensive planning and coordination with the service providers.

***Fund***—Develop and allocate resources among the Service Boards to ensure they provide quality and cost-effective service.

***Oversee***—Monitor and evaluate Service Boards’ performance to ensure that service is provided efficiently and effectively.

The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program. This obligation incorporates planning, funding, and oversight duties. The Act enumerates a number of requirements with respect to the budget, plan, and program. These include a requirement that the budget and plan reflect operating revenues of at least 50% of operating costs (a farebox recovery ratio of at least 50%). In addition, the budget and plan must show a balance between revenues, including subsidies, and costs (a balanced budget).

Other responsibilities include establishing policies regarding the allocation of public transportation funding in the Chicago metropolitan region, developing system-wide plans and service standards, coordinating services among different modes of transportation, and ensuring compliance with Federal and State mandates.

## **Budget**

The Act establishes budgetary controls. The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program.

“Each year the Authority shall prepare and publish a comprehensive annual budget and program document describing the state of the Authority and presenting for the forthcoming fiscal year the Authority’s plans for such operations and capital expenditures as the Authority intends to undertake and the means by which it intends to finance them.”

The Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the Five-Year Capital Program must specify capital improvements exceeding \$250,000 along with pertinent information. The budget calendar and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.



### ***Budget Calendar***

Based upon the estimate of tax receipts and revenues from other sources, “the Board shall, not later than ... September 15 prior to the beginning of the Authority’s next fiscal year” advise each Service Board of the amounts estimated to be available during the upcoming fiscal year and the next two following years, the times when the amounts will be available, and the cost recovery ratio for the next year. The recovery ratio for the region must meet a minimum standard of 50%.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document, and a financial plan for the two following years. “The proposed budget and financial plan shall be based on the RTA’s estimate of funds that will be available to the Service Boards by or through the Authority, and shall conform in all respects to the requirements established by the Authority”. Before submitting the budget to the RTA, the Service Boards must hold at least one public hearing in each of the counties in which it provides service, and at least one meeting with the affiliated county boards. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA. “*Not later than...* November 15 prior to the commencement of such fiscal year, each Service Board shall submit to the Authority its proposed budget for the fiscal year and its proposed financial plan for the two following years”.

The RTA must then hold at least one public hearing in the metropolitan region and one meeting with each county board on the proposed budget. After conducting these hearings and taking into consideration the comments, the RTA must adopt a budget, which meets the statutory criteria. Unless the RTA passes a budget and financial plan for a Service Board, “the Board shall not release to that Service Board any funds for the periods covered by such budget and financial plan”, except for the sales tax directly allocated to the Service Board by statute.

### ***Statutory Requirements***

The RTA Act sets forth six statutory criteria for Board approval of the budget and financial plan of each Service Board. These six criteria are:

- *Balanced Budget:* A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services;
- *Cash Flow:* Cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenses as incurred;
- *Recovery Ratio:* A level of fares or charges, and operating or administrative costs, to allow the Service Board to meet its required system-generated revenue recovery ratio;
- *Assumptions:* Employ assumptions and projections which are reasonable and prudent;
- *Financial Practices:* Prepared in accordance with sound financial practices as determined by the Board; and
- *Other Requirements:* Other financial, budgetary, or fiscal requirements that the Board may establish by rule or regulation.

### ***Oversight***

After adoption of the budget, the RTA has continuing oversight powers concerning the budget and the financial condition of each Service Board and region as a whole. On a monthly basis, the RTA monitors the budgetary and operations performance of the Service Boards to ensure compliance with their budget and recovery ratios. On a quarterly basis, the RTA makes the following assessment:

- After the end of each fiscal quarter, each Service Board must report to the RTA “its financial condition and results of operations and the financial condition and results of operations of the public transportation services subject to its jurisdiction” for such quarter. If in compliance, the Board so states and approves each Service Board’s compliance by adopted resolution.
- If in the judgment of the Board these results are not substantially in accordance with the Service Board’s budget for such period, the Board shall so advise the Service Board and it “shall, within the period specified by the Board, submit a revised budget incorporating such results”.
- Once a Service Board submits the revised budget plan, the RTA must determine if it meets the six statutory budget criteria necessary to pass an annual budget. If not, the RTA will not release any monies to the Service Board(s) except the statutory allocation of taxes.
- If a Service Board submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period, the RTA “shall continue to release funds to the Service Board.”

### ***Amendment***

When prudent, the budget is amended due to shifts in the economic climate, governmental funding programs, or new projects. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budget.

### **Reporting Entity**

As defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government (the RTA as legally defined), as well as its component units—legally separate entities for which the primary government has financial accountability.

Although part of the RTA System, the CTA, Metra, and Pace do not represent component units of the RTA under GASB Statement No. 14. Accordingly, the Comprehensive Annual Financial report of the Regional Transportation Authority does not include the financial statements of the Service Boards. However, a Combining Annual Financial Report does combine the financial statements of the RTA, the CTA, Metra, and Pace as required by the RTA Act.

### **RTA System Characteristics**

The six-county area served by the RTA system covers 3,700 square miles. Based on the 2000 census, the region has 8 million residents. Regional employment totaled 5 million in 2000. The RTA system carried 623 million riders in 2007, an increase of 1.53 % compared to the prior year.

## **Governance**

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of twelve appointed members and one elected member from the six-county region. The Mayor of the City of Chicago appoints five directors. This includes the Chairman of the CTA who also serves on the RTA Board. The suburban members of the Cook County Board appoint four directors. The Chairmen of the County Boards of Kane, Lake, McHenry and Will appoint two directors. The Chairman of the DuPage County Board appoints one director. These twelve directors, with a minimum concurrence of nine directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of ninety-two. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit started at \$5 million for 1985 and has increased at a rate of 5% per year. The RTA has always held its administrative expenses under this limit.

The Chicago Transit Board, consisting of seven members, governs the CTA. The Governor of Illinois appoints three members, subject to the approval of the Illinois Senate and the Mayor of Chicago. The Mayor of Chicago, with the consent of the Chicago City Council and the Governor of Illinois, appoints four members, including the CTA Chairman.

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of seven members, governs Metra. The suburban members of the Cook County Board appoint three members. The Chairmen of the County Boards of Kane, Lake, McHenry and Will appoint two directors. The Chairman of the DuPage County Board appoints one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These seven directors, with a minimum concurrence of five directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of twelve members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will each appoint one director. The RTA Act requires that each of these directors must be a current or former “chief executive officer of a municipality” from the area that appoints the member. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board.

## **Financing**

The RTA Act specifies the funding responsibilities of the RTA, appointing the RTA as the primary public body in the metropolitan region to secure funds for public transportation.

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

### ***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 rate in 1979. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of ¾% in Cook County and ¼% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result the RTA tax on food and drugs is imposed at a rate of 1% throughout the six county areas.

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.

### ***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.

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.

## **FACTORS AFFECTING ECONOMIC CONDITION**

### **Financing**

The RTA's primary source of operating funding is a regional (occupation and use) sales tax (the equivalent of 1.0% in Cook County and 0.25% in the remainder of the region) and a 25% sales tax match from the State of Illinois Public Transportation Fund. In 2007, RTA sales tax receipts reached \$753 million, 0.9% over budget and a 0.8% increase over the previous year. Sales taxes grew faster in the City of Chicago (2.4%) than in the Collar Counties (1.0%). Sales tax receipts declined slightly in Suburban Cook County (0.1%). In 2006, 2005, 2004, and 2003, the RTA sales tax increased 6.6%, 3.7%, 3.2%, and 1.1%, respectively. In 2002, sales tax receipts declined nearly 1% from 2001.

The RTA 2008 operating budget approved by the Board of Directors on December 14, 2007, assumes sales tax revenue of \$766 million, an increase of 1.7% and 2.7% over the 2007 actual and budget, respectively. In addition to the 25% sales tax match from the Public Transportation Fund, the State of Illinois will provide \$116 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds and \$37 million as partial reimbursement to the Service Boards for discounts (mandated by law) provided to student, elderly, and disabled riders. The RTA 2008 budget is predicated on the RTA receiving funding from the State of Illinois or other sources in the amount of \$54 million for ADA paratransit services and other costs and services. In 2005, 2006, and 2007, the State of Illinois appropriated \$54 million for these purposes.

### **Regional and Illinois Economy**

The Chicago region is the home to one of the most economically diversified economies in the United States. According to World Business Chicago, the area leads the U.S. in many economic measurements, including high technology employment and output, manufacturing output, and truck, inter-modal, rail, and air distribution. Second only to New York, the region is home to 160 corporate headquarters, including 30 Fortune 500 companies. Noted strengths of the Chicago area economy include construction, transportation, utilities, manufacturing, information technology, wholesale and retail trade, leisure and hospitality, professional and business services, education, and healthcare.

Like the nation, both Illinois and the Chicago region have posted significant declines in the unemployment rate earlier this decade. However, unemployment in Illinois increased from 4.6% in 2006 to 5.0% in 2007. The unemployment rate in Illinois decreased from 5.6% in January to 5.5% in February 2008. The unemployment rate in the Chicago area declined from 5.8% in January to 5.7% in February 2008, 0.9 percentage points higher than the national rate during the same month.

The March 2008 Monthly Revenue Briefing issued by the State Commission on Government Forecasting and Accountability noted that during the first nine months of the State's 2008 fiscal year, sales tax receipts of \$5.4 billion increased \$34 million or 0.6% compared to the same period during the State's previous fiscal year.

## **National Economy**

Through 2000, the real gross domestic product (GDP), the output of goods and services produced in the United States, grew in the neighborhood of 4% annually for several consecutive years. In 2001, the growth rate plunged to 0.8% before rebounding to a modest 1.6% in 2002 and 2.5% in 2003. Real GDP grew at an annual rate of 3.6% in 2004 before declining to 3.1% in 2005, 2.9% in 2006, and 2.2% in 2007. The Congressional Budget Office (CBO) predicts real GDP growth for 2008 and 2009 of 1.7% and 2.8%, respectively.

The national unemployment rate averaged 4.6% in 2007 and 2006, falling from 5.1% in 2005, 5.5% in 2004 and 6.0% in 2003, the highest average annual rate since 1994. The national unemployment rate averaged 4.9% during the first three months of 2008. The CBO forecasts national average unemployment rates of 5.2% and 5.5% in 2008 and 2009, respectively.

In 2007, the consumer price index (CPI), a measure of the pace of inflation, increased 2.8% following increases of 3.2% in 2006, 3.4% in 2005, 2.7% in 2004 and 2.3% in 2003. The CBO expects the CPI to increase 2.8% in 2008 and 1.9% in 2009.

According to the Commerce Department, Real Personal Consumption Expenditures (PCE), a measure of goods and services purchased by consumers, grew in excess of 4.5% annually for several consecutive years through 2000. Real PCE growth increased from 2.5% in 2001 to 3.6% in 2004. More recently, real PCE growth declined from 3.2% in 2005 to 2.9% in 2007. The CBO projects that PCE will grow 2.6% in 2008 and 1.8% in 2009.

## **Cash Management**

RTA cash management policies and practices vary by fund.

### ***General and Agency Funds***

The RTA Board has adopted an investment policy that governs the investment of cash for these funds. The RTA policy which complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, as well as the other areas required by Illinois law. The policy lists permitted investments and prescribes safekeeping, collateralization, and reporting requirements. RTA staff manages the investment of these funds.

The RTA policy establishes the following objectives:

- ***Safety of Principal***—Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.
- ***Liquidity***—Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA.
- ***Rate of Return***—A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.
- ***Public Trust***—The RTA and its officers should avoid any investment transaction or practice which in appearance or may impair public confidence in its stewardship of public funds.

- ***Investments in Local and Disadvantaged Institutions***—Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

### ***Debt Service Fund***

Each bond issue has a separate debt service account, administered by a trustee, to accumulate the amount necessary for the next bondholder payment. The trust agreement establishes the requirements for the administration of the account, and requires that the trustee invest in securities that are legal investments under the laws of the State of Illinois at the time of investment.

### ***Capital Projects Fund***

The RTA usually contracts with an investment institution to manage the proceeds of its bond issues. A separate contract, awarded on a competitive basis, governs each issue. The contract requires full collateralization, limited to securities guaranteed by the full faith and credit of the United States government as to principal and interest, the Export-Import Bank of the United States, and selected agencies created pursuant to an Act of Congress, with weekly mark-to-market.

### ***Joint Self-Insurance Fund***

An RTA ordinance was passed to govern this fund. RTA staff manages the investment of these funds in compliance with this ordinance and the RTA investment policy. The joint self-insurance fund maintains a separate account for these funds. Cash and cash equivalents of the Joint Self-Insurance Fund are held in separate accounts and not commingled with other RTA assets.

### ***Pension Fund***

An RTA ordinance was passed to govern this fund. The ordinance requires that the RTA Board appoint the trustees to oversee the investment of the pension fund. A representative from the RTA, Metra, and Pace, plus four individuals not employed in the RTA system, comprise the trustees. The trustees have adopted an investment policy and have apportioned the pension fund among a number of investment institutions to execute this policy. In addition, the trustees utilize an independent firm to monitor the performance of the investment institutions.

## **Risk Management**

The RTA, CTA, Metra, and Pace established a Loss Financing Plan in 1986. The Plan operates as a self-insurance program to provide a source from which to temporarily finance catastrophic losses and other claims incurred by the RTA and the Service Boards, arising out of personal injuries, property damage, and certain other losses. The participating entities (RTA, CTA, Metra, and Pace) administer the Plan, with a representative from the RTA acting as the Fund Manager and representatives from the CTA, Metra, and Pace acting as Fund Advisors.

The Plan required the creation of a Joint Self-Insurance Fund. The Fund has entered into a multi-year, claims-paid insurance agreement to insure against certain losses in excess of \$5 million. The Fund pays premiums for this coverage. The participating entities must repay the Fund for submitted claims paid by the Fund that are not covered by the insurance agreement.

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

The RTA sponsors a multi-employer defined benefit pension plan for substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively) who are not otherwise covered by a union pension plan. RTA, Metra, and Pace are collectively referred to hereinafter as the Employer. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that each employer must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. In 2006 and 2007, the employer's pension costs equal the required and actual contributions which were \$8,777,000 and \$9,137,000, respectively. The required contributions were determined as part of the January 1, 2006 and 2007 actuarial valuations.

The RTA also offers eligible retirees the option to continue participation in its group health insurance plan. Election to participate is voluntary with the RTA incurring no additional obligations except that the RTA will pay each eligible retiree the sum of up to \$78 per month toward the cost of his/her health insurance. There are 15 participants eligible to receive benefits at December 31, 2007. The RTA recognized retiree health care benefits as expenses as they are paid and are not material in amount at the present time.


## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2006. This was the thirteenth consecutive year that the RTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the RTA received the GFOA Award for Distinguished Budget Presentation for its annual budget for the year ending December 31, 2007. This marks the eleventh consecutive year that the RTA has achieved this accomplishment. The Distinguished Budget Presentation Award requires that the GFOA judge the budget document as proficient in several categories, including policy documentation, financial planning, and organization.

I would like to express my appreciation to the RTA staff for their efforts in preparing this report.



Joseph G. Costello  
Senior Deputy Executive Director  
Finance and Administration



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Regional Transportation Authority, Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

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



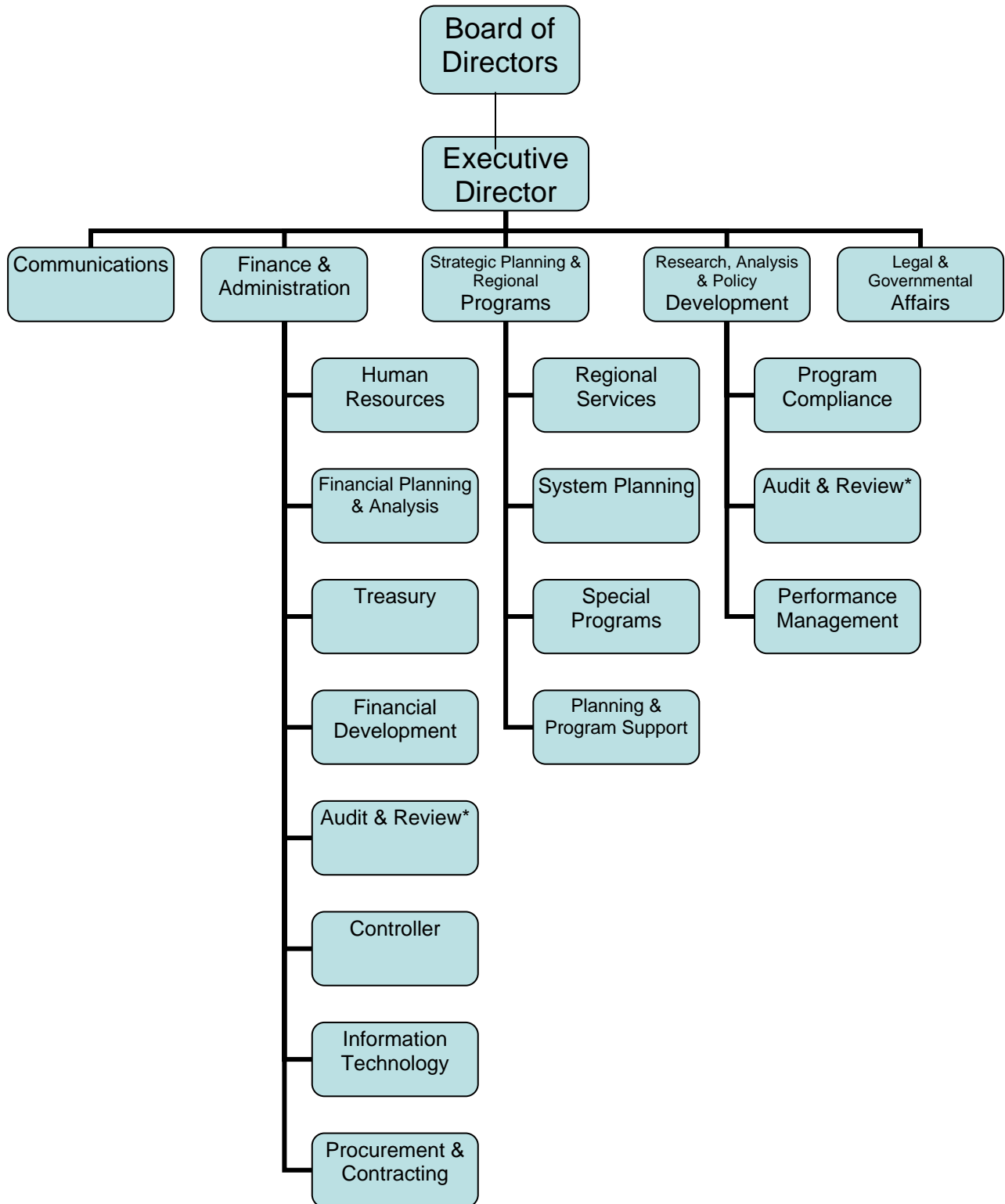
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**REGIONAL TRANSPORTATION AUTHORITY  
ORGANIZATION CHART  
December 31, 2007**



\* Indirect reporting relationship to Board of Directors

# REGIONAL TRANSPORTATION AUTHORITY

## LIST OF PRINCIPAL OFFICIALS DECEMBER 31, 2007

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### Board of Directors

Chairman	James R. Reilly
Directors	Carole L. Brown James Buchanan William R. Coulson Patrick J. Durante Armando Gomez, Sr. Dwight A. Magalis Mary M. McDonald Fred T. L. Norris Patrick V. Riley, Jr. Michael Rosenberg Judy Baar Topinka Douglas M. Troiani Reverend Addie L. Wyatt

### Administration

Executive Director	Stephen E. Schlickman
Senior Deputy Executive Director Finance and Administration	Joseph G. Costello
Senior Deputy Executive Director Strategic Planning and Regional Programs	Leanne P. Redden
Senior Deputy Executive Director Legal and Government Affairs	Andrew S. Gruber
Senior Deputy Executive Director Research Analysis and Policy Development	Grace Gallucci
Director of Communications	Diane J. Palmer

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

Board of Directors  
Regional Transportation Authority  
Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority ("RTA") as of and for the year ended December 31, 2007, which collectively comprise the RTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008 on our consideration of the RTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Required Supplementary Information and the Management's Discussion and Analysis listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTA's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules are the responsibility of the RTA's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
June 13, 2008

# REGIONAL TRANSPORTATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activity affecting the operation of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2007. Please read it in conjunction with the RTA's basic financial statements which follow this section.

### Financial Highlights

- For the year ended December 31, 2007, the RTA statement of activities for the governmental activities shows expenses decreasing \$13 million to \$522 million from \$535 million for the same period in 2006. Financial assistance to the CTA, Metra, and Pace ("Service Boards") increased by \$33 million, while revenues grew by \$4 million over 2006. The increase was primarily due to greater state assistance, sales tax revenue and investment income.
- The government-wide statement of net assets shows assets of \$670 million for the governmental activities, a net decrease of \$81 million. The Capital Projects Fund contributed largely to this decrease, the cash and investments decreased \$88 million in 2007, which reflects the activity in capital expenditures during 2007. The Debt Service Fund cash and investments increased by \$4 million due to additional transfers required from the General Fund. The General Fund's cash and investments increased \$13 million and an increase in receivables in the amount of \$22 million, reflecting the timing of receipts. In the government-wide statement of net assets, bond-related liabilities decreased by \$62 million due to the \$59 million decrease in general obligation bonds payable in 2007.
- At the end of 2007, the government-wide statement of net assets shows a deficit of \$1.937 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of \$499 million. There is a \$2.436 billion difference between the fund balance and the net deficit. This does not in any way represent a precarious financial position for the RTA. Rather, it is the result of the presentation of RTA financial statements required by the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB Statement No. 34"), as it relates to the recording of the RTA general obligation bonds in the government-wide statement of net assets.
- The RTA has the obligation to pay the bonds it has issued to fund the Service Boards' capital expenditures. These expenditures and the related assets appear in the Service Boards' financial statements. The sales taxes imposed by the RTA in the region represent the primary source of payment for the bond obligations.

## USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

**Overview of the CAFR**—The RTA CAFR consists of three parts:

1. **Introductory Section**—This section includes the letter of transmittal, the GFOA Certificate of Achievement, the organizational chart, and the list of principal officials.
2. **Financial Section**—This section is comprised of the independent auditors' report, the management's discussion and analysis, the basic financial statements, and the required supplementary information and combining and individual fund schedules.
3. **Statistical Section (Unaudited)**—This section provides additional analysis and is not a required part of the basic financial statements of the RTA.

The basic financial statements contain three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. A discussion of the basic financial statements is included in this CAFR as follows:

**Government-wide Financial Statements**—The government-wide financial statements provide a broad overview of the RTA finances in a manner similar to those of a private-sector business. The statements are prepared following the full accrual basis of accounting.

- **Statement of Net Assets**—The statement of net assets presents information on all of the RTA's assets and liabilities. The statement subtracts liabilities from assets to compute—in the case of the RTA—a net deficit. This net deficit reflects the recording of bonds issued by the RTA for capital grants to the Service Boards to acquire and construct assets used to provide public transportation. These assets appear in the financial statements of the Service Boards. The bonds represent general obligations of the RTA to which the RTA has pledged its full faith and credit.

The size of the net deficit will increase as the RTA continues to issue bonds to fund the RTA System capital program.

- **Statement of Activities**—The statement of activities shows the change in net assets of the governmental and business-type activities. Governmental activities include operating and capital asset funding (capital grants) to the Service Boards, RTA administrative expenses, the RTA Travel Information Center, certification of riders for paratransit service under the Americans with Disabilities Act (regional expenses), and interest expense on bonds issued by the RTA. Business-type activities consist of the RTA Joint Self-Insurance Fund.

The government-wide financial statements include only the RTA (the "primary government"). There are no "component units" (separate legal entities for which the RTA is financially accountable) that the RTA government-wide financial statements are required to include.

The RTA does not consider the CTA, Metra, or Pace to be component units, therefore, the RTA government-wide financial statements do not incorporate the financial data of the Service Boards. See Letter of Transmittal and Note 1 to the financial statements for further details.

**Fund Financial Statements**—A fund refers to a set of related self-balancing accounts used to maintain control over resources segregated for specific activities or objectives. The RTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The RTA's funds are accounted for in three fund types: governmental funds, proprietary

funds, and fiduciary funds. These financial statements are prepared following the modified accrual basis of accounting.

- **Governmental Funds**—Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year.

Unlike the information presented for governmental funds, information presented for governmental activities in the government-wide financial statements, includes the long-term impact of near-term financing decisions. The governmental funds financial statements provide reconciliations to facilitate comparison between governmental funds and government-wide financial statements.

In the fund level basic financial statements, the RTA presents three major governmental funds: a general fund, a debt service fund, and a capital projects fund. The governmental funds financial statements present information for each major fund separately. Individual fund data for each of the RTA governmental funds is presented in this CAFR in the section labeled “Combining and Individual Fund Schedules.”

The RTA adopts an annual appropriated budget for its general fund. The Required Supplementary Information and Combining and Individual Fund Schedules include a budgetary comparison.

- **Proprietary Funds**—The RTA maintains a proprietary fund to account for the RTA Joint Self-Insurance Fund. This type of proprietary fund, referred to as an enterprise fund, reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. As required by Article II of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separate audited financial statements.
- **Fiduciary Funds**—Fiduciary funds account for resources held for the benefit of parties outside the government activity. In the case of the RTA, the fiduciary fund accounts for the assets of the RTA defined-benefit Pension Plan and the Sales Tax Agency Fund. The government-wide financial statements do not reflect fiduciary funds as these funds are not available to support the programs and operations of the RTA. The RTA Pension Plan issues audited financial statements separately.



## ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Assets:

**SUMMARY OF NET ASSETS**  
**DECEMBER 31, 2007 AND 2006**  
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2007	2006	Variance	2007	2006	Variance	2007	2006	Variance
Assets:									
Cash and investments	\$ 519,578	\$ 577,014	\$ (57,436)	\$ 21,199	\$ 25,409	\$ (4,210)	\$ 540,777	\$ 602,423	\$ (61,646)
Other assets	140,387	165,195	(24,808)	3,444	6,422	(2,978)	143,831	171,617	(27,786)
Non-Current Assets				3,750		3,750	3,750		3,750
Capital assets—net	9,754	8,449	1,305				9,754	8,449	1,305
Total assets	669,719	750,658	(80,939)	28,393	31,831	(3,438)	698,112	782,489	189,651
Liabilities:									
Current non bond-related liabilities	97,933	102,570	(4,637)				97,933	102,570	(4,637)
Current bond related liabilities	70,387	64,837	5,550				70,387	64,837	5,550
Long-term non-bond-related liabilities	51,442	52,377	(935)				51,442	52,377	(935)
Long-term bond-related liabilities	2,387,376	2,455,323	(67,947)				2,387,376	2,455,323	(67,947)
Total liabilities	2,607,138	2,675,107	(67,969)				2,607,138	2,675,107	(67,969)
Net assets (deficit):									
Invested in capital assets	9,754	8,449	1,305				9,754	8,449	1,305
Unrestricted (deficit)	(1,947,173)	(1,932,898)	(14,275)	28,393	31,831	(3,438)	(1,918,780)	(1,901,067)	(17,713)
Total net assets (deficit)	\$ (1,937,419)	\$ (1,924,449)	\$ (12,970)	\$ 28,393	\$ 31,831	\$ (3,438)	\$ (1,909,026)	\$ (1,892,618)	\$ (16,408)

As of December 31, 2007, cash and investments for governmental activities decreased by \$57 million over the previous year. During 2007, the Capital Projects Fund decreased by \$88 million, conversely the Debt Service Fund increased by \$4.4 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditure.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition in the statement of net assets of \$2.4 billion in current and long-term general obligation bonds payable. Prior to the implementation of GASB Statement No. 34, these bonds were recorded in the general long-term debt account group and presented, prior to the 2001, as credits, with an equal amount of other debits (i.e., amount available and amount to be provided for the retirement of long-term debt). This was a result of the recording of bonds issued by the RTA under its bonding authority. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation within the RTA region.

The size of the net deficit will continue to increase over time as the RTA progresses with its bond financing to fund the RTA System capital program. This deficit will not affect the availability of RTA fund resources for future use. In fact, the RTA maintains its operations funding levels for 2008 as established in September 2007 during the 2008 budget process.

The following table summarizes the RTA Statement of Activities presented in this CAFR:

**SUMMARY OF ACTIVITIES**  
**DECEMBER 31, 2007 AND 2006**  
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2007	2006	Variance	2007	2006	Variance	2007	2006	Variance
Expenses:									
Financial assistance									
to Service Boards	\$ 249,941	\$ 216,686	\$ 33,255	\$	\$	\$	\$ 249,941	\$ 216,686	\$ 33,255
Capital grants	113,328	165,436	(52,108)				113,328	165,436	(52,108)
Administrative expenses	6,967	7,561	(594)	4,855	5,566	(711)	11,822	13,127	(1,305)
Regional and technology program expenses	21,652	22,564	(912)				21,652	22,564	(912)
Interest expense	130,079	122,790	7,289				130,079	122,790	7,289
Total expenses	521,967	535,037	(13,070)	4,855	5,566	(711)	526,822	540,603	(13,781)
Revenues and transfers:									
Sales taxes	112,938	112,024	914				112,938	112,024	914
PTF and state assistance	306,738	298,879	7,859				306,738	298,879	7,859
Note Interest				207		207	207		207
Program revenues	54,252	54,252					54,252	54,252	
Investment income and other	35,069	40,022	(4,953)	1,210	1,386	(176)	36,279	41,408	(5,129)
Total revenues and transfers	508,997	505,177	3,820	1,417	1,386	31	510,414	506,563	3,851
Change in net assets	(12,970)	(29,860)	16,890	(3,438)	(4,180)	742	(16,408)	(34,040)	17,632
Net assets—beginning of year	(1,924,449)	(1,894,589)	(29,860)	31,831	36,011	(4,180)	(1,892,618)	(1,858,578)	(34,040)
Net assets—end of year	\$ (1,937,419)	\$ (1,924,449)	\$ (12,970)	\$ 28,393	\$ 31,831	\$ (3,438)	\$ (1,909,026)	\$ (1,892,618)	\$ (16,408)

Financial assistance to the Service Boards increased by \$33 million from \$217 million in 2006 to \$250 million in 2007. The RTA funding policy requires Service Boards funding up to the approved budget during the year.

Capital grants to the Service Boards decreased by \$52 million, from \$165 million in 2006 to \$113 million in 2007, which reflects the activity in capital expenditures to the Service Boards during 2007. The amount of bond interest expense and others have increased by \$7 million from \$123 million to \$130 million.

PTF and state assistance increased by \$8 million and sales tax increased by \$914 thousand, investment income, and other revenue decreased by \$5 million, an increase of \$4 million in total revenue from 2006. The increase in state assistance results from more Additional State Assistance (ASA) and Additional Financial Assistance (AFA) revenues. As the RTA issues additional SCIP bonds, the RTA qualifies for more assistance from the State to pay the debt service.

Insurance premiums represent the only major expense, and investment income represents the only revenue for the Business-type activities (insurance financing).

## FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the RTA employs three fund types: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**—Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. See the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances on pages 27 and 29, respectively, for further details.

**General Fund**—Assets in the general fund primarily represent the amounts for Service Boards' operations and capital projects. Assets decreased by \$11 million from \$275 million in 2006 to \$264 million in 2007, mainly because the timing of receivable. Also, intergovernmental receivables decreased \$23 million due to timing differences.

At December 31, 2007, the majority of RTA's liabilities of \$115 million are comprised of intergovernmental payables, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and deferred revenue and notes payable.

The total fund balance of the General Fund equals \$149 million at December 31, 2007. The General Fund balance increased by \$7 million primarily due to increases in state assistance. The amount of \$29 million represents funds reserved for Service Boards capital projects.

Reserved for other includes \$15 million in interest rate swap expenses, \$14.3 million in RTA capital, \$47 million in Debt Service Deposit Agreement ("DSDA"), and \$359 thousand in prepaid items. The amount reserved for RTA capital projects is for projects focusing on the application of advanced technology on transportation systems to improve the efficiency of such systems. The transit industry views such technology as having the potential for increasing ridership and revenues by making transit systems more attractive to customers.

These applications include the following:

- Active transit station signs, Phase III expansion and evaluation (variable message signs designed to provide real-time "next train" or "next bus" service information at transit stops).
- Transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections).
- Transit management systems (voice/data communication functions, computer-aided dispatching, and automatic vehicle location technologies to improve transit operating efficiency, increase service reliability, and ensure schedule adherence).
- Parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities).
- Transit signal priority (gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs).
- Multi-Modal Trip Planner System (MMTPS) to provide side by side comparisons of trip itineraries using transit, driving, or any combination of non-motorized modes such as biking and walking. It will give

customers a comprehensive decision support tool for choosing travel options that incorporate convenience, efficiency, and cost – from the traveler’s perspective.

- Traveler Resource and Itinerary Planning System (TRIPS) is a traveler information system which matches regional attractions with transit directions using interactive electronic kiosks.

The remaining unreserved and undesignated fund balances total \$25.8 million.

***Debt Service Fund***—The RTA establishes a Debt Service Fund to account for transfers received from the General Fund, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2007, the RTA has twenty one series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2007 Debt Service Fund balance increased by \$4.4 million from 2006 to \$77 million.

***Capital Projects Fund***—The RTA has established a Capital Projects Fund to account for bond proceeds, earnings on the investment of such proceeds (except noted otherwise), and the expenditure of such monies for capital assets of the Service Boards. In addition, the RTA can use a portion of these funds to pay for debt service on the related bonds. During 2007, the Capital Projects Fund decreased by \$88 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

***Proprietary Fund***—The RTA has established a proprietary fund to account for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one proprietary fund which relates to the activities of the Joint Self-Insurance Fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Overall, revenues surpassed budget goal by \$5.5 million. An improved economic environment during 2007 resulted in higher than budgeted sales tax receipts, hence, higher PTF receipts. The RTA receives reimbursement from the State for debt service on bonds issued under the Strategic Capital Improvement Plan (SCIP). Such reimbursement, termed ASA and AFA, included in the State assistance line item in the financial statements, which recognized a total of \$117.8 million in 2007. In 2007, the investment income was \$16.5 million more than budgeted, which was due mainly to interest rate swap valuation gain of \$9.4 million in 2007. Total financial assistance to the Service Boards was higher than budget by \$15.8 million in 2007. Other non-administration and technology program expenditures did not reach budgeted levels by \$1.8 million, primarily due to delays in some program initiatives.

By policy established by the RTA ordinance, the annual budget and two-year financial plan adopted by the RTA each year must reflect an unreserved and undesignated fund balance of its general fund equal to or greater than 5% of the RTA total operating expenditures by the end of the planning period. The RTA has consistently met this requirement each year since its establishment.

## **SERVICE BOARDS CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The financial statements of the Service Boards reflect the capital assets discussed in this section. The statement of net assets for the RTA reflects the RTA bonds issued to provide a portion of the funding for these assets. The details of the RTA bond program are discussed further in Note 9 of this report.

***Service Boards Capital Assets***—The RTA System provides 623 million unlinked passenger trips annually. This has the beneficial impact of reducing road congestion, improving the flow of goods and services, and

enhancing air quality. In addition, the RTA System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with replacement cost estimated at more than \$31.3 billion for the entire region. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order. The RTA Five-Year Capital Program report contains the details of this investment. The Five-Year Capital Program report is updated and adopted annually by the RTA Board, as required by the RTA Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of capital funding from Federal as well as State programs has risen, reflecting the increasing recognition of the importance of public transportation. In recent years, the RTA and the Service Boards have also been able to direct funds to capital projects by successfully constraining operating costs.

***Long-Term Debt Activity***—Under the RTA Act, the RTA has authority to issue General Obligation Bonds for the improvement and expansion of the RTA System. This authority resulted from successful RTA efforts to demonstrate to the State legislature the need for capital reinvestment. The authorization identified two types of bonds: Strategic Capital Improvement Program (“SCIP”) bonds and RTA (“Non-SCIP”) bonds.

Prior to January 1, 2000, the RTA had the authority to issue up to \$500 million in SCIP bonds and to have up to \$500 million in Non-SCIP bonds outstanding. Effective January 1, 2000, the RTA Act was amended to increase the RTA authorization by an additional \$260 million of SCIP bonds in each year for the period of 2000 through 2004, and to issue and have outstanding up to \$800 million of Non-SCIP bonds. As of year-end 2006, the RTA has issued \$1.790 billion in SCIP bonds, with total SCIP bonds outstanding of \$1.614 billion. The remaining \$678.4 million bonds outstanding relate to Non-SCIP bonds.

The bonds issued by the RTA carry a rating of “AAA” from Standard & Poor’s and Fitch, Inc., and “Aaa” from Moody’s Investors Service, Inc. Such ratings are based, in part, on the RTA having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds “AA+,” “AA,” and “Aa2,” respectively, without such insurance. These ratings reflect a positive outlook by the rating agencies based on their assessment of the essential nature of the RTA System, its financial position and performance, and public funding support.

## **CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY**

This CAFR provides a general overview of the finances of the RTA. Users of the CAFR should address questions concerning the information, or requests for additional financial information, to the Regional Transportation Authority, c/o Senior Deputy Executive Director, Finance and Administration 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604 or visit our website at [www.rtachicago.org](http://www.rtachicago.org).

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF NET ASSETS

DECEMBER 31, 2007

(In Thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current portion of:			
Cash and investments:			
Cash and cash equivalents		\$ 12,497	\$ 12,497
Restricted—investments	\$ 363,238		363,238
Unrestricted—investments	156,340	8,702	165,042
Intergovernmental receivables	126,885		126,885
Unamortized bond issue costs	579		579
Accrued interest on investments	382	243	625
Loan to SB-Note and Interest		1,208	1,208
Prepaid expenses and other assets	474	1,993	2,467
Non-current portion of:			
Unamortized bond issue costs	12,067		12,067
Note Receivable		3,750	3,750
Capital assets—net of accumulated depreciation	1,475		1,475
Capital assets—non-depreciable	8,279		8,279
	<u>669,719</u>	<u>28,393</u>	<u>698,112</u>
Total assets			
<b>LIABILITIES:</b>			
Current portion of:			
Vouchers payable	13		13
General obligation bonds payable	64,685		64,685
Deferred revenue	1,701		1,701
Unamortized bond premium	5,702		5,702
Due to pension trust fund	1,000		1,000
Intergovernmental payables	31,756		31,756
Accrued other expenses	3,640		3,640
Working cash note payable	40,000		40,000
Other liabilities	19,823		19,823
Non-current portion of:			
Deferred rent	1,911		1,911
Accrued interest payable	34,597		34,597
Unearned revenue	49,531		49,531
Unamortized bond premium	125,204		125,204
General obligation bonds payable	2,227,575		2,227,575
	<u>2,607,138</u>		<u>2,607,138</u>
Total liabilities			
<b>NET ASSETS (DEFICIT):</b>			
Invested in capital assets	9,754		9,754
Accumulated unrestricted (deficit)	(1,947,173)	28,393	(1,918,780)
	<u>(1,937,419)</u>	<u>28,393</u>	<u>\$(1,909,026)</u>
TOTAL NET ASSETS (DEFICIT)	\$ (1,937,419)	\$ 28,393	\$(1,909,026)

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2007**  
**(In Thousands)**

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets		Total
			Governmental Activities	Business-type Activities	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities:					
Financial assistance to Service Boards	\$ 209,931	\$	\$ 209,931	\$	\$ 209,931
Capital grants—discretionary	25,272		25,272		25,272
Capital grants—bonds	88,056		88,056		88,056
Operating grant -CTA/PACE	40,010	54,252	(14,242)		(14,242)
Administrative expenses	6,967		6,967		6,967
Regional expenses	20,243	1,153	19,090		19,090
Technology program expenses	1,409		1,409		1,409
Interest expense	<u>130,079</u>		<u>130,079</u>		<u>130,079</u>
Total governmental activities	521,967	55,405	466,562		466,562
Business-type activities—					
insurance financing	<u>4,855</u>			<u>4,855</u>	<u>4,855</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 526,822</u>	<u>\$55,405</u>	<u>466,562</u>	<u>4,855</u>	<u>471,417</u>
<b>REVENUES:</b>					
General:					
Sales taxes			112,938		112,938
Interest on sales taxes			376		376
State assistance (PTF)			188,931		188,931
State assistance (ASA/AFA)			117,807		117,807
Investment income			31,534	1,210	32,744
Other revenues			<u>2,006</u>	<u>207</u>	<u>2,213</u>
Total revenues			453,592	1,417	455,009
<b>CHANGES IN NET ASSETS (DEFICIT)</b>			(12,970)	(3,438)	(16,408)
<b>NET ASSETS (DEFICIT):</b>					
Beginning of year			(1,924,449)	31,831	(1,892,618)
End of year			<u>\$(1,937,419)</u>	<u>\$28,393</u>	<u>\$(1,909,026)</u>

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**  
**(In Thousands)**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>				
Investments:				
Restricted investments		\$ 76,284	\$ 286,954	\$ 363,238
Unrestricted—investments	\$ 136,516			136,516
Due from other funds		563	9,734	10,297
Intergovernmental receivables	126,885			126,885
Accrued interest on investments	115	268		383
Other receivable	114			114
Prepaid items and other assets	360			360
<b>TOTAL ASSETS</b>	<u>263,990</u>	<u>77,115</u>	<u>296,688</u>	<u>637,793</u>
<b>LIABILITIES:</b>				
Vouchers payable	13			13
Due to other funds	1,000		10,297	11,297
Intergovernmental payables	17,652		14,104	31,756
Notes Payable	40,000			40,000
Accrued items				
Deferred revenue	50,233			50,233
Accrued liability	2,742			2,742
Other accrued items	3,183			3,183
<b>Total liabilities</b>	<u>114,823</u>		<u>24,401</u>	<u>139,224</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Service boards capital projects	28,931			28,931
Prepaid items	359			359
Debt service		77,115		77,115
Bond Capital Projects			272,287	272,287
RTA Non-Cap Tech	634			634
CTAP Capital	9,495			9,495
Debt Svc Deposit Agrmt Reserve (DSDA)	46,987			46,987
RTA capital projects	4,195			4,195
Interest rate swap	17,346			17,346
Unreserved, designated for:				
SWAP valuation	15,000			15,000
Service boards overfunding	372			372
Unreserved, undesignated	25,848			25,848
<b>Total fund balances</b>	<u>149,167</u>	<u>77,115</u>	<u>272,287</u>	<u>498,569</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 263,990</u>	<u>\$ 77,115</u>	<u>\$ 296,688</u>	<u>\$ 637,793</u>

The notes to financial statements are an integral part of this statement.



# REGIONAL TRANSPORTATION AUTHORITY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2007 (In Thousands)

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TOTAL FUND BALANCE—GOVERNMENTAL FUNDS \$ 498,569

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net assets. 9,754

Bond issue costs are paid in the current year and, therefore, are reported in the funds. This asset represents the unamortized portion recognized in the statement of net assets. 12,646

General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net assets. (2,292,260)

Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net assets. (130,906)

Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net assets. (34,597)

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, December 31, 2007. (625)

TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES \$ (1,937,419)

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

DECEMBER 31, 2007

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>				
Sales taxes	\$ 112,938			\$ 112,938
Interest on sales taxes	376			376
Public Transportation Fund	188,931			188,931
Operating Assistance - (ADA)	54,252			54,252
State assistance	117,807			117,807
Investment income	17,387	\$ 14,147		31,534
Other revenues	3,159			3,159
Total revenues	<u>494,850</u>	<u>14,147</u>		<u>508,997</u>
<b>EXPENDITURES:</b>				
Financial assistance to Service Boards	209,931			209,931
Capital grants—discretionary	25,272			25,272
PACE Operating Assistance Grant (ADA)	40,010			40,010
Capital grants—bonds			\$ 88,055	88,055
Administrative	6,772			6,772
Regional	22,528			22,528
Capital outlay	610			610
Debt service:				
Principal		59,135		59,135
Interest	1,817	129,416		131,233
Debt issuance costs	1,219	310		1,529
Total expenditures	<u>308,159</u>	<u>188,861</u>	<u>88,055</u>	<u>585,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>186,691</u>	<u>(174,714)</u>	<u>(88,055)</u>	<u>(76,078)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out				
Debt Service Fund	(179,116)			(179,116)
General Fund		179,116		179,116
Total other financing (uses) sources	<u>(179,116)</u>	<u>179,116</u>		
NET CHANGE IN FUND BALANCES	7,575	4,402	(88,055)	(76,078)
<b>FUND BALANCES:</b>				
Beginning of year	<u>141,592</u>	<u>72,713</u>	<u>360,342</u>	<u>574,647</u>
End of year	<u>\$ 149,167</u>	<u>\$ 77,115</u>	<u>\$ 272,287</u>	<u>\$ 498,569</u>

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2007 (In Thousands)

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NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS \$ (76,078)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,706) exceeded depreciation expense (\$400) in the current period. 1,306

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net assets. 59,135

Accrued interest on bonds reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported expenditures in governmental funds. (2,440)

Governmental funds report bond premiums as financing source. However, in the statement of activities, the premiums are amortized over the life of the bonds and recorded as a reduction of bond interest expense. 5,702

Unamortized bond issue costs reported in the statement of activities require the use of current financial resources and therefore, are fully recognized in the governmental funds. (580)

Expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds, December 31, 2007. (15)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (12,970)

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF NET ASSETS BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND JOINT SELF-INSURANCE (PROPRIETARY) FUND DECEMBER 31, 2007 (In Thousands)

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ASSETS:	
Current:	
Cash and cash equivalents	\$ 12,497
Investments	8,702
Note Receivable	1,000
Note accrued interest	208
Accrued interest on investments	243
Prepaid insurance	<u>1,993</u>
Total current assets	<u>24,643</u>
Noncurrent assets:	
Note receivable non-current	3,750
Total noncurrent assets	
NET ASSETS—Unrestricted	<u>\$ 28,393</u>

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND JOINT SELF-INSURANCE (PROPRIETARY) FUND DECEMBER 31, 2007 (In Thousands)

---

OPERATING REVENUES:	
Note Interest	\$ 208
	<hr/>
Total operating revenues	208
	<hr/>
OPERATING EXPENSES:	
Insurance expense	4,829
Professional Services	26
	<hr/>
Total operating expenses	4,855
	<hr/>
OPERATING LOSS	(4,648)
NON-OPERATING REVENUES--Investment income	1,210
	<hr/>
CHANGE IN NET ASSETS	(3,438)
NET ASSETS:	
Beginning of year	31,831
	<hr/>
End of year	\$ 28,393
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF CASH FLOWS BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND JOINT SELF-INSURANCE (PROPRIETARY) FUND YEAR ENDED DECEMBER 31, 2007 (In Thousands)

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Payments to insurance vendor	\$ (709)
Payments to indemnity	(4,750)
Payments to other vendors	<u>(26)</u>

Net cash flows from operating activities (5,485)

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases	(60,302)
Sales	62,951
Investment income	<u>1,275</u>

Net cash flows from investing activities 3,924

NET CHANGE IN CASH AND CASH EQUIVALENTS (1,561)

### CASH AND CASH EQUIVALENTS:

Beginning of year 14,058

End of year \$ 12,497

### RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (4,648)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in:	
Prepaid insurance	4,120
Note Receivable	(4,750)
Note accrued interest	<u>(208)</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES \$ (5,485)

### SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:

There were no investing, capital, or financing activities that did not result in cash flows.

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2007 (In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 9,784	
Investments, at fair value:		
Corporate fixed income mutual fund	36,711	
Equity mutual funds	<u>67,975</u>	
Total Investments	<u>104,686</u>	
Intergovernmental receivables:		
Sales tax		\$ 170,266
Interest on sales tax		355
Reduced fare reimbursement		
Advances to Service Boards		68,882
Pension contribution from Service Boards	8,137	
Due from General Fund	1,000	
Accrued dividends and interest	<u>21</u>	
Total Receivables	<u>9,158</u>	<u>239,503</u>
Total assets	<u>123,628</u>	<u>239,503</u>
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards		170,266
Interest on sales taxes due to Service Boards		355
Reduced fare reimbursement		
Advances from State		68,882
Accrued other items	<u>114</u>	
Total liabilities	<u>114</u>	<u>239,503</u>
Net assets held in trust for pension benefits	<u>\$ 123,514</u>	<u>\$</u>

The notes to financial statements are an integral part of this statement.

# REGIONAL TRANSPORTATION AUTHORITY

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2007

(In Thousands)

	<b>Pension Trust Fund</b>
ADDITIONS:	
Investment gain:	
Net appreciation in fair value of investments	\$ 3,485
Interest and dividends	<u>2,335</u>
	5,820
Less investment expenses:	
Investment managers	347
Trust fees	44
Investment advisor	<u>54</u>
Total investment expenses	446
Net investment gain	<u>5,374</u>
Contributions:	
RTA pension contributions	1,000
Metra pension contributions	4,814
Pace pension contributions	<u>3,323</u>
Total contributions	<u>9,137</u>
Total net additions	<u>14,511</u>
DEDUCTIONS:	
Benefit payments	7,134
Administrative expenses	<u>298</u>
Total deductions	<u>7,433</u>
NET INCREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>7,078</u>
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>116,435</u>
End of year	<u>\$ 123,514</u>

The notes to financial statements are an integral part of this statement.



# REGIONAL TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

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### 1. REPORTING ENTITY

The Regional Transportation Authority (“RTA”) was established in 1974 upon approval of a referendum in its six-county Northeastern Illinois region. The operating responsibilities of the RTA are set forth in the RTA Act (“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, on November 9, 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 of directors. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the “Service Boards.”

The Service Boards provide services to different geographic areas within the six-county region. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace’s primary service area is the suburban communities, with limited services to areas within the City of Chicago. The CTA provides service to the City of Chicago and 38 neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a minority of those taken.

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. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

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

In addition, a component unit also includes certain organizations that the primary government is not financially accountable for if the nature and significance of their relationship, including ongoing financial support are such that exclusion from the financial reporting entity would render the entity's financial statements incomplete or misleading.

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 revenues 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 deficits.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management of the RTA does not consider the Service Boards to be component units and, accordingly, the financial data of the Service Boards have been excluded from the RTA reporting entity. The RTA is not aware of any entity which is financially accountable for the RTA that would result in the RTA's being considered a component unit of such entity.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the RTA 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 accounts of the RTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. RTA resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be utilized and the means by which spending activities are controlled. In the financial statements, the various funds are grouped into three broad fund types and six generic fund categories as follows:

***Governmental Fund Types***—The RTA's Governmental Fund Types consist of the General Fund, Debt Service Fund, and Capital Projects Fund.

**General Fund**—The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund.

**Debt Service Fund**—The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Fund**—In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of \$500 million of Strategic Capital Improvement Program (“SCIP”) bonds, and to have a maximum of \$500 million RTA bonds outstanding. The Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of the bond issues. The Capital Projects Fund was first established in 1990 with the issuance of \$100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly’s authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. Projects included in approved five-year Capital Programs will be eligible for reimbursements from these proceeds by the RTA without further review or action by the RTA Board of Directors.

In 1999, the Illinois General Assembly passed additional bonding authorization, thereby increasing the RTA bond authority to \$800 million outstanding effective January 1, 2000. It also increased SCIP bond issues by \$260 million each year for five years from 2000 to 2006 for a total of \$1.5 billion additional bond issues.

*Proprietary Fund Type*—Proprietary Funds are used to account for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one Proprietary Fund which relates to the activities of the Joint Self-Insurance Fund.

**Joint Self-Insurance Fund**—The Joint Self-Insurance Fund (“Fund”) is used to account for the financing of claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The Fund is essentially a financing mechanism providing a source from which to borrow or to pay for the first \$5 million of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage, and certain other losses. This Fund is reported as an Enterprise Fund since the predominant participants are outside of the RTA.

*Fiduciary Fund Type*—Fiduciary Funds account for assets held by a governmental entity in a trustee capacity or as an agent for others. The RTA’s Fiduciary Funds consist of one Agency (Sales Tax) Fund and a Pension Trust Fund.

**Agency Fund**—The Sales Tax Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers’ Occupation and Use Tax (sales taxes), interest on sales taxes, and reduced fare reimbursement grants. For RTA budgetary purposes, sales tax receipts are recorded in the Sales Tax Agency Fund and are equally offset by amounts recorded as disbursements reflecting the pass-through to the Service Boards.

**Pension Trust Fund**—The Pension Trust Fund is used to account for the accumulation of resources for, and payments of, retirement benefits to employees participating in the RTA Pension Plan.

**Government-wide and Fund Financial Statements**—The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of

interfund activities has been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards. Likewise, the fiduciary fund type - RTA Pension Trust Fund and Sales Tax Agency Fund are presented separately and are not included in the government-wide financial statements of the RTA.

The statement of activities shows certain direct program expenses which are offset by program revenues. Governmental program activities include expenses such as financial assistance and capital asset funding (capital grants) to CTA, Metra, and Pace; administrative expenses; operating the RTA Travel Information Center, certifying riders for paratransit service under the Americans with Disabilities Act (“ADA”) and other services (regional expenses); and payment of debt service on bonds issued by the RTA. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of a particular program (i.e., technology and non-technology programs). Sales taxes, Public Transportation Fund (“PTF”), state assistance (“ASA/AFA”) investment income and other items properly excluded from program revenues are reported instead as general revenues.

Fund level financial statements are provided for governmental funds, proprietary fund, and fiduciary funds.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (Joint Self-Insurance Fund) and the Pension Trust Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues if collected by the retailers by year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

The Joint Self-Insurance Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues (interest charged to Service Boards) and expenses (administrative expenses including insurance premium and professional services) generally result from providing services in connection with the proprietary fund’s ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sales Tax Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Governmental fund financial statements use the current financial resources measurement focus. The funds are accounted for using the modified accrual basis of accounting; i.e., revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or shortly thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. ASA/AFA are considered measurable and available if billed and received within 180 days after year-end. Sales taxes and ASA/AFA are susceptible to full accrual. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The RTA reports three major governmental funds—General Fund, Debt Service Fund, and Capital Projects Fund; one proprietary fund—Joint Self-Insurance Fund; and two fiduciary funds—Pension Trust Fund and Sales Tax Agency Fund.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

***Assets, Liabilities and Fund Equity***

*Cash and Investments*—All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. All investments are reported at fair value which is determined using various sources. Short-term investments are reported at cost, which approximates fair value due to their short-term nature. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Intergovernmental Receivables*—Receivables include amounts due from State and local governments for sales taxes, specific programs or projects, and services.

*Capital Assets*—The RTA sets a capitalization threshold of no less than \$5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation. The RTA uses the straight-line method for computing depreciation expense. Leasehold improvements made to RTA’s office facilities are capitalized, and their costs amortized during the life of the lease. Leasehold improvements and major equipment repairs, if any, are also capitalized during the remaining life of the lease or the extended useful life of the equipment. The Capital-Technology Program’s capitalized assets are for projects in progress; therefore, the assets are non-depreciable.

<u>Description</u>	<u>Useful Life</u>
Furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements	Life of the lease

*Restricted Assets*—Bond proceeds and amounts set aside for general obligation debt service are classified as restricted assets since their use is limited by the bond indentures. When both restricted and unrestricted resources are available for use, it is RTA’s policy to use restricted resources first, then unrestricted resources as needed.

*Compensated Absences*—Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest. The RTA accounts for compensated absences under GASB No. 16, entitled Accounting for Compensated Absences, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. Compensated absences are recorded in the General Fund only if they have matured (i.e., unused leave still outstanding at time of an employee’s resignation or retirement).

*Intergovernmental Payables*—These amounts include accrued financial assistance, sales taxes, capital and other grants due to the Service Boards.

*Fund Balances*—Portions of the fund balances of the Governmental Funds are reserved by the RTA for specific purposes as follows:

Reserved for Service Boards Capital Projects represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source. It also includes the remaining bond proceeds, investment income committed for capital projects of the Service Boards, and any interest rate swap proceeds for capital projects of the Service Boards.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for RTA Capital Projects represents the portion of the RTA fund balance for the unspent portion of capital authorized by the RTA's current and prior years' budgets and the portion of the interest rate swap proceeds for RTA funded capital projects.

Reserved for Interest Rate Swap expense represents the portion of the interest rate swap proceeds set aside for future expenses relating to swap transactions such as fees and interest expenses.

**Revenues**—The RTA has four principal sources of revenue: (1) retailer's occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Tax); (2) funds appropriated to the RTA by statute through the PTF established under the Act; (3) State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (4) investment income on unexpended funds held by the RTA, and other miscellaneous revenue.

*Sales Tax*—The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1% 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 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 0.75% on the use in Cook County, and 0.25% 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:

<u>Service Board</u>	<u>Collected Within Chicago</u>	<u>Collected within Cook County Outside Chicago</u>	<u>Collected in DuPage, Kane, Lake McHenry and Will Counties</u>
CTA	100 %	30 %	
Metra		55 %	70 %
Pace		15 %	30 %

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

*Public Transportation Fund*—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," 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 2008 fiscal year which will end June 30, 2008.

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 2007, which ends June 30, 2007, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2006 and June 30, 2007, the grants were in the amount of \$37.3 million and \$36.7 million, respectively. The state also provided RTA with Advance Reduced 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 2007.

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 2007 and 2008, per year. The RTA recognized \$78 million of AFA in 2007.

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.

*Expenditures and Expenses*—Operating grants consist of financial assistance to the Service Boards. The RTA provides operating assistance to the Service Boards to fund, in part, their RTA-approved budgets.



Capital grants consist of the RTA local match of Federal Transit Administration (“FTA”) and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA, SCIP bonds, and investment income on bonds. Capital payments of approximately \$10 million for sales tax funding are due to Metra based on a statutory formula. This formula consists of the budgeted sales tax revenues in excess of Metra’s budgeted operating deficit. This amount is presented in the Sales Tax Agency Fund.

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to \$14,626,304 for the year ended December 31, 2007.

Non-administration, listed as regional and technology program expenses in the statement of activities, consists of those costs of the RTA which are exempt from the statutory limit defined in the RTA Act. These costs include the operation of the Travel Information Center, Transit Check Program, Americans with Disabilities Act (“ADA”), reduced fare registration, capital development and other program costs incurred on behalf of the Service Boards and not for the benefit of RTA itself.

**Cash Flows**—For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated \$12.5 million at December 31, 2007 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining \$8.7 million constitutes investments in the Joint Self-Insurance Fund with original maturities in excess of three months.

**Management’s Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

**Accounting Pronouncements**—In September 1993, the GASB released Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (“FASB”), Accounting Principles Board (“APB”) Opinions and Accounting Research Bulletins (“ARBs”) of the Committee on Accounting Procedure. The RTA has elected to apply only FASB, APB and ARB statements and interpretations issued on or before November 30, 1989.

**Interfund Transactions**—The governmental fund’s balance sheet reports all outstanding balances between funds, as “due to/from other funds.” The government-wide financial statements report any residual balances outstanding between the governmental activities and business-type activities as “internal balances.” Government-wide financial statements and the Statement of Fiduciary Net Assets report a “due to/from general fund” outstanding for pension contributions.

### 3. CASH AND INVESTMENTS

#### Governmental and Joint Self Insurance Fund Investments

Cash and investments in the statement of net assets are externally restricted by bond covenants, restricted by the RTA through board action, or unrestricted when no restrictions as to their use apply.

*Deposits and Investments*—Section 2.20(a)(ii) of the RTA Act authorizes the RTA to invest any funds or monies not required for immediate use or disbursement. The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq.

The RTA investment policy is in accordance with the Illinois statutes and allows the RTA to invest in:

- Certain obligations of the U.S. Government and its agencies.
- Interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any FDIC insured bank as defined by the Illinois Banking Act.
- Short-term obligations of corporations organized in the United States with assets exceeding \$500 million and rated within the highest classification established by at least two standard rating services.
- Certain money market mutual funds.
- The Illinois Funds.
- Repurchase agreements.

*Custodial Credit Risk* — Custodial credit risk is the risk that in the event of a bank failure, the RTA's deposits may not be returned to it. The RTA's policy for custodial credit risk states collateral will be valued at market value (excluding accrued interest) on the trade date. Collateral required will be 100% of the investment or such greater percentage as may be appropriate based upon the financial stability of the institution and the term of the collateral (i.e., maturity), less any insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Certificates of deposit with initial maturities greater than three months amounting to \$8,701,935 are reported as investments in the Statement of Net Assets.

**Investments**

**Interest Rate Risk** — To mitigate losses caused by changing interest rates, the maturities of the RTA’s investments are limited. Per the RTA’s investment policy, investments in corporations are limited to maturities of 180 days or less. Other investment maturities can not exceed three years.

As of December 31, 2007, the RTA’s investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Commerical Paper	\$ 36,397,497
Domestic corporate fixed-income securities	63,258,000
Illinois Funds	16,519,195
Money market fund	27,772,588
Repurchase agreements	290,379,234
U.S. Agency securities	<u>19,483,316</u>
 Total	 <u>\$ 453,809,830</u>

The weighted average maturity of the above investments is less than 90 days, for each investment type.

**Credit Risk** — The RTA’s policy for credit risk states no investment shall be made in short-term obligations of corporations unless such obligations are rated at the time of purchase within the highest classification established by at least two standard rating services, the investment matures no later than 180 days from the date of purchase and the issuer is domiciled in the United States.

As of December 31, 2007, the RTA’s investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>		
		<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch</u>
Commerical Paper	\$ 36,397,497	P-1	A-1	*
Domestic corporate fixed-income securities	63,258,000	*	AAA	AAA
Illinois Funds	16,519,195	*	AAAm	*
Money market fund	27,772,588	Aaa	AAA	*
Repurchase agreements	290,379,234	Aaa	AAA	*
U.S. Agency securities	<u>19,483,316</u>	Aaa	AAA	*
 Total	 <u>\$ 453,809,830</u>			

\* Rating not available

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Except for commercial paper, the RTA’s investment policy does not specifically address a limitation of investments in a single issuer; instead the policy addresses credit risk using broad categories of investments. The RTA’s policy states the maximum percentage of the portfolio invested in commercial paper should not exceed 33.3%, money market mutual funds should not exceed 20.0%, U.S. Government Agency obligations should not exceed 20.0%, The Illinois Funds should not exceed 20% and Repurchase Agreements should not exceed 50.0%. The RTA has investments in the following issuers that exceed 5% of the total investments:

<b>Joint Self Insurance Fund Investment</b>	<b>Amount</b>	<b>% of Portfolio</b>
Fenway Funding (commercial paper)	\$ 2,993,420	24%
Venus Funding (commercial paper)	987,117	8%
Nelnet Student Funding (commercial paper)	2,960,599	24%

In the Governmental fund, there is no single investment that exceeds 5% of the total investments.

The RTA’s investments in repurchase agreements recorded in the Capital Projects Fund total \$375,327,370. These repurchase agreements were collateralized with Agency securities or securities backed by the full faith and credit of the United States government. The RTA’s repurchase agreements require collateral of 103% of the investment value.

The RTA’s investments in money market funds are for liquidity and offer an alternative to other investment vehicles. Management has reviewed the investments in the money market funds and has determined that the types of investments included in the money market funds are consistent with the RTA’s investment policy. These funds consist of U.S. Treasury Securities and Agencies.

The Illinois Funds investment pool is managed by the Treasurer of the State of Illinois and is not registered with the SEC. The Illinois Funds maintains a \$1 per share net asset value (NAV) at all times. The fair market of the investment pool is equal to the number of pool shares owned.

**Interest Rate Swaps (General Fund)**—The RTA, under board ordinances adopted in 2001 through 2006, has entered into interest rate swap agreements to modify the interest rate characteristics of its outstanding bonds. The agreements involve the exchange of variable and fixed-rate interest payments over the life of selected RTA bonds without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and is recognized as interest expense or interest income. The related amount payable to or receivable from the counterparty is included in other payable/receivables.

On August 1, 2002, the RTA adopted an ordinance establishing an Interest Rate Risk Management Policy. The policy limits the amount of variable rate exposure to 20% of the total RTA bonds outstanding. The RTA clarified this policy on December 13, 2002 to include interest rate swap agreements with delayed starts, up-front cash settlements, interest rate caps and/or floors, hedging arrangements to lock in interest savings, options, or other alternatives (collectively referred to in the ordinance as “interest rate swap agreements”).

The RTA has entered three fixed-to-floating swaps. These agreements have the net effect of changing the interest rate characteristics of a portion of the RTA bonds from a fixed-rate to a variable-rate of interest equal to the Securities Industry and Financial Markets Association (formerly BMA) Swap Index averaged

over six months. One such swap agreement was entered into on November 22, 2001. The swap has a notional amount of \$100,150,000 (as of December 31, 2007) and matures on June 1, 2020. Two additional fixed-to-floating swaps were entered in June 2007. The 2007 swaps mature July 1, 2030 with a semi-annual call option beginning July 1, 2016. At year-end the aggregate notional value of the 2007 swaps was \$260.0 million. For the year ended December 31, 2007, the three basis swaps produced a cash flow of \$(3,178,341).

The RTA has one floating-to-fixed swap. This transaction was entered in 2005. The purpose was to lock-in historically low interest rates for the current refunding of the 1996 bonds.

During 2007, the RTA had three basis rate swaps in which the RTA assumed a different variable interest rate index than counterparties. The transactions are a hedge against higher interest rates. Anticipated revenues from the basis rate swaps during a period of rising rates will offset the anticipated decline in revenue from the fixed-to-floating swap. Basis swaps do not change the notional amount of variable-rate exposure. As of December 31, 2007, the notional value of the three variable-rate swaps was \$436,388,000. Cash flow produced during 2007 was a positive \$2,396,757.

Board ordinances direct the RTA to use the net payments received under swap agreements in the following priority:

- Reimburse the RTA for transaction costs relating to the swap rather than use operating funds.
- Accumulate funds in an account to pay amounts due (i.e., if ever interest rates spike high enough to cause the RTA to owe a payment). In this manner, the RTA would avoid the use of operating funds for such payments.
- Use the remaining amounts—the net proceeds from the transaction—for capital investment in the RTA system. This follows the principle of using proceeds from long-term transactions for long-term benefit. However, if operating funds are not adequate to meet senior debt obligations, funds currently dedicated for capital could be used.

The interest rate swaps has an estimated valuation of \$9,418,031 as of December 31, 2007.

### **Pension Fund Investments**

Cash and investments in the Pension Fund provide sufficient funds to meet the obligations promised to the current and future beneficiaries of RTA's defined benefit pension plan.

**Risk Posture** - The RTA evaluated the assets and liabilities of the Pension Plan in order to determine an asset allocation that provides a high likelihood of achieving the responsibilities noted above. The obligations of current and future beneficiaries were evaluated under various market scenarios to develop an allocation that can be expected to generate a solid rate of return without incurring undue risk. In general, the risk posture of the Pension Plan is such that the portfolio is structured to maintain funding requirements and modestly grow assets through a low to moderate level of risk.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the RTA's pension deposits may not be returned to it. The RTA's Pension Plan policy does not explicitly indicate custodial credit risk, although Wells Fargo has an AA rating. As of December 31, 2006, none of the Plan's cash and investments was at risk.

**Interest Rate Risk** — Per the RTA’s Pension Plan investment policy, the duration of the fixed income portfolio should be within 20% of the duration of the benchmark index.

As of December 31, 2007, the RTA’s pension investments were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Months)</b>
Corporate fixed income mutual fund	\$ 36,710,809	74
Money market fund	8,932,528	1
Total fair value	\$ 45,643,337	
Portfolio weighted average maturity		60

**Credit Risk** — The RTA’s pension policy for credit risk states that at least 85% of the fixed income investments should be limited to securities with rating of at least investment grade as defined by both Moody’s and Standard & Poor’s. Split rated bonds are to be governed by the lower rating. Unrated securities of the U.S. Treasury and government agencies are a permissible investment. No more than 15% of the portfolio may be invested in investment-grade securities of foreign entities domiciled in countries included in the Salomon Brothers World Government Bond Index.

As of December 31, 2007, the credit ratings for RTA pension investments were as follows:

<b>Investment Type</b>	Total Fair Value	Credit Rating (where available)		
		Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	\$ 36,710,809	Aa	AA+	*
Money market fund	8,932,528	Aaa	*	AA+
Total	\$ 45,643,337			

\* Not available

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The RTA’s pension investment policy states that fixed income securities of a single issuer (excluding obligations of the United States Government and its agencies) should be limited to 5% of the fixed income portfolio, measured at market value. The RTA’s pension policy states the asset allocation policy has been developed based on the objectives and characteristics of the pension liabilities, capital market expectations, asset-liability projections. This policy is long-term oriented and consistent with the risk posture. The pension fund did not have any investments in a single issuer which were greater than 5% of the total plan’s net assets.

#### 4. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The intergovernmental receivables and payables in the statement of net assets comprise the following:

<b>Receivable</b>	<b>Amount</b>
General Fund:	
Sales taxes	\$ 30,049,560
Interest on sales taxes	62,618
State assistance (ASA & AFA)	95,720,442
Due from Pace	372,455
Illinois Department of Transportation (IDOT) grants and others	<u>680,222</u>
Total General Fund	<u>\$ 126,885,297</u>
Total Intergovernmental Receivables	<u><u>\$ 126,885,297</u></u>
<b>Payable</b>	
General Fund:	
Financial assistance	\$ 8,543,183
Capital grants	1,209,441
CTA Operating Assistance (ADA)	<u>7,899,019</u>
Total General Fund	<u>\$ 17,651,643</u>
Capital Projects Fund:	
Capital grants, (CTA, METRA, PACE)	<u>14,104,288</u>
Total Intergovernmental Payables	<u><u>\$ 31,755,931</u></u>

#### 5. DUE TO/FROM OTHER FUNDS

Various transactions result in “due to/from other funds” balances. In most cases, the General Fund advances payments on behalf of other funds.

Due to/from balances between the Debt Service Fund and the Capital Projects Fund represent interest earned in the Capital Projects Fund which is transferred to the Debt Service Fund for payment of long-term debt. The General Fund also makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. The General Fund owes the Pension Trust Fund for its

share of contributions during the period. Cash receipts and payments on behalf of the Sales Tax Agency Fund originate in the General Fund.

On December 31, 2007, the amounts due to/from other funds presented in the Governmental Funds Balance Sheet, the Joint Self-Insurance Fund Statement of Net Assets, and the Fiduciary Funds Statement of Fiduciary Net Assets are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Joint Self-Insurance	\$ 78
Pension Trust	General	999,916
Debt Service	Capital Projects	562,830

## 6. INTERFUND TRANSFERS

Various transactions result in “transfer in/out” balances from funds. Transfer in/out balances presented on the Governmental Fund’s Statement of Revenues, Expenditures, and Changes in Fund Balances are as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
General Fund	Debt Service	\$179,115,537

The purpose of Interfund transfers from the General Fund to Debt Service is to satisfy the RTA’s obligations to bondholders for principal and interest.



## 7. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue (“IDOR”) sends a “13<sup>th</sup> month” sales tax advance to compensate for the delayed processing of sales tax payments to the RTA. Each year, IDOR calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	\$ 38,155,277
Metra	22,854,924
Pace	<u>7,872,250</u>
 Total Service Board Advances	 <u>\$ 68,882,451</u>

Sales tax advances have also been reported as current liabilities in the Agency Sales Tax Fund.

## 8. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	<b>Balance at January 1, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2007</b>
<u>Depreciable:</u>				
Office furniture and equipment	\$ 268,397	\$ 72,696	\$ 43,474	\$ 297,619
Computer equipment	2,803,797	220,920	960,688	2,064,030
Leasehold improvements	<u>1,032,827</u>	<u>304,236</u>	<u>                    </u>	<u>1,337,062</u>
Subtotal	<u>4,105,021</u>	<u>597,852</u>	<u>1,004,162</u>	<u>3,698,711</u>
Less accumulated depreciation:				
Office furniture and equipment	216,111	14,539	37,117	193,533
Computer equipment	2,441,829	112,303	946,252	1,607,880
Leasehold improvements	<u>320,695</u>	<u>101,637</u>	<u>                    </u>	<u>422,332</u>
Subtotal	<u>2,978,635</u>	<u>228,479</u>	<u>983,369</u>	<u>2,223,745</u>
Total Depreciable	<u>\$ 1,126,386</u>	<u>\$ 369,373</u>	<u>\$ 20,793</u>	<u>\$ 1,474,966</u>
<u>Non-depreciable:</u>				
Capital -Technology Program	<u>\$ 7,322,802</u>	<u>\$ 1,107,740</u>	<u>\$ 151,451</u>	<u>\$ 8,279,091</u>
Total Capital assets—net of accumulated depreciation	<u>\$ 8,449,188</u>	<u>\$ 1,477,113</u>	<u>\$ 172,244</u>	<u>\$ 9,754,057</u>

All capital assets are associated with governmental activities.

During 2007, total depreciation expense of \$228,479 was allocated between two functions; \$48,301 to regional expenditures and \$180,178 to administrative expenditures.

## 9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2007	New Issues	Current Retirements	December 31, 2007
1990A	\$ 60,795,000			\$ 60,795,000
1991A	55,745,000			55,745,000
1992A* & 1992B	46,435,000		\$ 6,250,000	40,185,000
1994A* & 1994B	24,395,000			24,395,000
1994C* & 1994D	66,300,000		4,095,000	62,205,000
1997 Refunding	75,455,000		4,625,000	70,830,000
1999* Refunding	285,505,000		5,395,000	280,110,000
2000A*	239,790,000		4,730,000	235,060,000
2001A*	92,295,000		1,785,000	90,510,000
2001B Refunding*	32,985,000		1,555,000	31,430,000
2002A*	150,450,000		2,690,000	147,760,000
2002B	163,855,000		9,710,000	154,145,000
2003A*	251,310,000		4,335,000	246,975,000
2003B	145,210,000		2,545,000	142,665,000
2003C Refunding	10,200,000		3,240,000	6,960,000
2004A*	255,005,000		4,190,000	250,815,000
2005B Refunding	145,315,000		2,940,000	142,375,000
2006A*	250,350,000.00		1,050,000	249,300,000
Total	\$ 2,351,395,000		\$ 59,135,000	\$ 2,292,260,000

\* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2007, the total general obligation bonds payable of \$2,292,260,000 are classified as current and long-term in the Statement of Net Assets in the amounts of \$64,685,000 and \$2,227,575,000, 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, 2007, \$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, 2007, \$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, 2007, \$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, 2007, \$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, 2007, \$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, 2007, \$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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008		\$ 4,377,240	\$ 4,377,240
2009		4,377,240	4,377,240
2010	\$ 3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013-2017	27,110,000	13,834,080	40,944,080
2018-2020	21,410,000	3,154,680	24,564,680
Total	<u>\$ 60,795,000</u>	<u>\$ 38,032,200</u>	<u>\$ 98,827,200</u>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008		\$ 3,734,915	\$ 3,734,915
2009		3,734,915	3,734,915
2010		3,734,915	3,734,915
2011		3,734,914	3,734,914
2012	\$ 4,090,000	3,734,915	7,824,915
2013-2017	24,960,000	14,176,530	39,136,530
2018-2021	26,695,000	4,615,965	31,310,965
Total	<u>\$ 55,745,000</u>	<u>\$ 37,467,069</u>	<u>\$ 93,212,069</u>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 6,840,000	\$ 2,636,360	\$ 9,476,360
2009	7,480,000	1,991,960	9,471,960
2010		1,396,960	1,396,960
2011		863,040	863,040
2012	25,865,000	293,760	26,158,760
2013-2022	-	-	-
<b>Total</b>	<b>\$ 40,185,000</b>	<b>\$ 7,182,080</b>	<b>\$ 47,367,080</b>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008		\$ 1,951,600	\$ 1,951,600
2009		1,951,600	1,951,600
2010		1,951,600	1,951,600
2011		1,951,601	1,951,601
2012		1,951,600	1,951,600
2013-2024	\$ 24,395,000	7,844,199	32,239,199
<b>Total</b>	<b>\$ 24,395,000</b>	<b>\$ 17,602,200</b>	<b>\$ 41,997,200</b>

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:

<b>Year Ending</b> <b><u>December 31</u></b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 4,420,000	\$ 4,649,612	\$ 9,069,612
2009	1,500,000	4,420,213	5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013-2017	28,170,000	15,775,514	43,945,514
2018-2025	<u>22,855,000</u>	<u>2,209,331</u>	<u>25,064,331</u>
Total	<u>\$ 62,205,000</u>	<u>\$ 39,550,382</u>	<u>\$ 101,755,382</u>

**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 <u>December 31</u>	Debt Service Requirements		
	Principal	Interest	Total
2008	\$ 4,875,000	\$ 4,000,288	\$ 8,875,288
2009	5,155,000	3,724,463	8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013-2017	18,810,000	11,636,700	30,446,700
2018-2022	25,380,000	5,054,400	30,434,400
2023	3,550,000	106,500	3,656,500
Total	<u>\$ 70,830,000</u>	<u>\$ 33,996,102</u>	<u>\$ 104,826,102</u>

**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 <u>December 31</u>	Debt Service Requirements		
	Principal	Interest	Total
2008	\$ 5,665,000	\$ 15,920,137	\$ 21,585,137
2009	7,670,000	15,586,762	23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013-2017	73,915,000	57,823,970	131,738,970
2018-2022	128,090,000	31,413,500	159,503,500
2023-2025	39,155,000	2,737,431	41,892,431
Total	<u>\$ 280,110,000</u>	<u>\$ 167,512,745</u>	<u>\$ 447,622,745</u>

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

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

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

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 4,995,000	\$ 14,866,563	\$ 19,861,563
2009	5,275,000	14,579,350	19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012	6,245,000	13,601,475	19,846,475
2013-2017	37,255,000	61,669,877	98,924,877
2018-2022	50,125,000	48,524,251	98,649,251
2023-2027	67,860,000	30,582,788	98,442,788
2028-2030	51,830,000	6,874,725	58,704,725
<b>Total</b>	<b>\$ 235,060,000</b>	<b>\$ 218,930,542</b>	<b>\$ 453,990,542</b>

**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% on 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:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,880,000	\$ 5,344,813	\$ 7,224,813
2009	1,980,000	5,241,413	7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013-2017	13,745,000	22,139,738	35,884,738
2018-2022	18,090,000	17,654,650	35,744,650
2023-2027	23,820,000	11,758,500	35,578,500
2028-2031	24,380,000	3,757,500	28,137,500
Total	<u>\$ 90,510,000</u>	<u>\$ 80,943,253</u>	<u>\$ 171,453,253</u>

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:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,630,000	\$ 1,679,750	\$ 3,309,750
2009		1,639,000	1,639,000
2010		1,639,000	1,639,000
2011		1,639,000	1,639,000
2012		1,639,000	1,639,000
2013-2017	9,990,000	7,134,051	17,124,051
2018-2022	16,035,000	3,340,014	19,375,014
2023	3,775,000	103,813	3,878,813
Total	<u>\$ 31,430,000</u>	<u>\$ 18,813,628</u>	<u>\$ 50,243,628</u>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 2,835,000	\$ 8,698,938	\$ 11,533,938
2009	2,985,000	8,557,188	11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013-2017	20,660,000	37,090,375	57,750,375
2018-2022	27,280,000	30,306,300	57,586,300
2023-2027	36,150,000	21,117,600	57,267,600
2028-2032	47,890,000	8,943,300	56,833,300
Total	<u>\$ 147,760,000</u>	<u>\$ 139,440,190</u>	<u>\$ 287,200,190</u>

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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 10,060,000	\$ 8,053,513	\$ 18,113,513
2009	10,450,000	7,515,125	17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013-2017	67,705,000	18,018,931	85,723,931
2018-2019	31,920,000	1,736,932	33,656,932
Total	<u>\$ 154,145,000</u>	<u>\$ 54,293,089</u>	<u>\$ 208,438,089</u>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 4,555,000	\$ 13,995,825	\$ 18,550,825
2009	4,790,000	13,768,075	18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013-2017	32,980,000	60,338,400	93,318,400
2018-2022	43,095,000	50,245,750	93,340,750
2023-2027	56,160,000	36,962,850	93,122,850
2028-2032	72,565,000	18,569,400	91,134,400
2033	16,875,000	1,012,500	17,887,500
<b>Total</b>	<b>\$ 246,975,000</b>	<b>\$ 234,708,525</b>	<b>\$ 481,683,525</b>

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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 2,675,000	\$ 7,763,925	\$ 10,438,925
2009	2,810,000	7,654,225	10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013-2017	19,085,000	33,291,339	52,376,339
2018-2022	24,805,000	27,290,565	52,095,565
2023-2027	32,245,000	19,489,638	51,734,638
2028-2032	41,930,000	9,095,064	51,025,064
2033	9,790,000	281,463	10,071,463
<b>Total</b>	<b>\$ 142,665,000</b>	<b>\$ 127,050,294</b>	<b>\$ 269,715,294</b>

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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 3,395,000	\$ 348,000	\$ 3,743,000
2009	<u>3,565,000</u>	<u>178,250</u>	<u>3,743,250</u>
Total	<u>\$ 6,960,000</u>	<u>\$ 526,250</u>	<u>\$ 7,486,250</u>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 4,405,000	\$ 13,751,163	\$ 18,156,163
2009	4,635,000	13,525,163	18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013-2017	31,360,000	59,222,739	90,582,739
2018-2022	40,620,000	49,189,319	89,809,319
2023-2027	52,815,000	36,662,745	89,477,745
2028-2032	68,670,000	19,754,700	88,424,700
2033-2034	<u>32,935,000</u>	<u>1,918,631</u>	<u>34,853,631</u>
Total	<u>\$ 250,815,000</u>	<u>\$ 233,124,949</u>	<u>\$ 483,939,949</u>

**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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest*</b>	<b>Total</b>
2008	\$ 3,070,000	\$ 4,647,720	\$ 7,717,720
2009	6,535,000	4,489,238	11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013-2017	21,700,000	15,811,291	37,511,291
2018-2022	49,320,000	11,561,057	60,881,057
2023-2025	<u>40,100,000</u>	<u>1,836,121</u>	<u>41,936,121</u>
Total	<u>\$ 142,375,000</u>	<u>\$ 50,442,402</u>	<u>\$ 192,817,402</u>

\* 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:

<b>Year Ending December 31</b>	<b>Debt Service Requirements</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 3,385,000	\$ 12,210,531	\$ 15,595,531
2009	3,625,000	12,041,281	15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013-2017	24,890,000	53,995,156	78,885,156
2018-2022	40,540,000	46,952,656	87,492,656
2023-2027	87,420,000	32,385,906	119,805,906
2028-2032	40,755,000	11,833,338	52,588,338
2033-2035	<u>36,800,000</u>	<u>3,860,775</u>	<u>40,660,775</u>
Total	<u>\$ 249,300,000</u>	<u>\$ 208,283,988</u>	<u>\$ 457,583,988</u>

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, \$76,284,401 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2007.

## 10. OTHER LONG-TERM OBLIGATIONS

Changes in other long-term obligations for the year ended December 31, 2007 were as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007	Due Within One Year
Deferred rent	\$ 1,665,000	\$ 246,000		\$ 1,911,000	
Accrued interest payable	32,157,000	34,597,000	\$ 32,157,000	34,597,000	
Deferred revenue	52,413,000	520,000	1,701,000	51,232,000	1,701,000
Unamortized bond premium	136,608,000		5,702,000	130,906,000	5,702,000

The long-term liabilities will be paid by the General Fund.

## 11. PENSION

**Plan Description**—Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a cost-sharing multi-employer noncontributory defined benefit pension plan, the Regional Transportation Authority Pension Plan (“Plan”), covering substantially all employees not otherwise covered by a union pension plan. The responsibilities for establishing, administering, and amending the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors (“Plan Administrators”).

The Plan is classified as a “governmental plan” and is, therefore, generally exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Internal Revenue Service has issued a letter of determination dated September 30, 1988 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (“Code”) and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan operates on a calendar fiscal year.

**Pension Benefits**—Participants are entitled to annual pension benefits upon normal retirement at age 65. Such benefits are generally based on a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

The Plan provides that, upon retirement, benefits payable will be reduced by a defined percentage of pension benefits payable to participants who received credit for prior service with an eligible employer. Because information with respect to these benefits is not readily available until retirement, the information included in the accumulated plan benefits and changes in accumulated plan benefits with respect to active and terminated participants does not reflect a reduction of these benefits.

The Plan permits early retirement at age 55 after completing ten years of credited service with reduced benefits. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age and credited years of service equals 85 or higher.

The Plan provides for benefit payments to beneficiaries equal to or reduced from the participant’s monthly benefit payment subject to the election of the participant.

**Disability Benefits**—An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

**Contributions and Vesting**—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2006, the RTA Board approved a resolution that a contribution of \$9,137,000 be made to the Plan. The contribution is allocated as follows: Metra - \$4,814,200; Pace - \$ 3,322,884; RTA - \$999,916. As of December 31, 2007, \$9,137,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2007 contribution levels were within the actuarially determined ranges for the respective years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to determine the actuarial accrued liability presented in the note to the Required Supplementary Information.

Participating employees do not contribute to the Plan. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

The complete Plan financial report, including all required disclosures can be obtained from the Plan Administrators at the following address:

Regional Transportation Authority Pension Plan  
175 West Jackson Boulevard, Suite 1550  
Chicago, IL 60604

**Funding Policy**—Prior to July 1, 1979, contributions were made on the basis of non-actuarial estimates. The Plan's initial actuarial study found that those estimates were in excess of actuarial requirements. As a result, pension expense is being reduced by amortization of the excess over 30 years.

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

**Related-Party Transactions**—There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

**Annual Pension Cost and Net Pension Obligation**—For 2005, 2006 and 2007, the RTA's annual pension costs equal the required contributions which were \$6,800,000, \$8,777,000 and \$9,137,000, respectively. The required contributions were determined as part of the January 1, 2005, 2006 and 2007 actuarial valuations.

In accordance with the GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the RTA determined its net pension obligation at transition (January 1, 1997). There was no net pension obligation for the Plan at transition or at year-end.



**Significant Actuarial Assumptions**—The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	<u>January 1, 2007</u>	<u>January 1, 2006</u>	<u>January 1, 2005</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Historical assumptions:			
Interest return	8.5%	8.5%	8.5%
Salary increases:			
Attributed to inflation	4.0%	4.0%	4.0%
Attributed to seniority/merit	0.5%	0.5%	0.5%
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94% at age 20 to 0.09% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94% at age 20 to 0.09% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94% at age 20 to 0.09% at age 60 for males.

## 12. OTHER POSTEMPLOYMENT BENEFITS

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with 10 years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with 10 years of continuous full-time employment are eligible for the Medicare Supplement Plan.

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

Election to participate is voluntary with the RTA incurring no additional obligations, except that the RTA will pay each eligible retiree the sum of up to \$78 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expenses as they are paid and are not material in amount at the present time.

For 2007, the RTA incurred \$11,544 in other post employment benefit expenditures. There are 15 participants eligible to receive benefits as of December 31, 2007.

### 13. RISK MANAGEMENT

The RTA is exposed to various risks including, but not limited to, losses from workers' compensation, employee health insurance, and general liability/property. Commercial insurance coverage is procured to limit the RTA's exposure to such losses.

The Workers' Compensation and Employers' Liability Insurance Policy is procured through RTA's insurance policy with Traveler's. The RTA is insured for \$500,000 each accident for bodily injury by accident, \$500,000 each employee for bodily injury by disease and \$500,000 policy limit. The RTA property is insured through Pace's Property Insurance with St. Paul Fire & Marine. The RTA's portion of insurance premiums is paid to Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years. There have been no significant reductions in the amount of coverage from the prior year.

In addition, the RTA is a participant in RTA's Joint Self-Insurance Fund. The Fund was created as required by Article Two of the Loss Financing Plan (Plan) of the RTA and the three Service Boards. The Plan is intended primarily to serve as a mechanism for funding catastrophic losses and, by capitalizing the Fund in advance of such losses, to smooth their impact over time. The Fund is essentially a self-insurance program that provides a means for financing losses that are normally insured, and is included in the RTA's reporting entity as a proprietary fund type (enterprise fund). The Plan is administered by the RTA, CTA, Metra, and Pace (Participating Entities) utilizing a Fund Manager appointed by the RTA and three Fund Advisors, one appointed by each of the Service Boards.

Each participating entity (RTA, CTA, Metra, and Pace) is only responsible to repay the Fund for submitted claims paid by the Fund. The Fund acts exclusively as a claims-service, and financing mechanism, not an insurer, with respect to claims presented.

The limit of liability to the Fund is established at \$50 million less the retained limit (deductible portion) as described below:

**General Liability**—The categories of general liability that are covered, with certain defined exclusions, by the joint agreement are:

- Personal injury
- Property damage
- Advertising injury
- Evacuation, evacuation expenses and loss of use

The retained limit (deductible portion) for each Participating Entity is:

CTA	\$2,500,000
Metra	2,500,000
Pace	250,000

*Officer and Employee Liability*—All directors, officers or employees of each Participating Entity are covered, with certain defined exclusions, by the Plan. The retained limits are \$100,000 for each covered person. If a loss is covered under both types of liability, then the retained limit for general liability will apply.

#### 14. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. In 2007, the total rental paid by the RTA was \$1,376,835. Minimum required annual rental payments by the RTA are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2008	\$ 1,418,140
2009	1,460,684
2010	1,504,505
2011	1,549,640
2012	1,596,129
2013-2017	8,728,287
Total	\$ 16,257,385

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**REQUIRED SUPPLEMENTARY INFORMATION**

**REGIONAL TRANSPORTATION AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL—(BUDGETARY BASIS)—GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007**

	<b>General Fund</b>			
	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Amended</b>		
<b>REVENUES:</b>				
Sales taxes	\$ 111,891,000	\$ 111,891,000	\$ 112,938,369	\$ 1,047,369
Interest on sales taxes	150,000	150,000	375,773	225,773
Public Transportation Fund	186,484,000	186,484,000	188,931,433	2,447,433
Operating Assistance (ADA)	27,558,000		54,251,555	54,251,555
PACE Operating Assistance (ADA)	54,252,000	54,252,000		(54,252,000)
State assistance (AFA & ASA)	122,836,000	122,836,000	117,806,930	(5,029,070)
New Transit Funding (NTF) Grant	144,534,000			
Investment income/Other Revenues	<u>13,721,625</u>	<u>13,721,625</u>	<u>20,545,973</u>	<u>6,824,348</u>
Total revenues	<u>661,426,625</u>	<u>489,334,625</u>	<u>494,850,033</u>	<u>5,515,408</u>
<b>EXPENDITURES:</b>				
Financial assistance to Service Boards	181,869,000	179,869,000	209,930,910	(30,061,910)
Capital grants—current year	23,802,000	23,802,000	23,802,000	
PACE Operating Assistance Grant (ADA)	81,810,000	76,010,000	40,010,000	36,000,000
New Transit Funding (NTF) Grant	144,534,000			
Administration	7,360,503	7,048,361	6,771,732	276,628
Non-Administration:				
Regional Services and Coordination Programs	19,596,940	18,012,005	18,881,065	(869,060)
Regional Technical Assistance Program	4,821,650	2,711,125	2,238,130	472,995
Capital outlay	2,400,200	1,247,200	1,247,200	
Technology program	5,099,000	2,727,864	1,409,077	1,318,787
Debt Related costs			<u>3,036,316</u>	<u>(3,036,316)</u>
Total expenditures	<u>471,293,293</u>	<u>311,427,555</u>	<u>307,326,431</u>	<u>4,101,123</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS</b>	<u>\$ 190,133,332</u>	<u>177,907,071</u>	<u>187,523,602</u>	<u>9,616,531</u>
<b>OTHER FINANCING USES—</b>				
Transfers out			<u>(179,115,537)</u>	<u>(179,115,537)</u>
Total other financing uses			<u>(179,115,537)</u>	<u>(179,115,537)</u>
<b>NET CHANGE IN FUND BALANCE—</b>				
BUDGETARY BASIS	<u>\$ 190,133,332</u>	<u>\$ 177,907,071</u>	8,408,065	<u>\$ (169,499,006)</u>
Budgetary basis to GAAP basis adjustments			<u>(833,030)</u>	
<b>NET CHANGE IN FUND BALANCE—GAAP BASIS</b>			7,575,035	
<b>FUND BALANCE:</b>				
Beginning of year			<u>141,592,481</u>	
End of year			<u>\$ 149,167,516</u>	

# REGIONAL TRANSPORTATION AUTHORITY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2007

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### BUDGET AND BUDGETARY ACCOUNTING

The budgetary basis of the general fund's budget and actual presentation is included as required supplementary information. For comparison of the combined budgets as required for board presentation, the combined schedule of revenues, expenditures, and changes in fund balance—budget and actual—general and the sales tax agency funds are presented in the combining and individual fund schedules section of the CAFR. Additional budget detail is used by management for monitoring purposes which is provided in this section as the schedule of expenditures—budget and actual—general fund.

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 2007 budget. The 2007 budget (Ordinance 2006-78) was last revised on October 4, 2007 (Ordinances 2007-50 and 2007-58). These ordinances amended the 2007 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.

## RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

The accompanying schedule of revenues, expenditures, and changes in fund balance, budget and actual-general fund (this section), and combining schedule of revenues, expenditures and changes in fund balance-budget and actual-general and agency funds (in combining and individual fund schedules section) present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ with accounting principles generally accepted in the United States of America, a reconciliation of timing differences in the excess of revenues over expenditures and other financing uses is presented below:

	<b>General Fund</b>
Excess of expenditures over revenues and other financing use-budgetary basis	<u>\$ 8,408,065</u>
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(8,529,087)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	7,058,808
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	637,249
Budgetary basis to GAAP basis adjustments	<u>(833,030)</u>
Net change in fund balance - GAAP basis	<u>\$ 7,575,035</u>

**REGIONAL TRANSPORTATION AUTHORITY  
PENSION PLAN**

**SCHEDULE OF FUNDING PROGRESS  
SIX YEARS ENDED DECEMBER 31, 2007**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)</b>
January 1, 2002	\$ 76,888,695	\$ 79,946,039	\$ (3,057,344)	96.18%	\$ 50,855,571	6.0%
January 1, 2003	80,974,751	87,815,116	(6,840,365)	92.21%	53,969,194	12.7%
January 1, 2004	87,998,878	97,275,818	(9,276,940)	90.46%	54,983,472	16.9%
January 1, 2005	90,334,371	105,976,209	(15,641,838)	85.24%	56,417,461	27.7%
January 1, 2006	94,697,937	124,521,129	(29,823,192)	76.05%	58,883,678	50.6%
January 1, 2007	102,523,735	133,905,851	(31,382,116)	76.56%	61,357,214	51.1%



**REGIONAL TRANSPORTATION AUTHORITY  
PENSION PLAN**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SIX YEARS ENDED DECEMBER 31, 2007**

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	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
Year Ended:		
2002	\$ 6,875,000	100%
2003	3,511,000	100%
2004	6,022,000	100%
2005	6,800,000	100%
2006	8,777,000	100%
2007	9,137,000	100%

(1) Contributions for the plan year ended December 31, 2007 will be paid during 2008.

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

## **A. GENERAL FUND**

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund. A budget and actual schedule of general fund expenditures is presented in this section.

The RTA Board approves a comprehensive budget which includes the activity in the general fund and the Sales Tax Agency Fund. For comparison of the combined budgets, the combined budget and actual schedule of revenues, expenditures and changes in fund balance for both funds is also presented in this section.

## REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES—  
 BUDGET AND ACTUAL—GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2007

	General Fund			
	Budget		Actual	Variance
	Original	Amended		
EXPENDITURES:				
Financial assistance to Service Boards	\$ 181,869,000	\$ 179,869,000	\$ 209,930,910	\$ (30,061,910)
Capital grants—current year	168,336,000	23,802,000	23,802,000	
PACE Operating Assistance Grant	81,810,000	76,010,000	40,010,000	36,000,000
Total grant expenditures	432,015,000	279,681,000	273,742,910	5,938,090
Administration:				
Salaries and benefits	5,574,730	5,399,418	5,194,695	204,723
Business expenses	107,058	97,730	145,321	(47,591)
Office expenses	1,125,715	1,073,213	1,106,964	(33,751)
Professional services	553,000	478,000	324,752	153,248
Total administration	7,360,503	7,048,361	6,771,732	276,628
Non-Administration:				
Travel Information Center	5,973,316	5,846,116	6,368,597	(522,481)
Other:				
Public Affairs	1,675,516	1,673,184	1,489,794	183,390
Customer Service Center	441,541	441,541	396,739	44,802
Reduced fare registration	371,954	371,954	417,050	(45,096)
Americans with Disabilities Act (ADA)	3,770,617	3,646,242	3,427,818	218,424
Other regional projects	12,185,646	8,744,093	9,019,198	(275,105)
Total other	18,445,274	14,877,014	14,750,599	126,415
Total Non-Administration	24,418,590	20,723,130	21,119,196	(396,066)
Capital outlay	2,400,200	1,247,200	1,247,200	
Technology program	5,099,000	2,727,864	1,409,077	1,318,787
Debt Related Costs			3,036,316	(3,036,316)
TOTAL EXPENDITURES	\$ 471,293,293	\$ 311,427,555	\$ 307,326,431	\$ 4,101,123

## REGIONAL TRANSPORTATION AUTHORITY

**COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS  
 YEAR ENDED DECEMBER 31, 2007**

	General Fund		
	Budget	Actual	Variance
REVENUES:			
Sales taxes	\$ 111,891,000	\$ 112,938,369	\$ 1,047,369
Interest on sales taxes	150,000	375,773	225,773
Public Transportation Fund	186,484,000	188,931,433	2,447,433
Operating Assistance (ADA)		54,251,555	54,251,555
PACE Operating Assistance (ADA)	54,252,000		(54,252,000)
State assistance (AFA & ASA)	122,836,000	117,806,930	(5,029,070)
Reduced fare reimbursement			
Advanced Reduced Fare Reimbursement			
Investment income/other revenues	8,788,000	17,386,848	8,598,848
Other Revenue	4,933,625	3,159,125	(1,774,500)
Total revenues	<u>489,334,625</u>	<u>494,850,033</u>	<u>5,515,408</u>
EXPENDITURES:			
Financial assistance to Service Boards	179,869,000	209,930,910	(30,061,910)
Capital grants—current year	23,802,000	23,802,000	
PACE Operating Assistance Grant	76,010,000	40,010,000	36,000,000
Reduced fare reimbursement			
Advanced Reduced Fare Reimbursement			
Administration	7,048,361	6,771,732	276,628
Non-Administration:			
Regional Services and Coordination Programs	18,012,005	18,881,065	(869,060)
Regional Technical Assistance Program	2,711,125	2,238,130	472,995
Interest on sales taxes to Service Boards			
Capital outlay	1,247,200	1,247,200	
Technology program	2,727,864	1,409,077	1,318,787
Debt Related Costs		3,036,316	(3,036,316)
Total expenditures	<u>311,427,555</u>	<u>307,326,431</u>	<u>4,101,123</u>
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	<u>177,907,071</u>	<u>187,523,602</u>	<u>9,616,531</u>
OTHER FINANCING USES—			
Transfers out		(179,115,537)	(179,115,537)
Total other financing uses		<u>(179,115,537)</u>	<u>(179,115,537)</u>
NET CHANGE IN FUND BALANCE— BUDGETARY BASIS	<u>\$ 177,907,071</u>	<u>8,408,065</u>	<u>\$ (169,499,005)</u>
Budgetary basis to GAAP basis adjustments		(833,030)	
NET CHANGE IN FUND BALANCE— GAAP BASIS		7,575,035	
FUND BALANCE:			
Beginning of year		<u>141,592,481</u>	
End of year		<u>\$ 149,167,516</u>	

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 634,046,000	\$ 639,984,090	\$ 5,938,090	\$ 745,937,000	\$ 752,922,458	\$ 6,985,458
850,000	2,129,381	1,279,381	1,000,000	2,505,154	1,505,154
			186,484,000	188,931,433	2,447,433
				54,251,555	54,251,555
			54,252,000		(54,252,000)
			122,836,000	117,806,930	(5,029,070)
36,275,000	36,678,391	403,391	36,275,000	36,678,391	403,391
	15,630,818	15,630,818		15,630,818	15,630,818
			8,788,000	17,386,848	8,598,848
			4,933,625	3,159,125	(1,774,500)
<u>671,171,000</u>	<u>694,422,679</u>	<u>23,251,679</u>	<u>1,160,505,625</u>	<u>1,189,272,712</u>	<u>28,767,087</u>
634,046,000	639,984,090	(5,938,090)	813,915,000	849,915,000	36,000,000
			23,802,000	23,802,000	
			76,010,000	40,010,000	(36,000,000)
36,275,000	36,678,391	(403,391)	36,275,000	36,678,391	403,391
	15,630,818	(15,630,818)		15,630,818	15,630,818
			7,048,361	6,771,732	(276,628)
			18,012,005	18,881,065	869,060
			2,711,125	2,238,130	(472,995)
850,000	2,129,381	(1,279,381)	850,000	2,129,381	1,279,381
			1,247,200	1,247,200	
			2,727,864	1,409,077	(1,318,787)
				3,036,316	3,036,316
<u>671,171,000</u>	<u>694,422,679</u>	<u>(23,251,679)</u>	<u>982,598,555</u>	<u>1,001,749,111</u>	<u>19,150,556</u>
			<u>177,907,071</u>	<u>187,523,602</u>	<u>9,616,531</u>
				(179,115,537)	(179,115,537)
				(179,115,537)	(179,115,537)
			<u>\$ 177,907,071</u>	<u>8,408,065</u>	<u>\$ 169,499,005</u>
				(833,030)	
				7,575,035	
				141,592,481	
				<u>\$ 149,167,516</u>	

## B. DEBT SERVICE FUND

### *Debt Service Fund Accounts:*

*1990A*—to account for transfers received, investment income and principal and interest payments made for 1990A general obligation bonds.

*1991A*—to account for transfers received, investment income and principal and interest payments made for 1991A general obligation bonds.

*1992A\* and B*—to account for transfers received, investment income and principal and interest payments made for 1992A & B general obligation bonds.

*1994A\* and B*—to account for transfers received, investment income and principal and interest payments made for 1994A & B general obligation bonds.

*1994C \* and D*—to account for transfers received, investment income and principal and interest payments made for 1994C & D general obligation bonds.

*1997*—to account for transfers received, investment income and principal and interest payments made for 1997 refunding general obligation bonds.

*1999*—to account for transfers received, investment income and principal and interest payments made for 1999 refunding general obligation bonds.

*2000A\**—to account for transfers received, investment income and principal and interest payments made for 2000A general obligation bonds.

*2001A\**—to account for transfers received, investment income and principal and interest payments made for 2001A general obligation bonds.

*2001B\**—to account for transfers received, investment income and principal and interest payments made for 2001B refunding general obligation bonds.

*2002A\**—to account for transfers received, investment income and principal and interest payments made for 2002A general obligation bonds.

*2002B* —to account for transfers received, investment income and principal and interest payments made for 2002B refunding general obligation bonds.

*2003A\** —to account for transfers received, investment income and principal and interest payments made for 2003A refunding general obligation bonds.

*2003B*—to account for transfers received, investment income and principal and interest payments made for 2003B refunding general obligation bonds.

*2003C* — to account for transfers received, investment income and principal and interest payments made for 2003C refunding general obligation bonds.

*2004A\** — to account for transfers received, investment income and principal and interest payments made for 2004A refunding general obligation bonds.

*2005B*—to account for transfers received, investment income and principal and interest payments made for 2005B refunding general obligation bonds.

*2006A\**—to account for transfers received, investment income and principal and interest payments made for 2006A general obligation bonds.

\*Strategic Capital Improvement Program (SCIP) Bonds



**REGIONAL TRANSPORTATION AUTHORITY**

**COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS**

**December 31, 2007**

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D	1997	1999	2000A	2001 A
<b>ASSETS:</b>									
Cash and Investments	\$931,616	\$764,548	\$4,519,845	\$322,459	\$3,294,816	\$3,515,708	\$5,211,177	\$10,157,717	\$3,697,822
Accrued Interest		64							
<b>Total Assets</b>	<b>931,616</b>	<b>764,612</b>	<b>4,519,845</b>	<b>322,459</b>	<b>3,294,816</b>	<b>3,515,708</b>	<b>5,211,177</b>	<b>10,157,717</b>	<b>3,697,822</b>
<b>LIABILITIES:</b>									
Due to other funds	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Liabilities</b>									
<b>FUND BALANCES:</b>									
Reserved for debt service	931,616	764,612	4,519,845	322,459	3,294,816	3,515,708	5,211,177	10,157,717	3,697,822
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>931,616</b>	<b>764,612</b>	<b>4,519,845</b>	<b>322,459</b>	<b>3,294,816</b>	<b>3,515,708</b>	<b>5,211,177</b>	<b>10,157,717</b>	<b>3,697,822</b>

(continued)

**REGIONAL TRANSPORTATION AUTHORITY**

**COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS  
DECEMBER 31, 2007**

	2001 B	2002 A	2002 B	2003 A	2003 B	2003 C	2004 A	2005 B	2006 A	Total
<b>ASSETS:</b>										
Cash and Investments	\$1,209,325	\$5,895,770	\$7,233,578	\$9,482,355	\$2,484,016	\$2,025,799	\$4,189,311	\$2,745,602	\$8,602,939	\$76,284,401
Due from Other Funds									562,830	562,830
Accrued Interest					108,326		124,144	2,020	32,909	267,463
<b>Total Assets</b>	<b>1,209,325</b>	<b>5,895,770</b>	<b>7,233,578</b>	<b>9,482,355</b>	<b>2,592,342</b>	<b>2,025,799</b>	<b>4,313,455</b>	<b>2,747,621</b>	<b>9,198,677</b>	<b>77,114,694</b>
<b>LIABILITIES:</b>										
Due to other funds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Liabilities</b>										
<b>FUND BALANCES:</b>										
Reserved for debt service	1,209,325	5,895,770	7,233,578	9,482,355	2,592,342	2,025,799	4,313,455	2,747,621	9,198,677	77,114,694
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,209,325</b>	<b>\$5,895,770</b>	<b>\$7,233,578</b>	<b>\$9,482,355</b>	<b>\$2,592,342</b>	<b>\$2,025,799</b>	<b>\$4,313,455</b>	<b>\$2,747,621</b>	<b>\$9,198,677</b>	<b>\$77,114,694</b>

# Regional Transportation Authority

## Combining Statement of Revenues and Expenditures - Debt Service Fund Accounts For the Twelve Months Ending December 31, 2007

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D
<b>REVENUE:</b>					
Investment Income	\$0	\$839	\$429	\$92	\$414
Total Revenue	0	839	429	92	414
<b>EXPENDITURES:</b>					
Debt Service - Principal			6,250,000		4,095,000
Debt Service - Interest	4,377,240	3,734,915	3,225,410	1,951,600	4,979,569
Other Debt Related Costs					
Total Expenditures	4,377,240	3,734,915	9,475,410	1,951,600	9,074,569
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,377,240)</b>	<b>(3,734,076)</b>	<b>(9,474,981)</b>	<b>(1,951,508)</b>	<b>(9,074,155)</b>
<b>OTHER FINANCING SOURCES :</b>					
SCIP II Debt Issuance (Gross)					
Transfers Out					
Transfers In					
Principal			6,625,455		4,301,818
Interest	4,377,240	3,734,066	3,168,731	1,951,508	4,947,419
Other					
Total Other Financing Sources	4,377,240	3,734,066	9,794,186	1,951,508	9,249,237
<b>NET CHANGE IN FUND BALANCES</b>	<b>0</b>	<b>(9)</b>	<b>319,205</b>	<b>0</b>	<b>175,082</b>
<b>FUND BALANCES:</b>					
Beginning of year	931,616	764,621	4,200,640	322,459	3,119,734
End of year	\$931,616	\$764,612	\$4,519,845	\$322,459	\$3,294,816

(Continued)

## Regional Transportation Authority

### Combining Statement of Revenues and Expenditures - Debt Service Fund Accounts For the Twelve Months Ending December 31, 2007

	1997	1999	2000 A	2001 A	2001 B
<b>REVENUE:</b>					
Investment Income	\$402	\$994	\$521	\$189	\$150
Total Revenue	402	994	521	189	150
<b>EXPENDITURES:</b>					
Debt Service - Principal	\$4,625,000	\$5,395,000	\$4,730,000	\$1,785,000	\$1,555,000
Debt Service - Interest	4,249,975	16,196,638	15,138,538	5,442,988	1,755,488
Other Debt Related Costs					
Total Expenditures	8,874,975	21,591,638	19,868,538	7,227,988	3,310,488
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(8,874,573)</b>	<b>(21,590,643)</b>	<b>(19,868,017)</b>	<b>(7,227,798)</b>	<b>(3,310,338)</b>
<b>OTHER FINANCING SOURCES :</b>					
SCIP II Debt Issuance (Gross)					
Transfers Out					
Transfers In					
Principal	4,784,091	5,566,818	4,874,545	1,836,818	1,602,727
Interest	4,226,448	16,168,669	15,001,918	5,393,670	1,748,340
Other					
Total Other Financing Sources	9,010,539	21,735,487	19,876,464	7,230,489	3,351,067
<b>NET CHANGE IN FUND BALANCES</b>	<b>135,966</b>	<b>144,843</b>	<b>8,447</b>	<b>2,690</b>	<b>40,729</b>
<b>FUND BALANCES:</b>					
Beginning of year	3,379,742	5,066,334	10,149,270	3,695,132	1,168,596
End of year	\$3,515,708	\$5,211,177	\$10,157,717	\$3,697,822	\$1,209,325

(Continued)

# Regional Transportation Authority

## Combining Statement of Revenues and Expenditures - Debt Service Fund Accounts For the Twelve Months Ending December 31, 2007

	2002 A	2002 B	2003 A	2003 B	2003 C
<b>REVENUE:</b>					
Investment Income	\$302	\$818	\$487	\$1,527,715	\$92
Total Revenue	302	818	487	1,527,715	92
<b>EXPENDITURES:</b>					
Debt Service - Principal	2,690,000	9,710,000	4,335,000	2,545,000	3,240,000
Debt Service - Interest	8,833,438	8,560,338	14,212,575	7,868,325	510,000
Other Debt Related Costs					
Total Expenditures	11,523,438	18,270,338	18,547,575	10,413,325	3,750,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(11,523,135)</b>	<b>(18,269,520)</b>	<b>(18,547,088)</b>	<b>(8,885,610)</b>	<b>(3,749,908)</b>
<b>OTHER FINANCING SOURCES :</b>					
SCIP II Debt Issuance (Gross)					
Transfers Out					
Transfers In					
Principal	2,769,091	9,932,727	4,455,000	2,627,727	3,324,545
Interest	8,765,820	8,510,970	14,103,609	6,275,203	428,888
Other					
Total Other Financing Sources	11,534,911	18,443,697	18,558,609	8,902,931	3,753,434
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,776</b>	<b>174,177</b>	<b>11,521</b>	<b>17,321</b>	<b>3,526</b>
<b>FUND BALANCES:</b>					
Beginning of year	5,883,993	7,059,401	9,470,834	2,575,021	2,022,274
End of year	\$5,895,770	\$7,233,578	\$9,482,355	\$2,592,342	\$2,025,799

(Continued)

## Regional Transportation Authority

### Combining Statement of Revenues and Expenditures - Debt Service Fund Accounts For the Twelve Months Ending December 31, 2007

	2004A	2005 B	2006 A	Total
<b>REVENUE:</b>				
Investment Income	\$3,057,085	\$27,055	\$9,529,665	\$14,147,250
Total Revenue	3,057,085	27,055	9,529,665	14,147,250
<b>EXPENDITURES:</b>				
Debt Service - Principal	4,190,000	2,940,000	1,050,000	59,135,000
Debt Service - Interest	13,966,038	5,323,790	9,089,241	129,416,102
Other Debt Related Costs		249,909	60,000	309,909
Total Expenditures	18,156,038	8,513,699	10,199,241	188,861,011
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(15,098,952)</b>	<b>(8,486,644)</b>	<b>(669,576)</b>	<b>(174,713,762)</b>
<b>OTHER FINANCING SOURCES :</b>				
SCIP II Debt Issuance (Gross)				
Transfers Out				
Transfers In				
Principal	4,326,818	5,836,818	2,596,364	65,461,364
Interest	10,431,266	2,460,541	1,652,261	113,346,569
Other		249,909	57,696	307,605
Total Other Financing Sources	14,758,084	8,547,269	4,306,321	179,115,537
<b>NET CHANGE IN FUND BALANCES</b>	<b>(340,868)</b>	<b>60,625</b>	<b>3,636,745</b>	<b>4,401,776</b>
<b>FUND BALANCES:</b>				
Beginning of year	4,654,323	2,686,997	5,561,932	72,712,918
End of year	\$4,313,455	\$2,747,621	\$9,198,677	\$77,114,694

## C. CAPITAL PROJECTS FUND

### *Capital Projects Fund Accounts:*

*Strategic Capital Improvement Program (SCIP)*—to account for 1992 through 1994, 2000, 2001, 2002, 2003, and 2004 bond sales proceeds and related SCIP capital grants made to the Service Boards as expenditures are incurred. Investment income earned on SCIP bonds is recorded in the related Debt Service Fund accounts.

*Non-SCIP*—to account for 1990 through 1994, 2002, and 2005 bond sale proceeds, investment income earned and related Non-SCIP investment income capital grants made to the Service Boards as expenditures are incurred.

*Investment Income on Bonds*—to account for transfers of investment income from SCIP Bonds fund accounts through June 30, 1999 and Non-SCIP Bonds fund accounts except those issued under Illinois First program and related capital grants made to the Service Boards as expenditures are incurred.

**REGIONAL TRANSPORTATION AUTHORITY**

**COMBINING BALANCE SHEET SCHEDULE  
CAPITAL PROJECTS FUND ACCOUNTS  
DECEMBER 31, 2007**

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
<b>ASSETS:</b>				
Cash and investments	\$ 260,873,141	\$ 26,080,394	\$	\$ 286,953,535
Due from other funds	<u>                    </u>	<u>                    </u>	<u>9,733,986</u>	<u>9,733,986</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 260,873,141</u></u>	<u><u>\$ 26,080,394</u></u>	<u><u>\$ 9,733,986</u></u>	<u><u>\$ 296,687,521</u></u>
 <b>LIABILITIES:</b>				
Due to Service Boards	\$ 13,561,969	\$ 541,806	\$ 513	\$ 14,104,288
Due to other funds	<u>2,190,256</u>	<u>8,106,560</u>	<u>                    </u>	<u>10,296,816</u>
Total liabilities	15,752,225	8,648,366	513	24,401,104
 <b>FUND BALANCES:</b>				
Reserved for Service Boards capital projects	<u>245,120,916</u>	<u>17,432,027</u>	<u>9,733,473</u>	<u>272,286,417</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 260,873,141</u></u>	<u><u>\$ 26,080,394</u></u>	<u><u>\$ 9,733,986</u></u>	<u><u>\$ 296,687,521</u></u>



## REGIONAL TRANSPORTATION AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED DECEMBER 31, 2007**

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	_____	_____	_____	_____
EXPENDITURES:				
Capital grants—bonds	81,842,171	5,974,991	238,327	88,055,489
Total expenditures	81,842,171	5,974,991	238,327	88,055,489
DEFICIENCY OF REVENUES OVER EXPENDITURES	(81,842,171)	(5,974,991)	(238,327)	(88,055,489)
OTHER FINANCING SOURCES (USES):				
Debt Issuance (Gross)				
Bond Premium				
Transfer Out				
Transfer In	_____	_____	_____	_____
Total other financing sources	_____	_____	_____	_____
NET CHANGE IN FUND BALANCES	(81,842,171)	(5,974,991)	(238,327)	(88,055,489)
FUND BALANCES:				
Beginning of year	326,963,087	23,407,018	9,971,801	360,341,906
End of year	\$ 245,120,916	\$ 17,432,027	\$ 9,733,473	\$ 272,286,417

#### **D. AGENCY FUND**

*Sales Tax Agency Fund*—to account for the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, reduced fare reimbursement grants and advances to Service Boards.

**REGIONAL TRANSPORTATION AUTHORITY**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**

**SALES TAX AGENCY FUND**

**YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2007</b>
<b>ASSETS:</b>				
Intergovernmental receivables:				
Sales taxes	\$ 166,397,027	\$ 639,984,090	\$ 636,115,171	\$ 170,265,946
Interest on sales taxes	344,623	2,129,381	2,119,167	354,837
Reduced fare reimbursement	21,576,991	52,309,209	73,886,200	
Advances to Service Boards	50,295,833	18,586,619		68,882,452
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b><u>\$ 238,614,475</u></b>	<b><u>\$ 713,009,298</u></b>	<b><u>\$ 712,120,539</u></b>	<b><u>\$ 239,503,234</u></b>
<b>LIABILITIES:</b>				
Intergovernmental payables:				
Sales taxes due to Service Boards	\$ 166,397,027	\$ 639,984,090	\$ 636,115,171	\$ 170,265,946
Interest on sales taxes due to Service Boards	344,623	2,129,381	2,119,167	354,837
Reduced fare reimbursement	21,576,991	52,309,209	73,886,200	
Advances from State	50,295,833	18,586,619		68,882,452
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 238,614,475</u></b>	<b><u>\$ 713,009,298</u></b>	<b><u>\$ 712,120,539</u></b>	<b><u>\$ 239,503,234</u></b>

## **E. CAPITAL ASSETS**

*Capital Assets*—are used in the operations of the governmental funds.

# REGIONAL TRANSPORTATION AUTHORITY

## SCHEDULE OF CAPITAL ASSETS—BY FUNCTION DECEMBER 31, 2007

	<u>Office Furniture and Equipment</u>	<u>Computer Equipment</u>	<u>Leasehold Improvements</u>	<u>Capital In Progress Technology Program</u>	<u>Total</u>
Administrative	\$ 297,619	\$ 931,120	\$ 1,337,063	\$ 8,279,091	\$ 10,844,893
Travel Information Center		1,132,909			1,132,909
Total capital assets	<u>297,619</u>	<u>2,064,029</u>	<u>1,337,063</u>	<u>8,279,091</u>	<u>11,977,802</u>
Less accumulated depreciation:					
Administrative	193,533	664,036	422,332		1,279,901
Travel Information Center		<u>943,844</u>			<u>943,844</u>
Total accumulated depreciation	193,533	1,607,880	422,332		2,223,745
Total capital assets—net	<u>\$ 104,086</u>	<u>\$ 456,149</u>	<u>\$ 914,731</u>	<u>\$ 8,279,091</u>	<u>\$ 9,754,057</u>

## STATISTICAL SECTION (UNAUDITED)

### CONTENTS

#### Financial Trends (Tables 1, 2, 3, 4)

*An analysis of Net Assets by component and Change in Net Assets are presented as an indicator of RTA's financial performance and to show the overall change in financial position over time. The schedules begin with fiscal year 2001 which is the first year that RTA presented their financials statements in accordance with GASB 34.*

#### Revenue and Expense Capacity (Tables 5, 6, 7, 8)

*Revenues and expenditures presented in the following tables include the activities in the government-wide and fiduciary fund statements. Additions to and disbursements from the Sales Tax Agency Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables. The schedules show the overall distribution of expenses and revenues by source over the past 10 years, the breakout of revenues by county and the federal allocation of capital funds.*

#### Debt Capacity (Tables 9, 10, 11)

*Schedules in this section provide an overview of RTA's general obligation bonds (SCIP versus Non-SCIP) outstanding balances as of December 31, 2007 and a 10-year analysis of the debt service requirement to revenues and expenses.*

#### Operating Information (Tables 12, 13)

*Schedules in this section provide various statistics on passenger services offered by the service boards for fiscal year 2007 and a look at system ridership over the last ten years.*

STATISTICAL SECTION (UNAUDITED)

TABLE 1

**REGIONAL TRANSPORTATION AUTHORITY**  
**NET ASSETS BY COMPONENT**  
**LAST SEVEN YEARS**  
(in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities—							
Cash and investments, net of related debt	\$ (900,705)	\$ (1,272,094)	\$ (1,629,591)	\$ (1,800,413)	\$ (2,019,602)	\$ (2,097,374)	\$ (2,087,178)
Restricted Net Assets	43,246	56,355	70,481	64,727			
Unrestricted Net Assets	44,565	85,317	98,035	20,766	125,013	172,925	149,759
<b>Total Net Assets-Governmental Activities</b>	<b>\$ (812,894)</b>	<b>\$ (1,130,422)</b>	<b>\$ (1,461,075)</b>	<b>\$ (1,714,920)</b>	<b>\$ (1,894,589)</b>	<b>\$ (1,924,449)</b>	<b>\$ (1,937,419)</b>
Business-type activities—							
Cash and investments, net of related debt	\$ 45,329	\$ 44,538	\$ 39,937	\$ 36,028	\$ 28,230	\$ 25,718	\$ 21,442
Unrestricted Net Assets	5,200	2,197	4,334	3,593	7,781	6,113	6,951
<b>Total Net Assets-Business-Type Activities</b>	<b>\$ 50,529</b>	<b>\$ 46,735</b>	<b>\$ 44,271</b>	<b>\$ 39,621</b>	<b>\$ 36,011</b>	<b>\$ 31,831</b>	<b>\$ 28,393</b>
Primary government—							
Cash and investments, net of related debt	\$ (900,705)	\$ (1,272,094)	\$ (1,629,591)	\$ (1,800,413)	\$ (2,019,602)	\$ (2,097,374)	\$ (2,087,178)
Restricted Net Assets	88,575	100,893	110,418	100,755	28,230	25,718	21,442
Unrestricted Net Assets	49,765	87,514	102,369	24,359	132,794	179,038	156,710
<b>Total Net Assets-Primary government</b>	<b>\$ (762,365)</b>	<b>\$ (1,083,687)</b>	<b>\$ (1,416,804)</b>	<b>\$ (1,675,299)</b>	<b>\$ (1,858,578)</b>	<b>\$ (1,892,618)</b>	<b>\$ (1,909,026)</b>

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

**REGIONAL TRANSPORTATION AUTHORITY**  
**CHANGE IN NET ASSETS**  
**LAST SEVEN YEARS**  
**(in thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>EXPENSES:</b>							
Governmental activities:							
Financial assistance to Service Boards	\$ 168,857	\$ 209,106	\$ 213,127	\$ 179,799	\$ 168,076	\$ 162,434	\$ 209,931
Capital grants—discretionary	31,736	31,096	34,830	33,767	25,437	26,730	25,272
Capital grants—bonds	169,812	319,945	319,253	290,102	251,693	138,706	88,056
Operating grant -(ADA)					54,252	54,252	40,010
Administrative expenses	5,402	6,510	6,666	6,554	6,534	7,561	6,967
Regional expenses	13,265	15,071	13,378	14,781	17,920	20,674	20,243
Technology program expenses	1,277	3,570	1,786	3,265	1,822	1,890	1,409
Interest expense	90,960	88,038	109,981	114,574	126,027	122,790	130,079
Total governmental activities	<u>481,309</u>	<u>673,336</u>	<u>699,021</u>	<u>642,842</u>	<u>651,761</u>	<u>535,037</u>	<u>521,967</u>
Business-type activities:							
Insurance Financing	<u>5,012</u>	<u>4,849</u>	<u>3,082</u>	<u>5,319</u>	<u>4,624</u>	<u>5,566</u>	<u>4,855</u>
Total business-type activities	<u>5,012</u>	<u>4,849</u>	<u>3,082</u>	<u>5,319</u>	<u>4,624</u>	<u>5,566</u>	<u>4,855</u>
Total primary government expenses	<u>\$ 486,321</u>	<u>\$ 678,185</u>	<u>\$ 702,103</u>	<u>\$ 648,161</u>	<u>\$ 656,385</u>	<u>\$ 540,603</u>	<u>\$ 526,822</u>
General:							
Sales taxes	\$ 98,028	\$ 97,153	\$ 98,248	\$ 101,344	\$ 105,059	\$ 112,024	\$ 112,938
Interest on sales taxes	131	68	41	53	137	317	376
Operating grant -(ADA)					54,252	54,252	54,252
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807
Regional program reimbursement	712	1,484	1,058	1,033	866	1,053	1,153
Technology program reimbursement	258	1,664					
Investment income	25,283	20,595	16,548	27,538	24,608	35,534	31,534
Other revenues	900	1,724	2,509	1,847	83	3,118	2,006
Transfers out	(3,000)						
Total governmental activities revenues	<u>330,961</u>	<u>355,808</u>	<u>368,368</u>	<u>388,997</u>	<u>472,092</u>	<u>505,177</u>	<u>508,997</u>
Business-type activities:							
General:							
Investment income	1,838	1,055	618	669	1,014	1,386	1,210
Other revenues							207
Transfers out	<u>3,000</u>						
Total Business-Type activities revenues	<u>4,838</u>	<u>1,055</u>	<u>618</u>	<u>669</u>	<u>1,014</u>	<u>1,386</u>	<u>1,417</u>
Total primary government revenues	<u>\$ 335,799</u>	<u>\$ 356,863</u>	<u>\$ 368,986</u>	<u>\$ 389,666</u>	<u>\$ 473,106</u>	<u>\$ 506,563</u>	<u>\$ 510,414</u>
Governmental activities:							
CHANGES IN NET ASSETS (DEFICIT)	\$ (150,348)	\$ (317,528)	\$ (330,653)	\$ (253,845)	\$ (179,669)	\$ (29,860)	\$ (12,970)
NET ASSETS (DEFICIT):							
Beginning of year	<u>(662,546)</u>	<u>(812,894)</u>	<u>(1,130,422)</u>	<u>(1,461,075)</u>	<u>(1,714,920)</u>	<u>(1,894,589)</u>	<u>(1,924,449)</u>
End of year	<u>(812,894)</u>	<u>(1,130,422)</u>	<u>(1,461,075)</u>	<u>(1,714,920)</u>	<u>(1,894,589)</u>	<u>(1,924,449)</u>	<u>(1,937,419)</u>
Business-type activities:							
CHANGES IN NET ASSETS (DEFICIT)	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)
NET ASSETS (DEFICIT):							
Beginning of year	<u>50,703</u>	<u>50,529</u>	<u>46,735</u>	<u>44,271</u>	<u>39,621</u>	<u>36,011</u>	<u>31,831</u>
End of year	<u>50,529</u>	<u>46,735</u>	<u>44,271</u>	<u>39,621</u>	<u>36,011</u>	<u>31,831</u>	<u>28,393</u>
Total primary government	<u>\$ (762,365)</u>	<u>\$ (1,083,687)</u>	<u>\$ (1,416,804)</u>	<u>\$ (1,675,299)</u>	<u>\$ (1,858,578)</u>	<u>\$ (1,892,618)</u>	<u>\$ (1,909,026)</u>

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.



**REGIONAL TRANSPORTATION AUTHORITY**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST SEVEN YEARS**  
**(in thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund							
Reserved	76,056	54,463	66,406	58,955	93,384	102,765	107,948
Unreserved	77,827	65,491	4,889	12,507	1,654	38,828	41,220
Total general fund balances	<u>153,883</u>	<u>119,954</u>	<u>71,295</u>	<u>71,462</u>	<u>95,038</u>	<u>141,592</u>	<u>149,167</u>
All other governmental funds							
Reserved	337,213	418,454	569,278	567,100	308,345	433,055	349,402
Total all other governmental funds	<u>337,213</u>	<u>418,454</u>	<u>569,278</u>	<u>567,100</u>	<u>308,345</u>	<u>433,055</u>	<u>349,402</u>

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

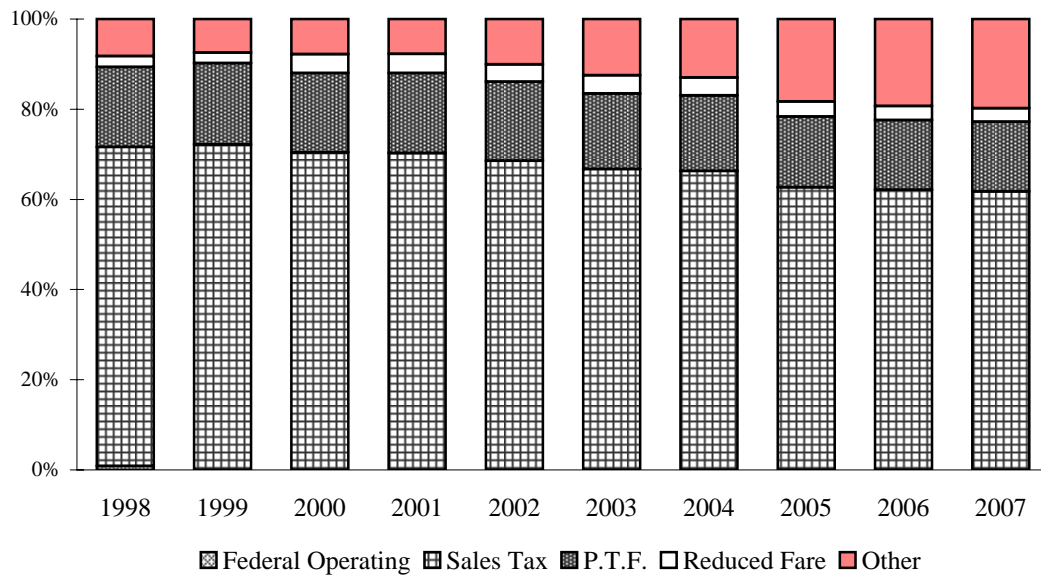
**REGIONAL TRANSPORTATION AUTHORITY  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST SEVEN YEARS  
(in thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>REVENUES:</b>							
Sales taxes	\$ 98,028	\$ 97,153	\$ 98,248	\$ 101,344	\$ 105,059	\$ 112,024	\$ 112,938
Interest on sales taxes	131	68	41	53	137	317	376
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931
Operating Assistance -CTA/PACE					54,252	54,252	54,252
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807
Investment income	25,283	20,595	16,548	27,538	24,608	35,533	31,534
Other revenues	<u>1,870</u>	<u>4,872</u>	<u>3,469</u>	<u>2,839</u>	<u>912</u>	<u>4,172</u>	<u>3,159</u>
<b>Total revenues</b>	<u>333,961</u>	<u>355,808</u>	<u>368,270</u>	<u>388,956</u>	<u>472,055</u>	<u>505,176</u>	<u>508,997</u>
<b>EXPENDITURES:</b>							
Financial assistance to Service Boards	168,857	209,106	213,127	179,799	168,076	162,434	209,931
Capital grants—discretionary	31,736	31,096	34,830	33,767	25,437	26,731	25,272
CTA/PACE Operating Assistance Grant					54,252	54,252	40,010
Capital grants—bonds	169,812	319,945	319,253	290,103	251,693	138,706	88,055
Administrative	5,030	5,997	6,480	6,370	6,380	6,747	6,772
Regional	14,301	18,395	16,833	20,617	19,705	23,967	22,528
Capital outlay	72	1,115	214	160	1,438	373	610
Debt service:							
Principal	19,805	25,560	37,940	40,430	49,570	55,110	59,135
Interest	74,969	84,310	102,668	119,271	128,852	125,155	131,233
Debt related costs					1,798	44	
Debt issuance costs	<u>1,326</u>	<u>3,458</u>	<u>4,240</u>	<u>3,424</u>	<u>975</u>	<u>2,222</u>	<u>1,529</u>
<b>Total expenditures</b>	<u>485,908</u>	<u>698,982</u>	<u>735,585</u>	<u>693,941</u>	<u>708,176</u>	<u>595,740</u>	<u>585,075</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(151,947)</u>	<u>(343,174)</u>	<u>(367,315)</u>	<u>(304,985)</u>	<u>(236,121)</u>	<u>(90,563)</u>	<u>(76,078)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Proceeds (Gross)	111,209	390,486	457,167	260,000		250,350	
Refunding Bond proceeds (Gross)	41,067		12,313				
Issuance of Refunding Bonds					148,110		
Payment to refunded bond escrow agent	(39,736)				(147,186)		
SCIP II Bond Proceeds (Gross)						1,826	
Other Financing Sources (premium)				42,974	18	9,652	
Transfers Out							
Capital Projects Fund				(6,225)	(70)		
Debt Service Fund	(84,099)		(136,006)	(140,786)	(171,240)	(175,995)	(179,116)
General Fund					(540)		179,116
Joint Self Insurance Fund	(3,000)						
Capital Projects Fund						(41)	
Transfers In							
Capital Projects Fund	306		(85)		8,541	3,315	
Debt Service Fund				6,225	610	41	
General Fund	<u>83,793</u>	<u>          </u>	<u>136,091</u>	<u>140,786</u>	<u>162,699</u>	<u>172,680</u>	<u>          </u>
<b>Total other financing (uses) sources</b>	<u>109,540</u>	<u>390,486</u>	<u>469,480</u>	<u>302,974</u>	<u>942</u>	<u>261,827</u>	<u>          </u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(42,407)</u>	<u>47,312</u>	<u>102,165</u>	<u>(2,011)</u>	<u>(235,179)</u>	<u>171,264</u>	<u>(76,078)</u>
Debt Service as a percentage of noncapital expenditures	19.78%	16.24%	19.70%	23.51%	25.64%	30.66%	32.83%

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

## RTA REVENUE BY SOURCE

1998-2007



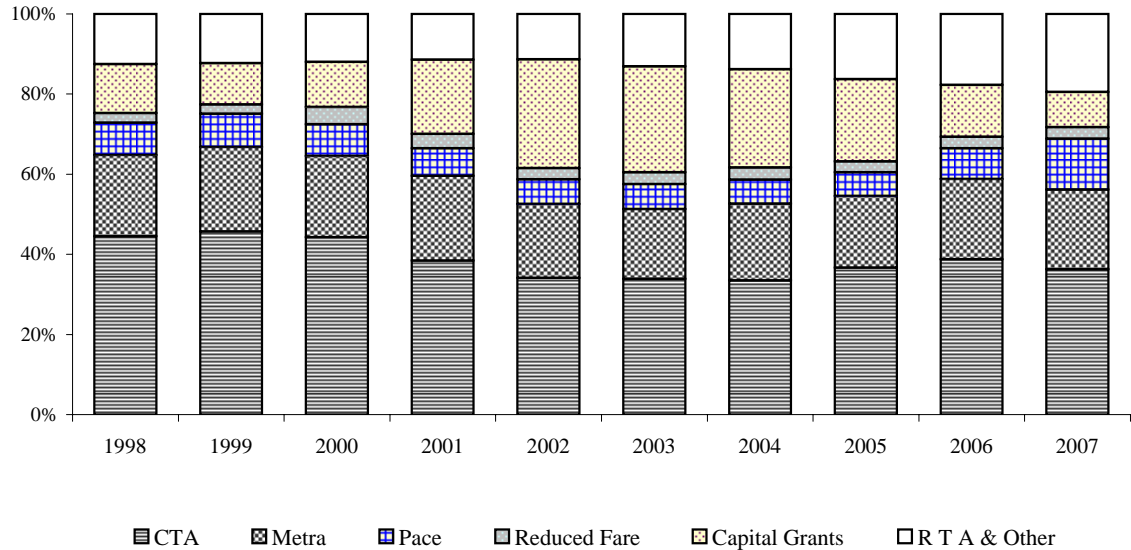
Last Ten Years

(In Thousands)

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,624	849,867
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	0	653,522	164,987	39,531	71,742	929,782
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	0	647,685	165,665	36,260	95,167	944,777
Percentage of Total	0.00%	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	0	654,988	164,739	39,662	122,517	981,906
Percentage of Total	0.00%	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	0	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	0.00%	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	0	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	0.00%	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	0	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	0.00%	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	0	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	0.00%	61.73%	15.49%	3.01%	19.78%	100%

## DISTRIBUTION OF EXPENDITURES

1998-2007

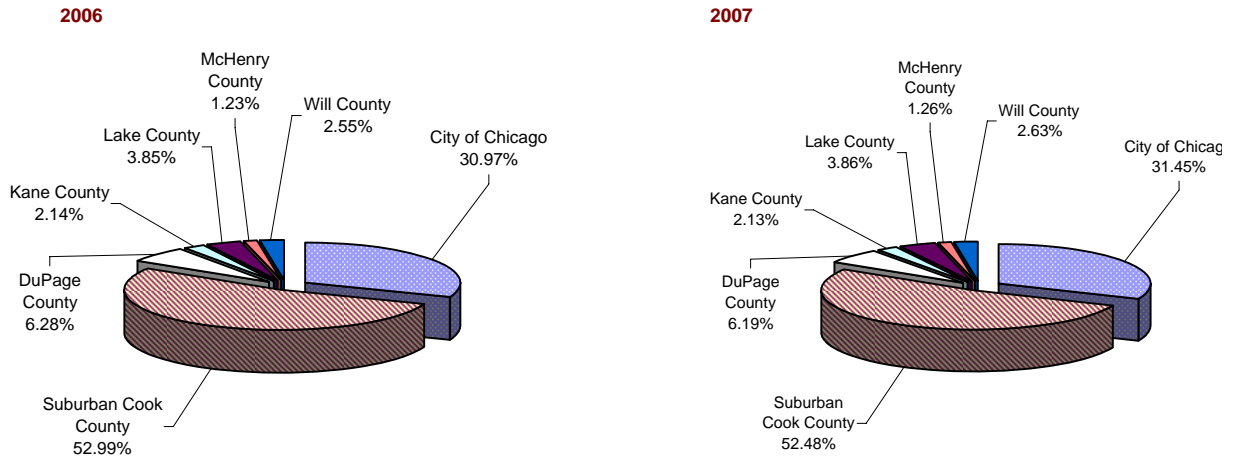


Last Ten Years

(In Thousands)

	Financial Assistance				Reduced Fare	Capital Grants	R T A and Other	Total
	CTA	Metra	Pace	Total				
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,436	842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
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%	2.86%	8.77%	19.52%	100%

**SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO**



**RETAILERS' OCCUPATION AND USE TAX (SALES TAX) REVENUES BY COUNTY/CITY OF CHICAGO**

*Last Ten Years*

*(In Thousands)*

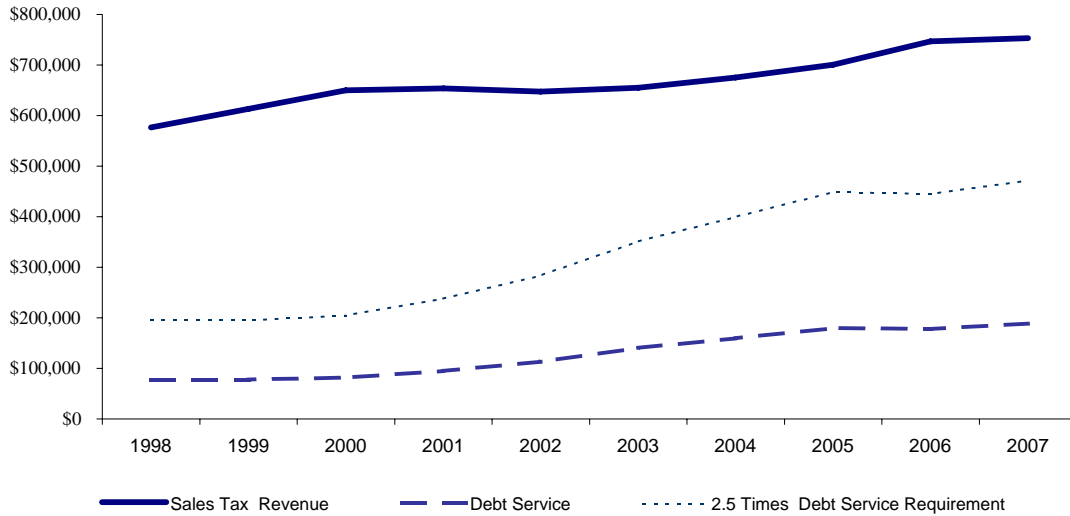
	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
<i>Percentage of Total</i>	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%

**LEGAL DEBT CAPACITY****2007**

Legal Debt Margin:	<u>Balance Outstanding at December 31, 2007</u>	<u>Issued</u>	
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	5,535,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	32,260,000		
1997 General Obligation Refunding Bonds	70,830,000		
2002B General Obligation Bonds	154,145,000		
2003B General Obligation Bonds	142,665,000		
2003C General Obligation Refunding Bonds	6,960,000		
2005B General Obligation Refunding Bonds	<u>142,375,000</u>		
Total RTA Bonds Applicable to Limitation	<u>\$678,405,000</u>		(\$678,405,000)
SCIP Bonds:			
1992A General Obligation Bonds	\$34,650,000	\$188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	29,945,000	62,000,000	
1999 General Obligation Refunding Bonds	280,110,000		
2000 General Obligation Bonds	235,060,000	260,000,000	
2001A General Obligation Bonds	90,510,000	100,000,000	
2001B General Obligation Refunding Bonds	31,430,000		
2002A General Obligation Bonds	147,760,000	160,000,000	
2003A General Obligation Bonds	246,975,000	260,000,000	
2004A General Obligation Bonds	250,815,000	260,000,000	
2006A General Obligation Bonds	249,300,000	<u>250,350,000</u>	
Total SCIP Bonds Applicable to Limitation		<u>\$1,790,350,000</u>	(\$1,790,350,000)
Total SCIP Bonds Outstanding	<u>\$1,613,855,000</u>		
Total Bonds Outstanding	<u>\$2,292,260,000</u>		
Debt Margin for General Obligations			\$131,245,000
Debt Limitation per Act for Working Cash Notes			<u>100,000,000</u>
Total Legal Debt Margin			<u>\$231,245,000</u>

### COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1998 - 2007  
(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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales Tax Revenue	\$ 576,704	\$ 613,514	\$ 650,284	\$ 653,522	\$ 647,685	\$ 654,985	\$ 675,628	\$ 700,395	\$ 746,829	\$ 752,922
Debt Service Requirement	77,883	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551
2.5 Times Debt Service Requirement	\$194,708	\$194,665	\$204,190	\$237,968	\$283,815	\$351,518	\$399,255	\$448,840	\$445,215	\$471,378

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

<i>Last Ten Years</i>					<i>(In Thousands)</i>
Year	Debt Service Requirements			Total Expenditures	Ratio of Debt Service to Total Expenditures
	Principal	Interest	Total		
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,302,664	14.47%

Table 11

## 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, &amp; 23, respectively)

*(In Millions)*

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
<b>Total</b>	<b>\$ 4,114.74</b>	<b>\$ 2,339.87</b>	<b>\$ 1,466.08</b>	<b>\$ 308.79</b>

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



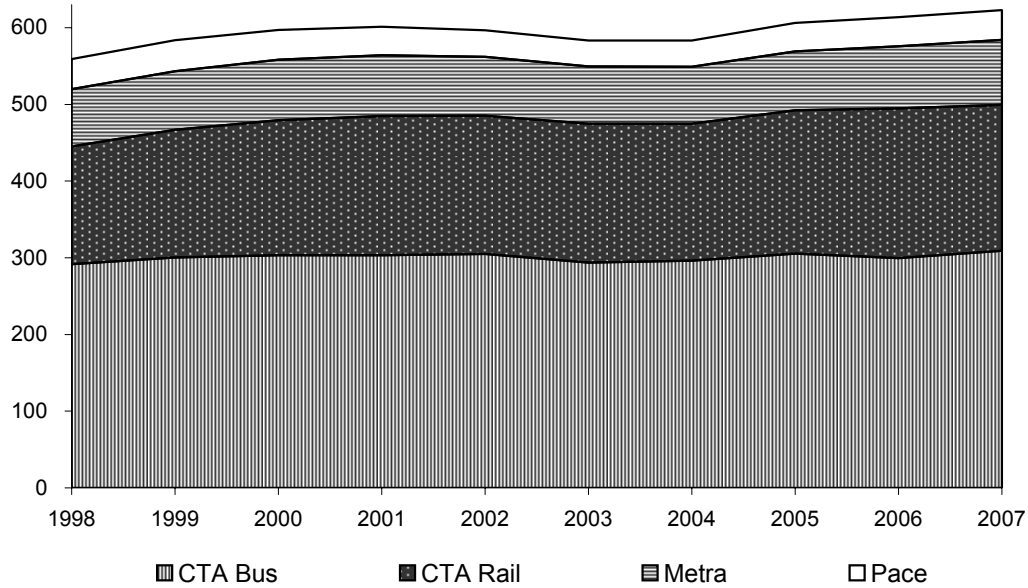
**SERVICE BOARD OPERATING CHARACTERISTICS**

**2007**

<u>Chicago Transit Authority</u>	<u>*Metra Commuter Rail Division</u>	<u>Pace Suburban Bus Division</u>
<u>Rapid Transit</u>		<u>Fixed Route</u>
<ul style="list-style-type: none"> <li>• 8 rail routes</li> <li>• 144 stations served</li> <li>• 1,190 rapid transit cars</li> <li>• 190.3 million riders per year</li> <li>• 1,331 STO* positions</li> </ul>	<ul style="list-style-type: none"> <li>• 489 route miles</li> <li>• 1,185 miles of track</li> <li>• 239 stations</li> <li>• 144 locomotives</li> <li>• 818 passenger cars</li> <li>• 173 electric cars</li> <li>• 702 weekly trains operated</li> </ul>	<ul style="list-style-type: none"> <li>• 152 regular routes</li> <li>• 52 feeder routes</li> <li>• 1 subscription routes</li> <li>• 23 shuttle routes</li> <li>• 584 vehicles in use during peak periods</li> <li>• 33.5 million riders per year</li> </ul>
<u>Motor Bus</u>		
<ul style="list-style-type: none"> <li>• 154 bus routes</li> <li>• 2,222 buses</li> <li>• 309.3 million riders per year</li> <li>• 4,274 STO* positions</li> </ul>	<ul style="list-style-type: none"> <li>• 95.7% on-time performance</li> <li>• 83.3 million riders per year</li> <li>• 3,978 full-time employees</li> </ul>	
<u>Other</u>		<u>Paratransit</u>
<ul style="list-style-type: none"> <li>• 1.1 billion passenger rail miles per year</li> <li>• 12.1 million rail miles per year</li> <li>• 762.3 million passenger miles per year</li> <li>• 70.4 million vehicle miles per year</li> <li>• 5,302 without STO* Positions</li> </ul>	<p style="text-align: center;"><u>Other</u></p> <ul style="list-style-type: none"> <li>• 1.7 billion passenger miles per year</li> <li>• 44.3 million vehicle miles per year</li> </ul> <p style="text-align: center;"><i>*All data excludes NICTD South Shore</i></p>	<ul style="list-style-type: none"> <li>• 62 local services</li> <li>• 380 Pace owned lift-equipped buses in service</li> <li>• 228 communities served</li> <li>• 3.7 millions of riders per year</li> <li>• 28 full-time employees</li> </ul>
<p>*STO is Scheduled transit operators. This classification includes bus operators, motormen, conductors, and customer assistants.</p>		<u>Other</u>
		<ul style="list-style-type: none"> <li>• 678 vanpools in operation</li> <li>• 1.9 million riders for the year</li> <li>• 29.4 million passenger miles per year</li> <li>• 26.7 million vehicle miles per year</li> </ul>
<p>Source of data: Information obtained from the Service Boards' records.</p>		

**1998-2007**  
(In Millions)

## SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS



*Last Ten Years*

*(In Millions)*

Service Consumed:	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CTA - Bus	291.7	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3
CTA - Rail	153.6	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3
<b>Total CTA*</b>	<b>445.3</b>	<b>466.7</b>	<b>479.6</b>	<b>484.8</b>	<b>485.2</b>	<b>474.7</b>	<b>474.7</b>	<b>492.3</b>	<b>494.8</b>	<b>499.6</b>
Metra	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4
Pace**	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0
<b>System Total</b>	<b>559.1</b>	<b>583.5</b>	<b>597.0</b>	<b>601.0</b>	<b>596.8</b>	<b>583.2</b>	<b>583.2</b>	<b>606.2</b>	<b>613.6</b>	<b>623.0</b>
Percent Change	1.75%	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%

\*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.