

***Regional Transportation Authority
Northeastern Illinois***

*Comprehensive Annual Financial Report for the
Year Ended December 31, 2005 and
Independent Auditors' Report*

*Performed as Special Assistant Auditors
of the Auditor General*

**REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS**



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

Prepared by:

Department of Finance and Administration

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and

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REGIONAL TRANSPORTATION AUTHORITY
2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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**Regional
Transportation
Authority**

June 22, 2006

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To the Honorable William G. Holland
Auditor General
State of Illinois

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

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, 2005. 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, 2005 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 574.5 million riders in 2005, an increase of 3.8 % 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 eighty-six. 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 $\frac{3}{4}\%$ in Cook County and $\frac{1}{4}\%$ 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 $\frac{1}{4}\%$ 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 FINANCIAL CONDITION

Financial Plan

The RTA's primary source of operating funding is a regional (occupation and use) sales tax (the equivalent of $\frac{3}{4}$ % in Cook County and $\frac{1}{4}$ % in the remainder of the region) and a 25% sales tax match from the State of Illinois Public Transportation Fund. In 2005, RTA sales tax receipts reached \$700 million, a 3.7% increase over the previous year. Sales taxes continue to grow fastest (6.1%) in the Collar Counties (where the sales tax rate is lowest) followed by the City of Chicago (4.3%), and Suburban Cook County (2.6%). In 2004 and 2003, the RTA sales tax increased 3.2% and 1.1%, respectively. In 2002, sales tax receipts declined nearly 1% from 2001.

The RTA 2006 operating budget assumes sales tax revenue of \$720 million, an increase of 2.8% over 2005. In addition to the 25% sales tax match from the Public Transportation Fund, the State of Illinois will provide \$119 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds and \$36 million as partial reimbursement to the Service Boards for discounts (mandated by law) provided to student, elderly, and disabled riders. As initiated in 2005, the RTA 2006 operating budget also includes \$54 million appropriated by the State of Illinois for ADA paratransit service and other costs and services.

Although the rising cost of gasoline has contributed to increased public transit ridership, the resulting farebox revenue has not compensated fully for the Service Boards' increased fuel expense. In 2005, the total fuel expenses for the three Service Boards of \$98.3 million accounted for 5.8% of total service board operating expense. This represents a \$41.7 million or 73.6% increase from 2004 when fuel expenses totaled \$56.6 million or 3.6% of total Service Board operating expenses. Fuel expenses are expected to continue to increase both in absolute terms and as a percentage of total operating expenses. Unfortunately, increased farebox revenue resulting from higher prices at gas stations has not kept pace with increased Service Board expenses. In 2005, a 3.8% increase in ridership resulted in only a \$19.8 million or 3.5% increase in fare box revenue.

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 98 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 in the last several years. Unemployment in Illinois fell to 5.7% in 2005 from 6.2% in 2004 and 6.7% in 2003, the highest level of unemployment in the State of Illinois since 1993. The unemployment rate in the Chicago area fell to an estimated 5.9% in 2005 from 6.1% in 2004 and 6.7% in both 2003 and 2002, the highest level of unemployment in the Chicago region since 1993. In April 2006, the national unemployment rate was 4.7%, while the Illinois and Chicago area unemployment rates in March were 5.1% and 5.3%, respectively.

The April 2006 Monthly Revenue Briefing issued by the State Commission on Government Forecasting and Accountability noted that during the first ten months of the State's 2006 fiscal year, sales tax receipts of \$5.8 billion increased \$358 million or 6.5% 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 2.7% in 2003. Real GDP grew at an annual rate of 4.2% in 2004 before declining to 3.5% in 2005. The Blue Chip Economic Indicators' (BCEI) monthly survey of 100 leading economists projects real GDP growth for 2006 and 2007 of 3.4% and 3.1%, respectively.

The national unemployment rate averaged 5.1% in 2005, falling from 5.5% in 2004 and 6.0% in 2003, the highest average annual rate since 1994. The national unemployment rate averaged 4.7% during the first four months of 2006. The BCEI forecasts a consistent national average unemployment rate of 4.9% in 2006 and 2007.

In 2005, the consumer price index (CPI), a measure of the pace of inflation, increased 3.4% following increases of 2.7% in 2004 and 2.3% in 2003. The BCEI forecasts the CPI to increase 2.9% in 2006 and 2.4% in 2007.

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 increased 2.5%, 2.7%, and 2.9% in 2001, 2002, and 2003, respectively. More recently, Real PCE increased 3.9% in 2004 and 3.6% in 2005.

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 2004 and 2005, the employer's pension costs equal the required and actual contributions which were \$6,022,000 and \$6,800,000, respectively. The required contributions were determined as part of the January 1, 2004 and 2005 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 10 participants eligible to receive benefits at December 31, 2005. The RTA recognized retiree health care benefits as expenses as they are paid and are not material in amount at the present time.

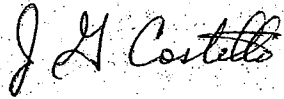
Awards and Acknowledgements

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, 2004. This was the eleventh 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, 2005. This marks the ninth 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.

A handwritten signature in cursive script that reads "J. G. Costello". The signature is written in black ink and is positioned above the printed name and title.

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, 2004

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



Carla E. Perry

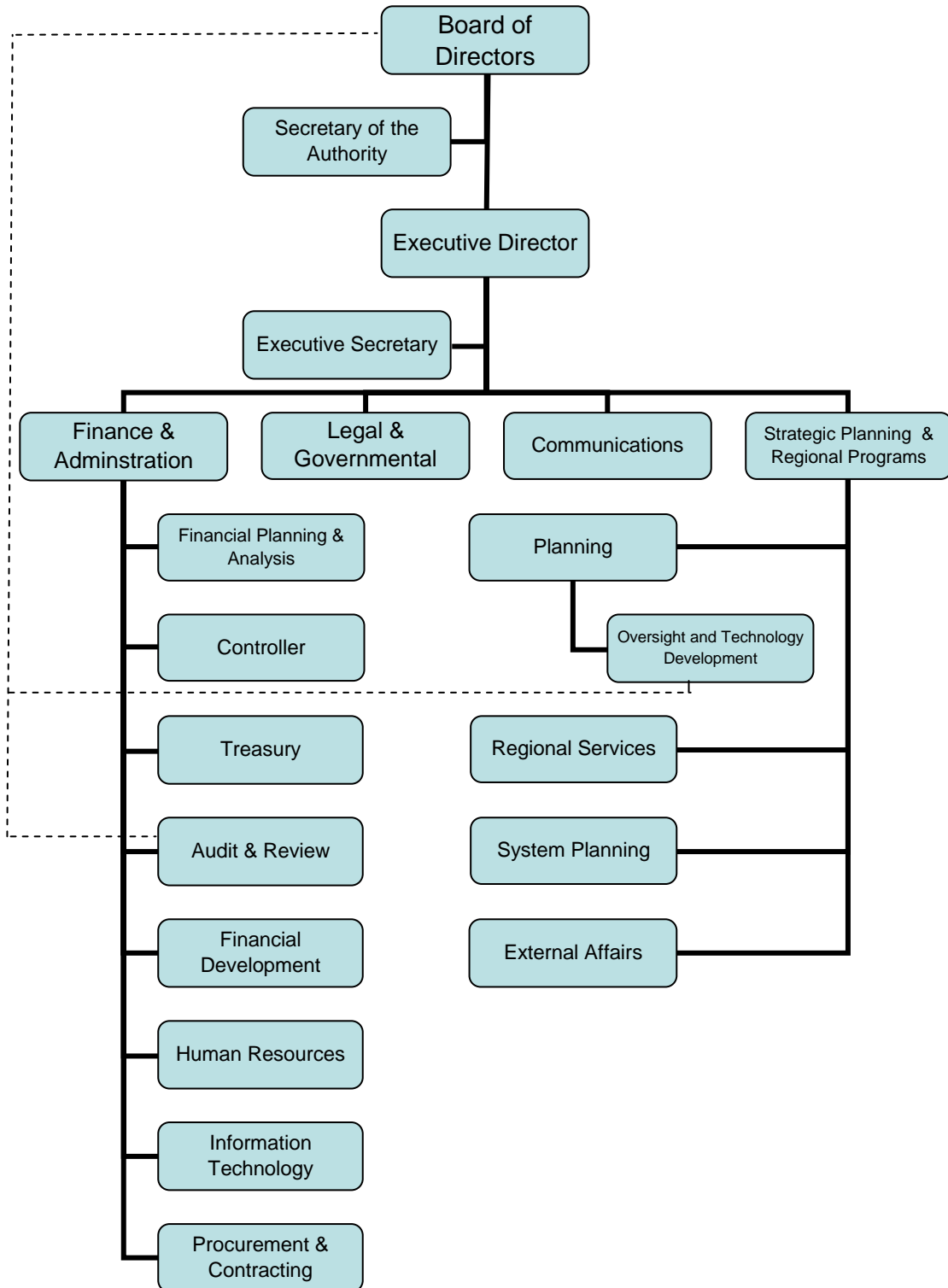
President

Jeffrey R. Emer

Executive Director

Regional Transportation Authority

Organizational Chart
December 31, 2005



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS DECEMBER 31, 2005

Board of Directors

Chairman	James R. Reilly
Directors	Carole L. Brown Allan C. Carr Patrick J. Durante Armando Gomez, Sr. Dwight A. Magalis Mary M. McDonald Fred T. L. Norris Thomas H. Reece Patrick V. Riley, Jr. Michael Rosenberg 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

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable William G. Holland
Auditor General
State of Illinois

Board of Directors
Regional Transportation Authority
Chicago, Illinois

As Special Assistant Auditors for the Auditor General, 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, 2005, 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, 2005, 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 1, 2006 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 them.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 1, 2006

REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. Please read it in conjunction with the RTA's basic financial statements which follow this section.

Financial Highlights

- For the year ended December 31, 2005, the RTA statement of activities for the governmental activities shows expenses increasing \$8.9 million to \$652 million from \$643 million for the same period in 2004. Financial assistance to the CTA, Metra, and Pace ("Service Boards") increased by \$43 million, while revenues grew by \$83 million over 2004. The increase was primarily due to greater state assistance and sales tax revenue.
- The government-wide statement of net assets shows assets of \$557 million for the governmental activities, a net decrease of \$241 million. The Capital Projects Fund contributed largely to this decrease, the cash and investments decreased \$266 million in 2005, which reflects the activity in capital expenditures during 2005. The Debt Service Fund cash and investments increased by \$1.1 million due to additional transfers required from the General Fund. The General Fund's cash and investments increased \$.6 million and an increase in receivables in the amount of \$25.6 million, reflecting the timing of receipts.
- In the government-wide statement of net assets, bond-related liabilities decreased due to the issuance of \$148 million in refunding bonds during the year to refund previously issued bonds. The bond-related current and long term liabilities decreased by \$54 million.
- At the end of 2005, the government-wide statement of net assets shows a deficit of \$1.895 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of \$403 million. There is a \$2.298 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 five 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, 2005 AND 2004
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2005	2004	Variance	2005	2004	Variance	2005	2004	Variance
Assets:									
Cash and investments	\$ 431,529	\$ 697,347	(265,818)	\$ 27,966	\$ 35,782	\$ (7,816)	\$ 459,495	\$ 733,129	\$ (273,634)
Other assets	118,408	95,320	23,088	8,057	4,061	\$ 3,996	126,465	99,381	27,084
Capital assets—net	6,877	5,629	1,248				6,877	5,629	1,248
Total assets	556,814	798,296	(241,482)	36,023	39,843	(3,820)	592,837	838,139	(245,302)
Liabilities:									
Current non bond-related liabilities	82,216	96,533	(14,317)	12	222	(210)	82,228	96,755	(14,527)
Current bond related liabilities	60,429	54,888	5,541				60,429	54,888	5,541
Long-term non-bond-related liabilities	52,502	46,166	6,336				52,502	46,166	6,336
Long-term bond-related liabilities	2,256,256	2,315,629	(59,373)				2,256,256	2,315,629	(59,373)
Total liabilities	2,451,403	2,513,216	(61,813)	12	222	(210)	2,451,415	2,513,438	(62,023)
Net assets (deficit):									
Invested in capital assets	6,877	5,629	1,248				6,877	5,629	1,248
Unrestricted (deficit)	(1,901,466)	(1,720,549)	(180,917)	36,011	39,621	(3,610)	(1,865,455)	(1,680,928)	(184,527)
Total net assets (deficit)	\$ (1,894,589)	\$ (1,714,920)	\$ (179,669)	\$ 36,011	\$ 39,621	\$ (3,610)	\$ (1,858,578)	\$ (1,675,299)	\$ (183,279)

As of December 31, 2005, cash and investments for governmental activities decreased by \$266 million over the previous year. During 2005, the Capital Projects Fund decreased by \$266 million, while the Debt Service Fund increased by \$1.1 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bonds capital expenditures during 2005.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition in the statement of net assets of \$2.2 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 2006 as established in September 2005 during the 2006 budget process.

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

SUMMARY OF ACTIVITIES
DECEMBER 31, 2005 AND 2004
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2005	2004	Variance	2005	2004	Variance	2005	2004	Variance
Expenses:									
Financial assistance									
to Service Boards	\$ 222,328	\$ 179,799	\$ 42,529	\$	\$	\$	\$ 222,328	\$ 179,799	\$ 42,529
Capital grants	277,130	323,869	(46,739)				277,130	323,869	(46,739)
Administrative expenses	6,534	6,554	(20)	4,624	5,319	(695)	11,158	11,873	(715)
Regional and technology									
program expenses	19,742	18,046	1,696				19,742	18,046	1,696
Interest expense	126,027	114,574	11,453				126,027	114,574	11,453
Total expenses	<u>651,761</u>	<u>642,842</u>	<u>8,919</u>	<u>4,624</u>	<u>5,319</u>	<u>(695)</u>	<u>656,385</u>	<u>648,161</u>	<u>8,224</u>
Revenues and transfers:									
Sales taxes	105,059	101,344	3,715				105,059	101,344	3,715
PTF and state									
assistance	287,087	257,182	29,905				287,087	257,182	29,905
Program revenues	55,118	1,033	54,085				55,118	1,033	54,085
Investment income and other	24,828	29,438	(4,610)	1,014	669	345	25,842	30,107	(4,265)
Total revenues and transfers	<u>472,092</u>	<u>388,997</u>	<u>83,095</u>	<u>1,014</u>	<u>669</u>	<u>345</u>	<u>473,106</u>	<u>389,666</u>	<u>83,440</u>
Change in net assets	(179,669)	(253,845)	74,176	(3,610)	(4,650)	1,040	(183,279)	(258,495)	75,216
Net assets—beginning of year	<u>(1,714,920)</u>	<u>(1,461,075)</u>	<u>(253,845)</u>	<u>39,621</u>	<u>44,271</u>	<u>(4,650)</u>	<u>(1,675,299)</u>	<u>(1,416,804)</u>	<u>(258,495)</u>
Net assets—end of year	<u>\$ (1,894,589)</u>	<u>\$ (1,714,920)</u>	<u>\$ (179,669)</u>	<u>\$ 36,011</u>	<u>\$ 39,621</u>	<u>\$ (3,610)</u>	<u>\$ (1,858,578)</u>	<u>\$ (1,675,299)</u>	<u>\$ (183,279)</u>

Financial assistance to the Service Boards increased from \$180 million in 2004 to \$222 million in 2005, this increase was mainly regarding the additional \$54 million of operating assistance for the CTA. There is an increase of \$42 million or 18.9% over last year. The RTA funding policy requires Service Boards funding up to the approved budget during the year.

Capital grants to the Service Boards decreased by \$47 million, from \$324 million in 2004 to \$277 million in 2005, which reflects the activity in capital expenditures to the Service Boards during 2005. The amount of bond interest expense has increased by \$11.5 million from \$114.5 million.

Total revenues increased by \$83 million from 2004. PTF and state assistance increased by \$30 million and sales tax increased by \$3.7 million, program revenues increased by \$54 million, investment income, and other revenue decreased by \$4.6 million, a net increase of \$83 million during the year. The increase in program revenues was due to a special request for \$54 million, granted by the Illinois General Assembly. 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 28 and 30, respectively, for further details.

General Fund—Assets in the general fund primarily represent the amounts for Service Boards' operations and capital projects. Assets increased by \$22 million from \$194 to \$216 million in 2004 and 2005, respectively mainly because sales tax revenues were higher than the budget. Also, intergovernmental receivables increased \$26 million due to timing differences.

At December 31, 2005, the majority of RTA's liabilities of \$121 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, which totaled \$83 million.

The total fund balance of the General Fund equals \$95 million at December 31, 2005. The General Fund balance increased by \$24 million primarily due to increases in state assistance. The amount of \$28.2 million represents funds reserved for Service Boards capital projects.

Reserved for other includes \$14 million in interest rate swap expenses, \$11.6 million in RTA capital, \$39 million in Debt Service Deposit Agreement ("DSDA"), and \$931 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 \$1.7 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, 2005, the RTA has twenty series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2005 Debt Service Fund balance of \$66.0 million increased by \$1.4 million from 2004 year-end.

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. The total Capital Projects Fund balance of \$242 million decreased \$260 million in 2005, which reflects the activity in bonds capital expenditures during 2005.

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, there was a revenues shortfall of budget goals by \$316 thousand. Traditional revenue sources (Sales Taxes and Public Transportation Fund) surpassed budget goals by \$1.7 million. An improved economic environment during 2005 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 \$111.4 million in 2005. In 2005, the investment income was \$4 million less than budgeted, which was due mainly to interest rate swap transactions in 2005.

Total financial assistance to the Service Boards was lower than budget by \$1.6 million in 2005. Other non-administration and technology program expenditures did not reach budgeted levels by \$8.0 million, primarily due to delays in some program initiatives. The RTA transferred \$15.5 million less than budget for debt service because of interest income earned on debt service deposits.

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 574.5 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 \$27 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 the authority 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 2005, the RTA has issued \$1.540 billion in SCIP bonds, with total SCIP bonds outstanding of \$1.425 billion. The remaining \$730.7 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 Chief Financial Officer, 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604 or visit our website at www.rtachicago.org.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

(In Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current portion of:			
Cash and investments:			
Cash and cash equivalents		\$ 17,214	\$ 17,214
Restricted—investments	\$ 321,389		321,389
Unrestricted—investments	110,140	10,752	120,892
Intergovernmental receivables	105,357		105,357
Unamortized bond issue costs	513		513
Accrued interest on investments	272	264	536
Internal balances	12	(12)	
Prepaid expenses and other assets	931	7,793	8,724
Non-current portion of:			
Unamortized bond issue costs	11,323		11,323
Capital assets—net of accumulated depreciation	6,877		6,877
	<u>556,814</u>	<u>36,011</u>	<u>592,825</u>
Total assets			
LIABILITIES:			
Current portion of:			
Vouchers payable	28		28
General obligation bonds payable	55,110		55,110
Deferred revenue	1,851		1,851
Unamortized bond premium	5,319		5,319
Due to pension trust fund	699		699
Due to agency fund	10,199		10,199
Intergovernmental payables	43,130		43,130
Accrued other expenses	5,996		5,996
Other liabilities	20,313		20,313
Non-current portion of:			
Deferred rent	1,337		1,337
Accrued interest payable	29,697		29,697
Deferred revenue	51,165		51,165
Unamortized bond premium	125,514		125,514
General obligation bonds payable	2,101,045		2,101,045
	<u>2,451,403</u>	<u> </u>	<u>2,451,403</u>
Total liabilities			
NET ASSETS (DEFICIT):			
Invested in capital assets	6,877		6,877
Accumulated unrestricted (deficit)	(1,901,466)	36,011	(1,865,455)
	<u>(1,894,589)</u>	<u>36,011</u>	<u>(1,858,578)</u>
TOTAL NET ASSETS (DEFICIT)	\$ (1,894,589)	\$ 36,011	\$ (1,858,578)

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005
(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	\$ 168,076	\$	\$ 168,076	\$	\$ 168,076
Capital grants—discretionary	25,437		25,437		25,437
Capital grants—bonds	251,693		251,693		251,693
Operating grant -CTA	54,252	54,252			
Administrative expenses	6,534		6,534		6,534
Regional expenses	17,920	866	17,054		17,054
Technology program expenses	1,822		1,822		1,822
Interest expense	<u>126,027</u>	<u> </u>	<u>126,027</u>	<u> </u>	<u>126,027</u>
Total governmental activities	651,761	55,118	596,643		596,643
Business-type activities—					
insurance financing	<u>4,624</u>	<u> </u>	<u> </u>	<u>4,624</u>	<u>4,624</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 656,385</u>	<u>\$55,118</u>	<u>596,643</u>	<u>4,624</u>	<u>601,267</u>
REVENUES:					
General:					
Sales taxes			105,059		105,059
Interest on sales taxes			137		137
Public Transportation Fund			175,668		175,668
State assistance			111,419		111,419
Investment income			24,608	1,014	25,622
Other revenues			<u>83</u>	<u> </u>	<u>83</u>
Total revenues			<u>416,974</u>	<u>1,014</u>	<u>417,988</u>
CHANGES IN NET ASSETS (DEFICIT)			(179,669)	(3,610)	(183,279)
NET ASSETS (DEFICIT):					
Beginning of year			<u>(1,714,920)</u>	<u>39,621</u>	<u>(1,675,299)</u>
End of year			<u>\$(1,894,589)</u>	<u>\$36,011</u>	<u>\$(1,858,578)</u>

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

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Investments:				
Restricted investments	\$ -	\$ 65,825	\$ 255,564	\$ 321,389
Unrestricted—investments	110,140			110,140
Due from other funds	12	41		53
Intergovernmental receivables	105,357			105,357
Accrued interest on investments	113	159		272
Prepaid items and other assets	931			931
TOTAL ASSETS	<u>216,553</u>	<u>66,025</u>	<u>255,564</u>	<u>538,142</u>
LIABILITIES:				
Vouchers payable	28			28
Due to other funds	10,898		41	10,939
Intergovernmental payables	29,927		13,203	43,130
Other liabilities	20,313			20,313
Accrued items				
Deferred revenue	53,016			53,016
Accrued expenses	3,876			3,876
Other accrued items	3,457			3,457
Total liabilities	<u>121,515</u>	<u> </u>	<u>13,244</u>	<u>134,759</u>
FUND BALANCES:				
Reserved for:				
Service boards capital projects	28,234		242,320	270,554
Prepaid items	726			726
Debt service	39,086	66,025		105,111
RTA capital projects	11,577			11,577
Interest rate swap expenses	13,761			13,761
Unreserved, undesignated	1,654			1,654
Total fund balances	<u>95,038</u>	<u>66,025</u>	<u>242,320</u>	<u>403,383</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 216,553</u>	<u>\$ 66,025</u>	<u>\$ 255,564</u>	<u>\$ 538,142</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, 2005 (In Thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS \$ 403,383

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. 6,877

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. 11,836

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. (2,156,155)

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. (130,833)

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. (29,697)

TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES \$ (1,894,589)

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

YEAR ENDED DECEMBER 31, 2005

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	\$ 105,059	\$	\$	\$ 105,059
Interest on sales taxes	137			137
Public Transportation Fund	175,668			175,668
Operating Assistance -CTA	54,252			54,252
State assistance	111,419			111,419
Investment income	15,374	9,234		24,608
Other revenues	912			912
Total revenues	<u>462,821</u>	<u>9,234</u>		<u>472,055</u>
EXPENDITURES:				
Financial assistance to Service Boards	168,076			168,076
Capital grants—discretionary	25,437			25,437
Capital grants—bonds			251,693	251,693
CTA Operating Assistance Grant	54,252			54,252
Administrative	6,380			6,380
Regional	19,705			19,705
Capital outlay	1,438			1,438
Debt service:				
Principal		49,570		49,570
Interest		128,852		128,852
Debt related costs	1,798			1,798
Debt issuance costs		975		975
Total expenditures	<u>277,086</u>	<u>179,397</u>	<u>251,693</u>	<u>708,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>185,735</u>	<u>(170,163)</u>	<u>(251,693)</u>	<u>(236,121)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Refunding Bonds		148,110		148,110
Payment to Refunded Bond Escrow Agent		(147,186)		(147,186)
Other Financing Sources (premium)		18		18
Transfers Out				
Capital Projects Fund		(70)		(70)
Debt Service Fund	(162,699)		(8,541)	(171,240)
General Fund		(540)		(540)
Transfers In				
Capital Projects Fund		8,541		8,541
Debt Service Fund	540		70	610
General Fund		162,699		162,699
Total other financing (uses) sources	<u>(162,159)</u>	<u>171,572</u>	<u>(8,471)</u>	<u>942</u>
NET CHANGE IN FUND BALANCES	23,576	1,409	(260,164)	(235,179)
FUND BALANCES:				
Beginning of year	<u>71,462</u>	<u>64,616</u>	<u>502,484</u>	<u>638,562</u>
End of year	<u>\$ 95,038</u>	<u>\$ 66,025</u>	<u>\$ 242,320</u>	<u>\$ 403,383</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, 2005 (In Thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS \$ (235,179)

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 \$1,438 exceeded depreciation expense (\$191) in the current period. 1,247

The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets. The following balance is the net of \$148,110 for the issuance of refunding bonds and (\$147,186) for the payment to the escrow agent and \$18 of bond premium. (942)

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. 49,570

Interest expenditures on bonds reported in the statement of revenues, expenditures and changes in fund balances required the use of current financial resources that were reported as expenses in the statement of activities in prior periods. 2,825

Debt related cost and debt issuance cost require the use of current financial resources but are recognized as increases in interest expense over the life of the loan on the statement of activities. 2,773

Other revenue recognized on the statement of activities that were not current resources on the statement of revenues, expenditures and changes in fund balances during the current period. 37

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (179,669)

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, 2005

(In Thousands)

ASSETS:

Current:

Cash and cash equivalents	\$ 17,214
Investments	10,752
Accrued interest on investments	264
Prepaid insurance	<u>7,793</u>
Total current assets	<u>36,023</u>

LIABILITIES:

Current:

Due to General Fund	<u>12</u>
Total current liabilities	<u>12</u>

NET ASSETS—Unrestricted \$ 36,011

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 YEAR ENDED DECEMBER 31, 2005 (In Thousands)

OPERATING EXPENSES:	
Insurance expense	\$ 4,523
Bank charges and miscellaneous	1
Professional services	<u>100</u>
Total operating expenses	<u>4,624</u>
OPERATING LOSS	(4,624)
NON-OPERATING REVENUES—Investment income	<u>1,014</u>
CHANGE IN NET ASSETS	(3,610)
NET ASSETS:	
Beginning of year	<u>39,621</u>
End of year	<u>\$ 36,011</u>

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, 2005 (In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to insurance vendor	\$ (8,501)
Payments to other vendors	<u>(311)</u>
Net cash flows from operating activities	<u>(8,812)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases	(8,400)
Sales	15,705
Investment income	<u>996</u>
Net cash flows from investing activities	<u>8,301</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(511)
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>17,725</u>
End of year	<u>\$ 17,214</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (4,624)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in:	
Prepaid insurance	(3,978)
Due to general fund	<u>(210)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (8,812)</u>

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, 2005 (In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 6,827	\$
Investments, at fair value:		
Corporate fixed income mutual fund	28,755	
Equity mutual funds	41,585	
Common stocks	<u>17,053</u>	
Total Investments	<u>87,393</u>	
Intergovernmental receivables:		
Sales tax		156,005
Interest on sales tax		187
Reduced fare reimbursement		20,525
Advances to Service Boards		48,891
Pension contribution from Service Boards	6,101	
Due from General Fund	699	10,199
Accrued dividends and interest	<u>59</u>	
Total Receivables	<u>6,859</u>	<u>235,807</u>
Total assets	<u>101,079</u>	<u>235,807</u>
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards		166,204
Interest on sales taxes due to Service Boards		187
Reduced fare reimbursement		20,525
Advances from State		48,891
Accrued other items	<u>138</u>	
Total liabilities	<u>138</u>	<u>235,807</u>
Net assets held in trust for pension benefits	<u>\$ 100,941</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, 2005

(In Thousands)

	Pension Trust Fund
ADDITIONS:	
Investment gain:	
Net appreciation in fair value of investments	\$ 2,988
Interest and dividends	<u>2,000</u>
	<u>4,988</u>
Less investment expenses:	
Investment managers	296
Plan administration	123
Trust fees	36
Investment advisor	<u>72</u>
Total investment expenses	<u>527</u>
Net investment gain	<u>4,461</u>
Contributions:	
RTA pension contributions	711
Metra pension contributions	3,736
Pace pension contributions	<u>2,353</u>
Total contributions	<u>6,800</u>
Total net additions	<u>11,261</u>
DEDUCTIONS:	
Benefit payments	5,313
Administrative expenses	<u>248</u>
Total deductions	<u>5,561</u>
NET INCREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>5,700</u>
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>95,241</u>
End of year	<u>\$ 100,941</u>

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

REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

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 fixed 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 2004 for a total of \$1.3 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.

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:

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

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

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," 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 2006 fiscal year which will end June 30, 2006.

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 2005, which ends June 30, 2005, 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, 2005 and June 30, 2006, the grants were in the amount of \$40 and \$37 million, respectively. 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 \$39.5 million of ASA in 2005.

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) \$93 million and \$100 million in the State's fiscal year 2005 and 2006, respectively. The RTA recognized \$71.9 million of AFA in 2005.

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 \$13,266,489 for the year ended December 31, 2005.

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 \$17 million at December 31, 2005 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining \$11 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.

New Accounting Standards—During the calendar year 2005, the RTA adopted GASB Statement 40, *Accounting and Financial Reporting for Deposit and Investment Risk Disclosures*. In March 2003, GASB released Statement 40, “*Deposit and Investment Risk Disclosures*”, an amendment of GASB Statement No.3. Statement 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement are also disclosed. Please refer to Note 3, Cash and Investments.

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). As of December 31, 2005, approximately \$53,000 of the RTA’s deposits with financial institutions in excess of federal depository insurance limits were uncollateralized.

Certificates of deposit with initial maturities greater than three months amounting to \$10,751,935 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, 2005, the RTA’s investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Commerical Paper	\$ 36,939,073
Domestic corporate fixed-income securities	63,277,579
Illinois Funds	15,467,664
Money market fund	23,069,790
Repurchase agreements (1)	199,666,641
Repurchase agreements (2)	56,018,415
Repurchase agreements (3)	2,500,000
U.S. Agency securities	<u>15,488,557</u>
 Total	 <u>\$ 412,427,719</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, 2005, 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 & Poor's</u>	<u>Fitch</u>
Commerical Paper	\$ 36,939,073	P-1	A-1	F-1
Domestic corporate fixed-income securities	63,277,579	*	AAA	AAA
Illinois Funds	15,467,664	*	AAA	*
Money market fund	23,069,790	Aaa	AAAm	*
Repurchase agreements (1)	199,666,641	Aa3	A+	A+
Repurchase agreements (2)	56,018,415	Aa1	AA-	AA+
Repurchase agreements (3)	2,500,000	P1	A1	*
U.S. Agency securities	<u>15,488,557</u>	Aaa	AAA	AAA
 Total	 <u>\$ 412,427,719</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:

Joint Self Insurance Fund Investment	Amount	% of Portfolio
Fenway Funding (commercial paper)	\$ 2,991,881	17.5%
RAMS Funding (commercial paper)	2,991,470	17.5%
Brahms Funding (commercial paper)	2,988,530	17.5%
Federal National Mortgage Assn. (U.S.)	2,996,478	17.5%

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 \$255,563,783. 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 2005, 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 receivables.

One such swap agreement was entered into on November 22, 2001. The swap has a notional amount of \$105,560,000 (as of December 31, 2005) and matures on June 1, 2020. This agreement has 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 Bond Market Association (BMA) Municipal Swap Index averaged over six months. As a result, for the year ended December 31, 2005, interest income of \$2,114,136 for this swap transaction was recognized.

During 2005, the RTA entered into one fixed-to-floating option that provided an up-front cash payment of \$902,000. As of December 31, 2005, the notional value of the option was \$52,000,000.

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 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 2005, 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.

The notional amount and maturity of the basis rate swaps mirrored the notional amount and maturity of RTA’s existing fixed-to-floating swaps and options during most of the year. On December 31, 2005 the notional amount was \$441,798,000. The notional value of the fixed-to-floating swap and the swap option as of December 31, 2005, was \$157,560,000. In 2005, the basis swaps contributed a positive cash flow of \$659,545.

The 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.

The interest rate swap has an estimated valuation of \$(16,125,714) as of December 31, 2005. The detail information regarding the interest rate swap valuations are as follows:

Total market value at December 31, 2005	\$ (16,276,047)
Add: Total unrealized revenue	<u>150,333</u>
Net valuation for all outstanding interest rate swap agreements	<u>\$ (16,125,714)</u>

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. As of December 31, 2005, 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, 2005, the RTA's pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	\$ 28,754,830	64
Money market fund	6,826,965	1
Total fair value	\$ 35,581,795	
Portfolio weighted average maturity		52

Credit Risk — The RTA's pension policy for credit risk states 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, 2005, the credit ratings for RTA pension investments were as follows:

Investment Type	Total Fair Value	Credit Rating (where available)		
		Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	\$ 28,754,830	Aa	AA+	*
Money market fund	6,826,965	Aaa	AAAm	AAA/1+
Total	\$ 35,581,795			

* 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. 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:

Receivable	Amount
General Fund:	
Sales taxes	\$ 27,530,381
Interest on sales taxes	33,073
Public Transportation Fund	29,816,376
State assistance (ASA & AFA)	32,097,074
Metra	427,636
CTA Operating Assistance	14,251,555
Illinois Department of Transportation (IDOT) grants and others	<u>1,201,231</u>
 Total General Fund	 <u>\$ 105,357,326</u>
 Total Intergovernmental Receivables	 <u>\$ 105,357,326</u>
 Payable	
General Fund:	
Financial assistance	\$ 12,874,910
Capital grants	2,800,259
CTA Operating Assistance	<u>14,251,555</u>
 Total General Fund	 <u>\$ 29,926,724</u>
Capital Projects Fund:	
Capital grants	<u>13,203,120</u>
 Total Intergovernmental Payables	 <u>\$ 43,129,844</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, 2005, 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:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	\$ 40,582
General	Joint Self-Insurance	11,990
Pension Trust	General	699,223
Sales Tax Agency	General	10,198,669

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:

Transfer Out Fund	Transfer In Fund	Amount
Capital Projects	Debt Service	\$ 8,540,728
Debt Service	General	540,700
Debt Service	Capital Projects	69,716
General	Debt Service	<u>162,699,488</u>
Total		<u>\$171,850,632</u>

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

7. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue (“IDOR”) sends a “13th 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	\$ 22,644,965
Metra	19,980,457
Pace	<u>6,265,136</u>
Total Service Board Advances	<u>\$ 48,890,558</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:

	Balance at January 1, 2005	Additions	Retirements	Balance at December 31, 2005
<u>Depreciable:</u>				
Office furniture and equipment	\$ 220,296	\$ 22,467	\$	\$ 242,763
Computer equipment	2,488,024	58,473		2,546,497
Leasehold improvements	<u>954,850</u>	<u>13,350</u>	<u> </u>	<u>968,200</u>
Subtotal	<u>3,663,170</u>	<u>94,290</u>	<u> </u>	<u>3,757,460</u>
Less accumulated depreciation:				
Office furniture and equipment	141,026	38,450		179,476
Computer equipment	2,234,683	86,733		2,321,416
Leasehold improvements	<u>184,143</u>	<u>65,338</u>	<u> </u>	<u>249,481</u>
Subtotal	<u>2,559,852</u>	<u>190,521</u>	<u> </u>	<u>2,750,373</u>
Total Depreciable	<u>1,103,318</u>	<u>(96,231)</u>	<u> </u>	<u>1,007,087</u>
<u>Non-depreciable:</u>				
Capital -Technology Program	<u>4,526,142</u>	<u>1,344,128</u>	<u> </u>	<u>5,870,270</u>
Total Capital assets—net of accumulated depreciation	<u>\$ 5,629,460</u>	<u>\$ 1,247,897</u>	<u>\$</u>	<u>\$ 6,877,357</u>

All capital assets are associated with governmental activities.

Total 2005 depreciation expense of \$190,521 was allocated between two functions; \$35,770 to regional expenditures and \$154,751 to administrative expenditures.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2005	New Issues	Current Retirements	December 31, 2005	Due Within One Year
1990A	\$ 60,795,000			\$ 60,795,000	
1991A	55,745,000			55,745,000	
1992A* and 1992B	57,365,000		\$ 5,220,000	52,145,000	\$ 5,710,000
1994A* and 1994B	28,720,000		4,325,000	24,395,000	
1994C* and 1994D	73,595,000		3,505,000	70,090,000	3,790,000
1996 Refunding	146,770,000		146,770,000		
1997 Refunding	84,045,000		4,190,000	79,855,000	4,400,000
1999* Refunding	291,310,000		670,000	290,640,000	5,135,000
2000A*	248,515,000		4,245,000	244,270,000	4,480,000
2001A*	95,600,000		1,610,000	93,990,000	1,695,000
2001B Refunding *	35,880,000		1,410,000	34,470,000	1,485,000
2002A*	155,435,000		2,430,000	153,005,000	2,555,000
2002B	182,380,000		9,125,000	173,255,000	9,400,000
2003A*	259,450,000		4,010,000	255,440,000	4,130,000
2003B	150,000,000		2,355,000	147,645,000	2,435,000
2003C Refunding	16,310,000		2,995,000	13,315,000	3,115,000
2004A*	260,000,000		1,010,000	258,990,000	3,985,000
2005B Refunding		\$ 148,110,000		148,110,000	2,795,000
Total	\$ 2,201,915,000	\$ 148,110,000	\$ 193,870,000	\$ 2,156,155,000	\$ 55,110,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2005, the total general obligation bonds payable of \$2,156,155,000 are classified as current and long-term in the Statement of Net Assets in the amounts of \$55,110,000 and \$2,101,045,000 respectively.

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

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, 2005, \$20,350,000 of

outstanding general obligation bonds (1990A Series) are considered defeased, and therefore, 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, 2005, \$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, 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, 2005, \$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, 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, 2005, \$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, 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, 2005, \$37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore, 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, 2005, \$19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore, 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:

<u>Year Ending</u> <u>December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006		\$ 4,377,240	\$ 4,377,240
2007		4,377,240	4,377,240
2008		4,377,240	4,377,240
2009		4,377,240	4,377,240
2010	\$ 3,810,000	4,377,240	8,187,240
2011-2015	23,590,000	17,353,440	40,943,440
2016-2020	33,395,000	7,547,040	40,942,040
Total	<u>\$ 60,795,000</u>	<u>\$ 46,786,680</u>	<u>\$ 107,581,680</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:

<u>Year Ending</u> <u>December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006		\$ 3,734,914	\$ 3,734,914
2007		3,734,914	3,734,914
2008		3,734,915	3,734,915
2009		3,734,915	3,734,915
2010		3,734,915	3,734,915
2011-2015	\$ 18,085,000	16,955,354	35,040,354
2016-2020	30,325,000	8,815,525	39,140,525
2021	7,335,000	491,445	7,826,445
Total	<u>\$ 55,745,000</u>	<u>\$ 44,936,897</u>	<u>\$ 100,681,897</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:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 5,710,000	\$ 3,712,221	\$ 9,422,221
2007	6,250,000	3,169,161	9,419,161
2008	6,840,000	2,554,801	9,394,801
2009	7,480,000	1,924,641	9,404,641
2010		1,345,281	1,345,281
2011-2022	<u>25,865,000</u>	<u>222,278</u>	<u>26,087,278</u>
Total	<u>\$ 52,145,000</u>	<u>\$ 12,928,383</u>	<u>\$ 65,073,383</u>

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006		\$ 1,951,599	\$ 1,951,599
2007		1,951,600	1,951,600
2008		1,951,600	1,951,600
2009		1,951,600	1,951,600
2010		1,951,600	1,951,600
2011-2024	<u>\$ 24,395,000</u>	<u>11,747,400</u>	<u>36,142,400</u>
Total	<u>\$ 24,395,000</u>	<u>\$ 21,505,399</u>	<u>\$ 45,900,399</u>

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 3,790,000	\$ 5,285,112	\$ 9,075,112
2007	4,095,000	4,979,569	9,074,569
2008	4,420,000	4,649,612	9,069,612
2009	1,500,000	4,420,213	5,920,213
2010	1,620,000	4,299,312	5,919,312
2011-2015	15,255,000	19,121,382	34,376,382
2016-2020	<u>39,410,000</u>	<u>7,059,863</u>	<u>46,469,863</u>
Total	<u>\$ 70,090,000</u>	<u>\$ 49,815,063</u>	<u>\$ 119,905,063</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 December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 4,400,000	\$ 4,475,600	\$ 8,875,600
2007	4,625,000	4,249,975	8,874,975
2008	4,875,000	4,000,288	8,875,288
2009	5,155,000	3,724,463	8,879,463
2010	5,445,000	3,432,963	8,877,963
2011-2015	18,215,000	13,705,788	31,920,788
2016-2020	22,515,000	7,925,850	30,440,850
2021-2025	<u>14,625,000</u>	<u>1,206,750</u>	<u>15,831,750</u>
Total	<u>\$ 79,855,000</u>	<u>\$ 42,721,677</u>	<u>\$ 122,576,677</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 December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 5,135,000	\$ 16,459,887	\$ 21,594,887
2007	5,395,000	16,196,637	21,591,637
2008	5,665,000	15,920,137	21,585,137
2009	7,670,000	15,586,762	23,256,762
2010	8,065,000	15,163,144	23,228,144
2011-2015	69,995,000	66,095,345	136,090,345
2016-2020	89,500,000	43,893,301	133,393,301
2021-2025	<u>99,215,000</u>	<u>10,854,056</u>	<u>110,069,056</u>
Total	<u>\$ 290,640,000</u>	<u>\$ 200,169,269</u>	<u>\$ 490,809,269</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:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 4,480,000	\$ 15,396,138	\$ 19,876,138
2007	4,730,000	15,138,538	19,868,538
2008	4,995,000	14,866,563	19,861,563
2009	5,275,000	14,579,350	19,854,350
2010	5,575,000	14,276,038	19,851,038
2011-2015	33,185,000	65,926,376	99,111,376
2016-2020	44,465,000	54,253,314	98,718,314
2021-2025	60,095,000	38,497,126	98,592,126
2030	81,470,000	16,531,775	98,001,775
Total	<u>\$ 244,270,000</u>	<u>\$ 249,465,218</u>	<u>\$ 493,735,218</u>

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:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 1,695,000	\$ 5,527,738	\$ 7,222,738
2007	1,785,000	5,442,988	7,227,988
2008	1,880,000	5,344,813	7,224,813
2009	1,980,000	5,241,413	7,221,413
2010	2,090,000	5,132,513	7,222,513
2011-2015	12,315,000	23,698,814	36,013,814
2016-2020	16,210,000	19,533,150	35,743,150
2021-2025	21,335,000	14,372,250	35,707,250
2026-2030	28,095,000	7,224,000	35,319,000
2031	6,605,000	396,300	7,001,300
Total	<u>\$93,990,000</u>	<u>\$ 91,913,979</u>	<u>\$185,903,979</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:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 1,485,000	\$ 1,827,600	\$ 3,312,600
2007	1,555,000	1,755,488	3,310,488
2008	1,630,000	1,679,750	3,309,750
2009		1,639,000	1,639,000
2010		1,639,000	1,639,000
2011-2015	4,720,000	7,938,976	12,658,976
2016-2020	14,355,000	5,010,364	19,365,364
2021-2023	10,725,000	906,538	11,631,538
Total	\$ 34,470,000	\$ 22,396,716	\$ 56,866,716

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

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 2,555,000	\$ 8,961,188	\$ 11,516,188
2007	2,690,000	8,833,438	11,523,438
2008	2,835,000	8,698,938	11,533,938
2009	2,985,000	8,557,188	11,542,188
2010	3,150,000	8,407,938	11,557,938
2011-2015	18,520,000	39,271,401	57,791,401
2016-2020	24,390,000	33,283,525	57,673,525
2021-2025	32,300,000	25,105,800	57,405,800
2026-2030	42,795,000	14,227,200	57,022,200
2031-2032	20,785,000	1,888,200	22,673,200
Total	\$ 153,005,000	\$ 157,234,816	\$ 310,239,816

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 9,400,000	\$ 9,038,088	\$ 18,438,088
2007	9,710,000	8,560,338	18,270,338
2008	10,060,000	8,053,513	18,113,513
2009	10,450,000	7,515,125	17,965,125
2010	10,870,000	6,941,888	17,811,888
2011-2015	61,875,000	25,038,550	86,913,550
2016-2019	60,890,000	6,744,013	67,634,013
Total	\$ 173,255,000	\$ 71,891,515	\$ 245,146,515

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

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 4,130,000	\$ 14,377,775	\$ 18,507,775
2007	4,335,000	14,212,575	18,547,575
2008	4,555,000	13,335,825	17,890,825
2009	4,790,000	13,768,075	18,558,075
2010	5,045,000	13,528,575	18,573,575
2011-2015	29,630,000	63,545,700	93,175,700
2016-2020	38,720,000	54,622,100	93,342,100
2021-2025	50,585,000	42,736,050	93,321,050
2026-2030	65,505,000	26,636,400	92,141,400
2031-2033	48,145,000	5,875,800	54,020,800
Total	\$ 255,440,000	\$ 262,638,875	\$ 518,078,875

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

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 2,435,000	\$ 7,967,925	\$ 10,402,925
2007	2,545,000	7,868,325	10,413,325
2008	2,675,000	7,763,925	10,438,925
2009	2,810,000	7,654,225	10,464,225
2010	2,955,000	7,538,925	10,493,925
2011-2015	17,220,000	35,254,351	52,474,351
2016-2020	22,330,000	29,881,202	52,211,202
2021-2025	29,030,000	22,857,426	51,887,426
2026-2030	37,750,000	13,638,233	51,388,233
2031-2033	27,895,000	2,462,007	30,357,007
Total	\$ 147,645,000	\$ 142,886,544	\$ 290,531,544

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

The Series 2003C Bonds mature on July 1 over a six year period and interest is payable at rates ranging from 2.0% to 5.0% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 3,115,000	\$ 634,600	\$ 3,749,600
2007	3,240,000	510,000	3,750,000
2008	3,395,000	348,000	3,743,000
2009	3,565,000	178,250	3,743,250
Total	\$ 13,315,000	\$ 1,670,850	\$ 14,985,850

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

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2006	\$ 3,985,000	\$ 14,170,413	\$ 18,155,413
2007	4,190,000	13,966,038	18,156,038
2008	4,405,000	13,751,163	18,156,163
2009	4,635,000	13,525,163	18,160,163
2010	4,870,000	13,287,538	18,157,538
2011-2015	28,370,000	62,400,983	90,770,983
2016-2020	36,575,000	53,502,526	90,077,526
2021-2025	47,555,000	42,029,169	89,584,169
2026-2030	61,820,000	27,194,951	89,014,951
2031-2034	62,585,000	7,433,456	70,018,456
Total	\$ 258,990,000	\$ 261,261,400	\$ 520,251,400

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 resets weekly based on current market rates.

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2006	\$ 2,795,000	\$ 4,841,513	\$ 7,636,513
2007	2,940,000	4,746,885	7,686,885
2008	3,070,000	4,647,720	7,717,720
2009	6,535,000	4,489,238	11,024,238
2010	6,850,000	4,268,385	11,118,385
2011-2015	35,095,000	17,691,218	52,786,218
2016-2020	23,650,000	13,958,177	37,608,177
2021-2025	67,175,000	5,387,664	72,562,664
Total	\$ 148,110,000	\$ 60,030,800	\$ 208,140,800

* Interest was calculated using a rate of 3.3%.

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, \$65,825,025 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2005.

10. OTHER LONG-TERM OBLIGATIONS

Changes in other long-term obligations for the year ended December 31, 2005 were as follows:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Due Within One Year
Deferred rent	\$ 928,000	\$ 409,000		\$ 1,337,000	
Accrued interest payable	32,402,000	29,697,000	32,402,000	29,697,000	
Deferred revenue	53,121,000	1,596,000	1,701,000	53,016,000	1,851,000
Unamortized bond premium	136,200,000	942,000	6,309,000	130,833,000	5,319,000

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 2004, the RTA Board approved a resolution that a contribution of \$6,800,000 be made to the Plan. The contribution is allocated as follows: Metra - \$3,735,498; Pace - \$ 2,353,325; RTA - \$711,177. As of December 31, 2005, \$6,800,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2005 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 2003, 2004 and 2005, the RTA’s annual pension costs equal the required contributions which were \$3,511,000, \$6,022,000 and \$6,800,000, respectively. The required contributions were determined as part of the January 1, 2003, 2004 and 2005 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>Valuation Date</u>	<u>January 1, 2005</u>	<u>January 1, 2004</u>	<u>Januray 1, 2003</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
Historial 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%
Participants:			
Retirees, disabled participants, and beneficiaries currently receiving benefits	282	256	218
Terminated employees entitled, but not yet receiving benefits	392	386	384
Current employees:			
Vested	755	758	684
Nonvested	<u>202</u>	<u>208</u>	<u>275</u>
Total	<u>1,631</u>	<u>1,608</u>	<u>1,561</u>

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's 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 2005, the RTA incurred \$9,360 in other post employment benefit expenditures. There are 10 participants eligible to receive benefits as of December 31, 2005.

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 Metra's insurance policy with Liberty Mutual Insurance Group/Boston. 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. Automobile liability insurance with a \$5,000,000 limit is also provided through Metra's policy with the Federal Insurance Company. 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 Metra and 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 2005, the total rental paid by the RTA was \$1,297,799. Minimum required annual rental payments by the RTA are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2006	\$ 1,336,733
2007	1,376,835
2008	1,418,140
2009	1,460,684
2010	1,504,505
2011-2015	8,227,248
2016-2017	<u>3,646,808</u>
Total	<u>\$ 18,970,953</u>

* * * * *

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, 2005

	General Fund			
	Budget		Actual	Variance
	Original	Amended		
REVENUES:				
Sales taxes	\$ 104,641,000	\$ 104,641,000	\$ 105,059,313	\$ 418,313
Interest on sales taxes	49,950	49,950	136,497	86,547
Public Transportation Fund	174,400,000	174,400,000	175,668,237	1,268,237
Operating Assistance -CTA		54,251,555	54,251,555	
State assistance	109,186,000	109,186,000	111,418,497	2,232,497
Investment income/other revenues	<u>20,607,897</u>	<u>20,607,897</u>	<u>16,286,452</u>	<u>(4,321,445)</u>
Total revenues	<u>408,884,847</u>	<u>463,136,402</u>	<u>462,820,551</u>	<u>(315,851)</u>
EXPENDITURES:				
Financial assistance to Service Boards	168,686,000	169,686,000	168,075,524	1,610,476
Capital grants—current year	28,136,000	27,136,000	27,136,000	
CTA Operating Assistance Grant		54,251,555	54,251,555	
Administration	6,542,001	6,542,001	6,379,235	162,766
Non-Administration:				
Travel Information Center	5,407,009	5,407,009	5,439,037	(32,028)
Other	16,792,063	16,792,063	15,581,593	1,210,470
Capital outlay	125,000	125,000	125,000	
Technology program	<u>8,612,790</u>	<u>8,612,790</u>	<u>1,820,961</u>	<u>6,791,829</u>
Total expenditures	<u>234,300,863</u>	<u>288,552,418</u>	<u>278,808,905</u>	<u>9,743,513</u>
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS		<u>174,583,984</u>	<u>184,011,646</u>	<u>9,427,662</u>
OTHER FINANCING USES—				
Transfers out		<u>(177,656,000)</u>	<u>(162,158,788)</u>	<u>15,497,212</u>
Total other financing uses		<u>(177,656,000)</u>	<u>(162,158,788)</u>	<u>15,497,212</u>
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS		<u>\$ (3,072,016)</u>	<u>21,852,858</u>	<u>\$ 24,924,874</u>
Budgetary basis to GAAP basis adjustments			<u>1,723,952</u>	
NET CHANGE IN FUND BALANCE—GAAP BASIS			23,576,810	
FUND BALANCE:				
Beginning of year			<u>71,461,782</u>	
End of year			<u>\$ 95,038,592</u>	

REGIONAL TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2005

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 two budget amendments to the 2005 budget. The first (2005-54) amended the RTA budget to appropriate addition to funding for the CTA and Pace, and amended the CTA budget. The second (2005-60) amended the RTA budget and amended the Pace budget and program. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% 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:

	General Fund
Excess of expenditures over revenues and other financing use—budgetary basis	<u>\$ 21,852,858</u>
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(8,022,277)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	9,720,815
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	<u>25,414</u>
Budgetary basis to GAAP basis adjustments	<u>1,723,952</u>
Net change in fund balance - GAAP basis	<u><u>\$ 23,576,810</u></u>

**REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN**

**SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2005**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2000	\$ 86,771,358	\$ 64,467,694	\$ 22,303,664	134.60%	\$ 48,566,176	(1)
January 1, 2001	81,992,860	71,286,653	10,706,207	115.02%	49,548,474	(1)
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%

(1) The actuarial value of assets is in excess of the actuarial accrued liabilities.

REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS SIX YEARS ENDED DECEMBER 31, 2005

	Annual Required Contribution	Percentage Contributed
Year Ended:		
2000		(1)
2001		(1)
2002	\$ 6,875,000	100%
2003	3,511,000	100%
2004	6,022,000	100%
2005	6,800,000	100%

(1) No contributions were required or made for the years ended December 31, 2000 and 2001.

(2) Contributions for the plan year ended December 31, 2005 will be paid during 2006.

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, 2005

	General Fund			
	Budget		Actual	Variance
	Original	Amended		
EXPENDITURES:				
Financial assistance to Service Boards	\$ 168,686,000	\$ 169,686,000	\$ 168,075,524	\$ 1,610,476
Capital grants—current year	28,136,000	27,136,000	27,136,000	
CTA Operating Assistance Grant		54,251,555	54,251,555	
Total grant expenditures	196,822,000	251,073,555	249,463,079	1,610,476
Administration:				
Salaries and benefits	4,431,338	4,431,338	4,334,196	97,142
Business expenses	103,920	103,920	90,492	13,428
Office expenses	1,313,743	1,313,743	1,325,271	(11,528)
Professional services	693,000	693,000	629,276	63,724
Total administration	6,542,001	6,542,001	6,379,235	162,766
Non-Administration:				
Travel Information Center	5,407,009	5,407,009	5,439,037	(32,028)
Other:				
Public Affairs	2,122,791	2,122,791	2,155,998	(33,207)
Customer Service Center	347,305	347,305	339,575	7,730
Reduced fare registration	371,368	371,368	381,762	(10,394)
Americans with Disabilities Act (ADA)	3,751,623	3,751,623	3,619,111	132,512
Other regional projects	10,198,976	10,198,976	9,085,147	1,113,829
Total other	16,792,063	16,792,063	15,581,593	1,210,470
Total Non-Administration	22,199,072	22,199,072	21,020,630	1,178,442
Capital outlay	125,000	125,000	125,000	
Technology program	8,612,790	8,612,790	1,820,961	6,791,829
TOTAL EXPENDITURES	\$ 234,300,863	\$ 288,552,418	\$ 278,808,905	\$ 9,743,513

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, 2005

	General Fund		
	Budget	Actual	Variance
REVENUES:			
Sales taxes	\$ 104,641,000	\$ 105,059,313	\$ 418,313
Interest on sales taxes	49,950	136,497	86,547
Public Transportation Fund	174,400,000	175,668,237	1,268,237
Operating Assistance -CTA	54,251,555	54,251,555	
State assistance	109,186,000	111,418,497	2,232,497
Reduced fare reimbursement			
Investment income/other revenues	20,607,897	16,286,452	(4,321,445)
Total revenues	<u>463,136,402</u>	<u>462,820,551</u>	<u>(315,851)</u>
EXPENDITURES:			
Financial assistance to Service Boards	169,686,000	168,075,524	1,610,476
Capital grants—current year	27,136,000	27,136,000	
CTA Operating Assistance Grant	54,251,555	54,251,555	
Reduced fare reimbursement			
Administration	6,542,001	6,379,235	162,766
Non-Administration:			
Travel Information Center	5,407,009	5,439,037	(32,028)
Other	16,792,063	15,581,593	1,210,470
Interest on sales taxes to Service Boards			
Capital outlay	125,000	125,000	
Technology program	8,612,790	1,820,961	6,791,829
Total expenditures	<u>288,552,418</u>	<u>278,808,905</u>	<u>9,743,513</u>
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	<u>174,583,984</u>	<u>184,011,646</u>	<u>9,427,662</u>
OTHER FINANCING USES—			
Transfers out	<u>(177,656,000)</u>	<u>(162,158,788)</u>	<u>15,497,212</u>
Total other financing uses	<u>(177,656,000)</u>	<u>(162,158,788)</u>	<u>15,497,212</u>
NET CHANGE IN FUND BALANCE— BUDGETARY BASIS	<u>\$ (3,072,016)</u>	<u>21,852,858</u>	<u>\$ 24,924,874</u>
Budgetary basis to GAAP basis adjustments		<u>1,723,952</u>	
NET CHANGE IN FUND BALANCE— GAAP BASIS		23,576,810	
FUND BALANCE:			
Beginning of year		<u>71,461,782</u>	
End of year		<u>\$ 95,038,592</u>	

Note: The combined schedule of revenues, expenditures, and changes in fund balance budget and actual—general and sales tax agency funds is presented on a statutory basis as required by the RTA Act.

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 592,959,000	\$ 595,336,109	\$ 2,377,109	\$ 697,600,000	\$ 700,395,422	\$ 2,795,422
283,051	773,482	490,431	333,001	909,979	576,978
			174,400,000	175,668,237	1,268,237
			54,251,555	54,251,555	
			109,186,000	111,418,497	2,232,497
37,240,000	37,126,971	(113,029)	37,240,000	37,126,971	(113,029)
			20,607,897	16,286,452	(4,321,445)
<u>630,482,051</u>	<u>633,236,562</u>	<u>2,754,511</u>	<u>1,093,618,453</u>	<u>1,096,057,113</u>	<u>2,438,660</u>
592,959,000	595,336,109	(2,377,109)	762,645,000	763,411,633	766,633
			27,136,000	27,136,000	
			54,251,555	54,251,555	
37,240,000	37,126,971	113,029	37,240,000	37,126,971	(113,029)
			6,542,001	6,379,235	(162,766)
			5,407,009	5,439,037	32,028
			16,792,063	15,581,593	(1,210,470)
283,051	773,482	(490,431)	283,051	773,482	490,431
			125,000	125,000	
			8,612,790	1,820,961	(6,791,829)
<u>630,482,051</u>	<u>633,236,562</u>	<u>(2,754,511)</u>	<u>919,034,469</u>	<u>912,045,467</u>	<u>(6,989,002)</u>
			174,583,984	184,011,646	9,427,662
			(177,656,000)	(162,158,788)	15,497,212
			(177,656,000)	(162,158,788)	15,497,212
<u>\$</u>		<u>\$</u>	<u>\$ (3,072,016)</u>	<u>21,852,858</u>	<u>\$ (24,924,874)</u>
				<u>1,723,952</u>	
				23,576,810	
				<u>71,461,782</u>	
	<u>\$</u>			<u>\$ 95,038,592</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.

*2004 A** — 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.

*Strategic Capital Improvement Program (SCIP) Bonds

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING BALANCE SHEET SCHEDULE—DEBT SERVICE FUND ACCOUNTS
DECEMBER 31, 2005**

	1990A	1991A	1992 A&B	1994A & B	1994C & D	1997	1999	2000A	2001A
ASSETS:									
Cash and investments	\$ 931,616	\$ 764,548	\$ 3,908,394	\$ 322,459	\$ 2,955,016	\$ 3,258,560	\$ 4,926,554	\$ 10,141,707	\$ 3,688,416
Due from other funds					40,582				
Accrued interest	<u>180</u>	<u>57</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 931,796</u>	<u>\$ 764,605</u>	<u>\$ 3,908,394</u>	<u>\$ 322,459</u>	<u>\$ 2,995,598</u>	<u>\$ 3,258,560</u>	<u>\$ 4,926,554</u>	<u>\$ 10,141,707</u>	<u>\$ 3,688,416</u>
LIABILITIES:									
Due to other funds	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
Total liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES:									
Reserved for debt service	<u>931,796</u>	<u>764,605</u>	<u>3,908,394</u>	<u>322,459</u>	<u>2,995,598</u>	<u>3,258,560</u>	<u>4,926,554</u>	<u>10,141,707</u>	<u>3,688,416</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 931,796</u>	<u>\$ 764,605</u>	<u>\$ 3,908,394</u>	<u>\$ 322,459</u>	<u>\$ 2,995,598</u>	<u>\$ 3,258,560</u>	<u>\$ 4,926,554</u>	<u>\$ 10,141,707</u>	<u>\$ 3,688,416</u>

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING BALANCE SHEET SCHEDULE—DEBT SERVICE FUND ACCOUNTS
DECEMBER 31, 2005**

	2001B	2002A	2002B	2003A	2003B	2003C	2004A	2005B	Total
ASSETS:									
Cash and investments	\$1,131,475	\$ 5,874,232	\$ 6,920,568	\$ 9,441,616	\$ 2,351,209	\$2,016,392	\$ 4,343,172	\$ 2,849,092	\$65,825,026
Due from other funds									40,582
Accrued interest			8,512		139,797		8,787	1,665	158,998
TOTAL ASSETS	<u>\$1,131,475</u>	<u>\$ 5,874,232</u>	<u>\$ 6,929,080</u>	<u>\$ 9,441,616</u>	<u>\$ 2,491,006</u>	<u>\$2,016,392</u>	<u>\$ 4,351,959</u>	<u>\$ 2,850,757</u>	<u>\$66,024,606</u>
LIABILITIES:									
Due to other funds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total liabilities	_____	_____	_____	_____	_____	_____	_____	_____	_____
FUND BALANCES:									
Reserved for debt service	<u>1,131,475</u>	<u>5,874,232</u>	<u>6,929,080</u>	<u>9,441,616</u>	<u>2,491,006</u>	<u>2,016,392</u>	<u>4,351,959</u>	<u>2,850,757</u>	<u>66,024,606</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,131,475</u>	<u>\$ 5,874,232</u>	<u>\$ 6,929,080</u>	<u>\$ 9,441,616</u>	<u>\$ 2,491,006</u>	<u>\$2,016,392</u>	<u>\$ 4,351,959</u>	<u>\$ 2,850,757</u>	<u>\$66,024,606</u>

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - DEBT SERVICE FUND ACCOUNTS
 YEAR ENDED DECEMBER 31, 2005**

	1990A	1991A	1992 A & B	1994A & B	1994C & D	1996
REVENUES:						
Investment income	\$ 1,578	\$ 494				
Total revenues	1,578	494				
EXPENDITURES:						
Debt service—principal			5,220,000	4,325,000	3,505,000	2,470,000
Debt service—interest	4,377,240	3,734,915	4,255,460	2,077,025	5,567,794	4,015,553
Other debt related cost						
Total expenditures	4,377,240	3,734,915	9,475,460	6,402,025	9,072,794	6,485,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,375,662)	(3,734,421)	(9,475,460)	(6,402,025)	(9,072,794)	(6,485,553)
OTHER FINANCING SOURCES:						
Issuance of Refunding Bonds						
Payment to Refunded Bond Escrow Agent						
Other financing sources (Premium)						
Transfers Out						
Transfers In						
Other						
Principal			5,531,818	1,572,727	3,686,364	898,182
Interest	4,375,776	3,734,437	4,208,480	2,051,850	5,540,630	3,212,443
Total other financing sources	4,375,776	3,734,437	9,740,298	3,624,577	9,226,994	4,110,625
NET CHANGE IN FUND BALANCES	114	16	264,838	(2,777,448)	154,200	(2,374,928)
FUND BALANCES:						
Beginning of year	931,682	764,589	3,643,556	3,099,906	2,841,398	2,374,928
End of year	\$ 931,796	\$ 764,605	\$ 3,908,394	\$ 322,459	\$ 2,995,598	\$ -

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - DEBT SERVICE FUND ACCOUNTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2005**

	1997	1999	2000A	2001A	2001B
REVENUES:					
Investment income			\$ 13,440		
Total revenues			13,440		
EXPENDITURES:					
Debt service—principal	4,190,000	670,000	4,245,000	1,610,000	1,410,000
Debt service—interest	4,690,350	16,605,013	15,640,225	5,608,238	1,899,975
Other debt related cost					
Total expenditures	8,880,350	17,275,013	19,885,225	7,218,238	3,309,975
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(8,880,350)	(17,275,013)	(19,871,785)	(7,218,238)	(3,309,975)
OTHER FINANCING SOURCES:					
Issuance of Refunding Bonds					
Payment to Refunded Bond Escrow Agent					
Other financing sources (Premium)					
Transfers Out					
Transfers In					
Other					
Principal	4,323,636	3,511,364	4,373,182	1,656,364	1,457,727
Interest	4,669,400	16,601,663	15,518,181	5,567,988	1,892,925
Total other financing sources	8,993,036	20,113,027	19,891,363	7,224,352	3,350,652
NET CHANGE IN FUND BALANCES	112,686	2,838,014	19,578	6,114	40,677
FUND BALANCES:					
Beginning of year	3,145,874	2,088,541	10,122,129	3,682,303	1,090,798
End of year	\$ 3,258,560	\$ 4,926,554	\$ 10,141,707	\$ 3,688,416	\$ 1,131,475

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - DEBT SERVICE FUND ACCOUNTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2005**

	2002A	2002B	2003A	2003B	2003C
REVENUES:					
Investment income		\$ 162,240	\$ 326,291	\$ 2,003,747	
Total revenues		162,240	326,291	2,003,747	
EXPENDITURES:					
Debt service—principal	2,430,000	9,125,000	4,010,000	2,355,000	2,995,000
Debt service—interest	9,082,688	9,501,213	14,538,175	8,063,725	754,400
Other debt related cost					
Total expenditures	11,512,688	18,626,213	18,548,175	10,418,725	3,749,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,512,688)	(18,463,973)	(18,221,884)	(8,414,978)	(3,749,400)
OTHER FINANCING SOURCES:					
Issuance of Refunding Bonds					
Payment to Refunded Bond Escrow Agent					
Other financing sources (Premium)					
Transfers Out				(540,000)	
Transfers In					
Other		4,500,028		4,040,000	
Principal	2,498,182	9,300,000	4,075,455	2,405,909	3,060,455
Interest	9,021,938	4,799,077	13,981,474	2,458,014	694,500
Total other financing sources	11,520,120	18,599,105	18,056,929	8,363,923	3,754,955
NET CHANGE IN FUND BALANCES	7,432	135,132	(164,955)	(51,055)	5,555
FUND BALANCES:					
Beginning of year	5,866,800	6,793,948	9,606,572	2,542,061	2,010,837
End of year	\$ 5,874,232	\$ 6,929,080	\$ 9,441,616	\$ 2,491,006	\$ 2,016,392

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - DEBT SERVICE FUND ACCOUNTS
YEAR ENDED DECEMBER 31, 2005**

	2004A	2005B	Total
REVENUES:			
Investment income	\$ 6,405,350	\$ 321,119	\$ 9,234,259
Total revenues	<u>6,405,350</u>	<u>321,119</u>	<u>9,234,259</u>
EXPENDITURES:			
Debt service—principal	1,010,000		49,570,000
Debt service—interest	16,204,693	2,235,406	128,852,088
Other debt related cost	<u>1,914</u>	<u>973,104</u>	<u>975,018</u>
Total expenditures	<u>17,216,607</u>	<u>3,208,510</u>	<u>179,397,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,811,257)</u>	<u>(2,887,391)</u>	<u>(170,162,847)</u>
OTHER FINANCING SOURCES:			
Issuance of Refunding Bonds		148,110,000	148,110,000
Payment to Refunded Bond Escrow Agent		(147,185,653)	(147,185,653)
Other financing sources (Premium)		17,773	17,773
Transfers Out	(69,716)		(609,716)
Transfers In			
Other			8,540,028
Principal	6,063,250	3,536,818	57,951,433
Interest	<u>5,159,725</u>	<u>1,259,209</u>	<u>104,747,710</u>
Total other financing sources	<u>11,153,259</u>	<u>5,738,147</u>	<u>171,571,575</u>
NET CHANGE IN FUND BALANCES	342,002	2,850,756	1,408,729
FUND BALANCES:			
Beginning of year	<u>4,009,957</u>		<u>64,615,877</u>
End of year	<u>\$ 4,351,959</u>	<u>\$ 2,850,757</u>	<u>\$ 66,024,606</u>

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, 2005

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
ASSETS:				
Cash and investments	\$ 197,166,641	\$ 58,397,142	\$	\$ 255,563,783
Due from other funds	<u>10,258,604</u>	<u>10,258,604</u>	<u>10,258,604</u>	<u>10,258,604</u>
TOTAL ASSETS	<u><u>\$ 197,166,641</u></u>	<u><u>\$ 58,397,142</u></u>	<u><u>\$ 10,258,604</u></u>	<u><u>\$ 265,822,387</u></u>
LIABILITIES:				
Due to Service Boards	\$ 11,853,401	\$ 1,324,962	\$ 24,757	\$ 13,203,120
Due to other funds	<u>1,668,009</u>	<u>8,631,178</u>	<u>24,757</u>	<u>10,299,187</u>
Total liabilities	13,521,410	9,956,140	24,757	23,502,307
FUND BALANCES:				
Reserved for Service Boards capital projects	<u>183,645,231</u>	<u>48,441,003</u>	<u>10,233,847</u>	<u>242,320,081</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 197,166,641</u></u>	<u><u>\$ 58,397,143</u></u>	<u><u>\$ 10,258,604</u></u>	<u><u>\$ 265,822,388</u></u>

REGIONAL TRANSPORTATION AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED DECEMBER 31, 2005**

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	_____	_____	_____	_____
EXPENDITURES:				
Capital grants—bonds	<u>192,309,105</u>	<u>58,862,756</u>	<u>521,443</u>	<u>251,693,304</u>
Total expenditures	<u>192,309,105</u>	<u>58,862,756</u>	<u>521,443</u>	<u>251,693,304</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(192,309,105)</u>	<u>(58,862,756)</u>	<u>(521,443)</u>	<u>(251,693,304)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out)	<u>69,716</u>	<u>(8,540,728)</u>	_____	<u>(8,471,012)</u>
Total other financing sources	<u>69,716</u>	<u>(8,540,728)</u>	_____	<u>(8,471,012)</u>
NET CHANGE IN FUND BALANCES	<u>(192,239,389)</u>	<u>(67,403,484)</u>	<u>(521,443)</u>	<u>(260,164,316)</u>
FUND BALANCES:				
Beginning of year	<u>375,884,620</u>	<u>115,844,487</u>	<u>10,755,290</u>	<u>502,484,397</u>
End of year	<u>\$ 183,645,231</u>	<u>\$ 48,441,003</u>	<u>\$ 10,233,847</u>	<u>\$ 242,320,081</u>

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, 2005

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
ASSETS:				
Intergovernmental receivables:				
Sales taxes	\$ 152,230,985	\$ 585,137,109	\$ 581,362,935	\$ 156,005,159
Interest on sales taxes	61,454	773,483	647,522	187,415
Reduced fare reimbursement	20,638,106	37,126,971	37,240,000	20,525,077
Advances to Service Boards	47,843,452	1,047,106		48,890,558
Due from general fund	<u> </u>	<u>10,199,000</u>	<u> </u>	<u>10,199,000</u>
TOTAL ASSETS	<u>\$ 220,773,997</u>	<u>\$ 634,283,669</u>	<u>\$ 619,250,457</u>	<u>\$ 235,807,209</u>
LIABILITIES:				
Intergovernmental payables:				
Sales taxes due to Service Boards	\$ 152,230,985	\$ 595,336,109	\$ 581,362,935	\$ 166,204,159
Interest on sales taxes due to Service Boards	61,454	773,483	647,522	187,415
Reduced fare reimbursement	20,638,106	37,126,971	37,240,000	20,525,077
Advances from State	<u>47,843,452</u>	<u>1,047,106</u>	<u> </u>	<u>48,890,558</u>
TOTAL LIABILITIES	<u>\$ 220,773,997</u>	<u>\$ 634,283,669</u>	<u>\$ 619,250,457</u>	<u>\$ 235,807,209</u>

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, 2005

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Capital In Progress Technology Program	Total
Administrative	\$ 242,763	\$ 757,272	\$ 968,200	\$ 5,870,270	\$ 7,838,505
Travel Information Center		1,789,225			1,789,225
Total general fixed assets	<u>242,763</u>	<u>2,546,497</u>	<u>968,200</u>	<u>5,870,270</u>	<u>9,627,730</u>
Less accumulated depreciation:					
Administrative	179,476	662,536	249,481		1,091,493
Travel Information Center		1,658,880			1,658,880
Total accumulated depreciation	<u>179,476</u>	<u>2,321,416</u>	<u>249,481</u>		<u>2,750,373</u>
Total general fixed assets—net	<u>\$ 63,287</u>	<u>\$ 225,081</u>	<u>\$ 718,719</u>	<u>\$ 5,870,270</u>	<u>\$ 6,877,357</u>

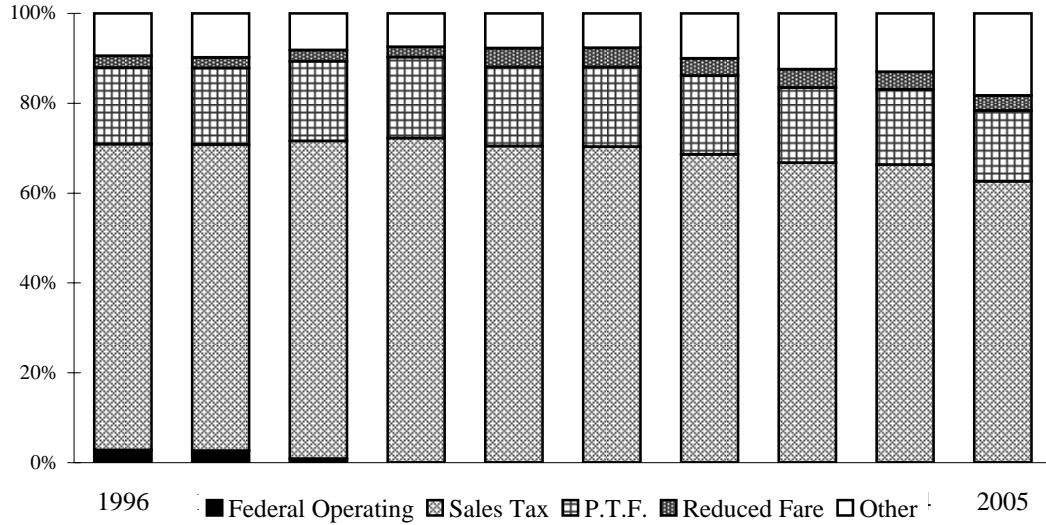
**STATISTICAL SECTION
(UNAUDITED)**

The information on the following tables is unaudited—see accompanying independent auditors' report.

The revenues and expenditures presented on 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.

RTA REVENUE BY SOURCE

1996-2005



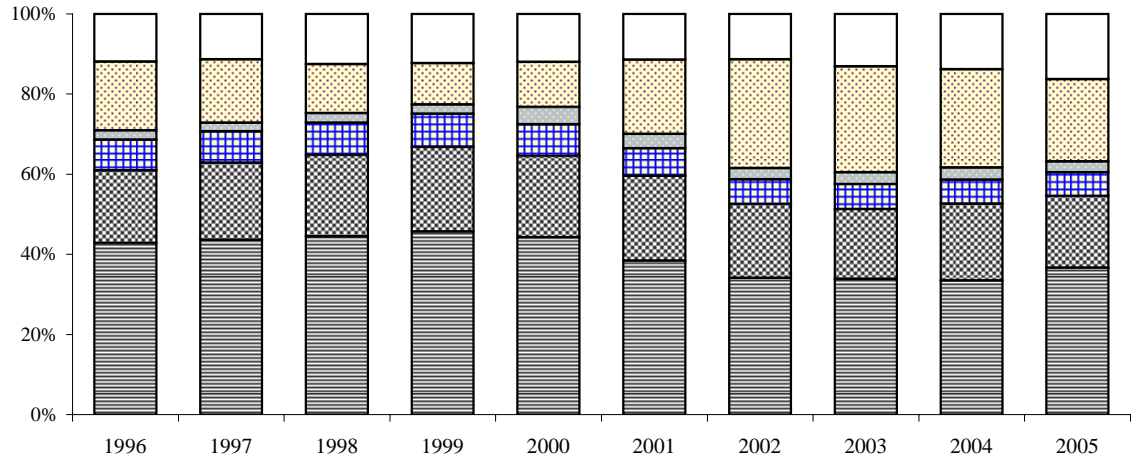
Last Ten Years

(In Thousands)

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
<i>Percentage of Total</i>	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	21,591	555,496	139,093	19,243	79,935	815,358
<i>Percentage of Total</i>	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	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
<i>Percentage of Total</i>	0.00%	62.64%	15.71%	3.32%	18.33%	100%

DISTRIBUTION OF EXPENDITURES

1996-2005



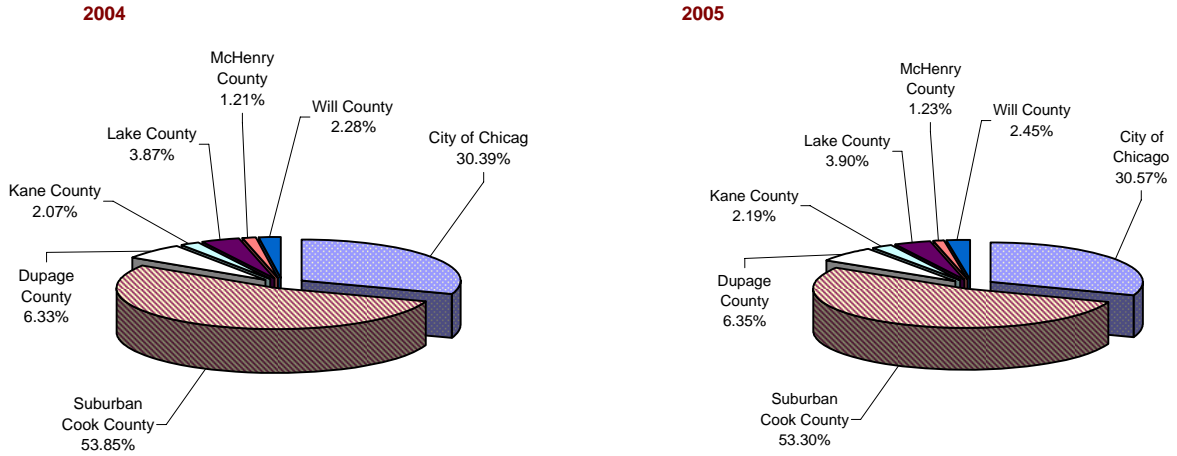
■ CTA ■ Metra ■ Pace ■ Reduced Fare ■ Capital Grants □ R T A & Other

Last Ten Years

(In Thousands)

	Financial Assistance				Reduced Fare	Capital Grants	R T A and Other	Total
	CTA	Metra	Pace	Total				
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	377,198	166,083	67,337	610,618	19,243	136,680	97,701	864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,436	842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%

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)*

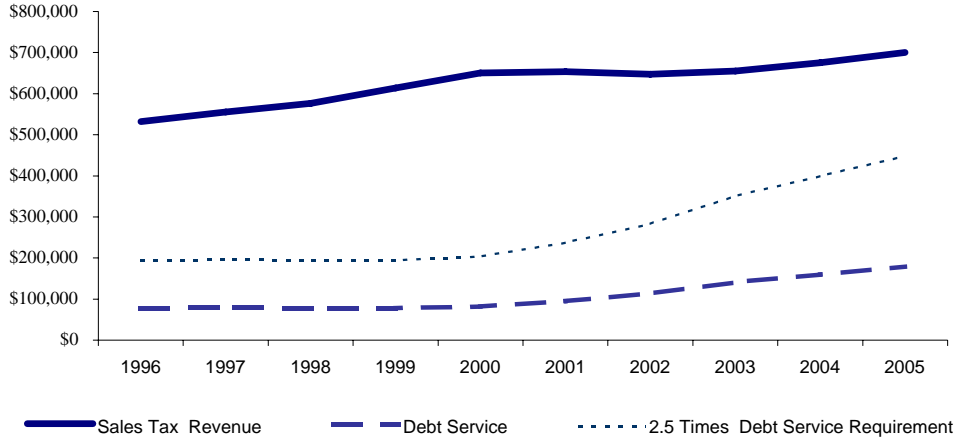
	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
<i>Percentage of Total</i>	31.01%	54.92%	6.46%	1.70%	3.37%	0.96%	1.60%	100%
12 Months Ended 12/31/97	163,366	313,113	36,482	9,301	18,980	5,329	8,925	555,496
<i>Percentage of Total</i>	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
<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%

LEGAL DEBT CAPACITY**2005**

Legal Debt Margin:	<u>Balance Outstanding at December 31, 2005</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	7,180,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	37,670,000		
1997 General Obligation Refunding Bonds	79,855,000		
2002B General Obligation Bonds	173,255,000		
2003B General Obligation Bonds	147,645,000		
2003C General Obligation Refunding Bonds	13,315,000		
2005B General Obligation Refunding Bonds	<u>148,110,000</u>		
Total RTA Bonds Applicable to Limitation	<u>\$730,665,000</u>		(\$730,665,000)
SCIP Bonds:			
1992A General Obligation Bonds	\$44,965,000	\$188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	32,420,000	62,000,000	
1999 General Obligation Refunding Bonds	290,640,000		
2000 General Obligation Bonds	244,270,000	260,000,000	
2001A General Obligation Bonds	93,990,000	100,000,000	
2001B General Obligation Refunding Bonds	34,470,000		
2002A General Obligation Bonds	153,005,000	160,000,000	
2003A General Obligation Bonds	255,440,000	260,000,000	
2004A General Obligation Bonds	258,990,000	<u>260,000,000</u>	
Total SCIP Bonds Applicable to Limitation		<u>\$1,540,000,000</u>	(\$1,540,000,000)
Total SCIP Bonds Outstanding	<u>\$1,425,490,000</u>		
Total Bonds Outstanding	<u>\$2,156,155,000</u>		
Debt Margin for General Obligations			\$329,335,000
Debt Limitation per Act for Working Cash Notes			<u>100,000,000</u>
Total Legal Debt Margin			<u>\$429,335,000</u>

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1996 - 2005
(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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales Tax Revenue	\$ 532,304	\$ 555,496	\$ 576,704	\$ 613,514	\$ 650,284	\$ 653,522	\$ 647,685	\$ 654,985	\$ 675,628	\$ 700,395
Debt Service Requirement	77,639	78,359	77,883	77,866	81,676	95,187	113,526	140,607	159,702	179,536
2.5 Times Debt Service Requirement	\$194,098	\$195,898	\$194,708	\$194,665	\$204,190	\$237,968	\$283,815	\$351,518	\$399,255	\$448,840

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	Ratio of Debt
	Principal	Interest	Total	Expenditures	Service to Total
1996	\$ 13,113	\$ 64,526	\$ 77,639	\$ 870,254	8.92%
1997	13,898	64,461	78,359	864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,125	13.28%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively)						<i>(In Millions)</i>
Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division		
1996	\$ 233.97	\$ 131.92	\$ 84.48	\$ 17.57		
1997	228.42	127.56	80.28	20.58		
1998	252.95	142.97	88.17	21.81		
1999	299.59	162.67	111.49	25.43		
2000	336.65	177.17	132.89	26.59		
2001	355.47	184.46	145.75	25.26		
2002	430.08	225.42	174.29	30.37		
2003	463.90	256.70	173.50	33.70		
2004	493.16	291.76	168.05	33.35		
2005	536.54	330.08	174.51	31.95		
Total	\$ 3,630.73	\$ 2,030.71	\$ 1,333.41	\$ 266.61		

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

SERVICE BOARD OPERATING CHARACTERISTICS

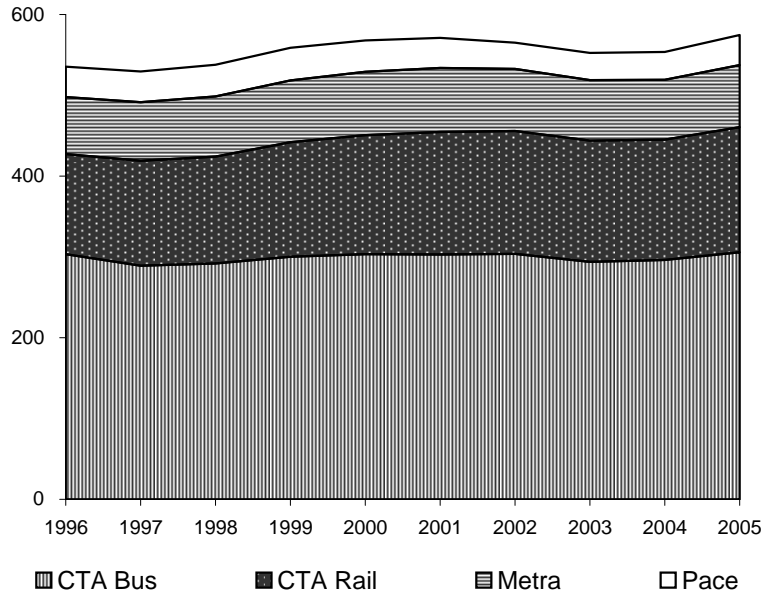
2005

<u>Chicago Transit Authority</u>	<u>Metra Commuter Rail Division</u>	<u>Pace Suburban Bus Division</u>
<p><u>Rapid Transit</u></p> <ul style="list-style-type: none"> • 7 rail routes • 144 stations served • 1,190 rapid transit cars • 12.9 million riders per month <p><u>Motor Bus</u></p> <ul style="list-style-type: none"> • 150 bus routes • 2,025 buses • 25.3 million riders per month <p><u>Paratransit</u></p> <ul style="list-style-type: none"> • 200 thousand riders per month <p><u>Other</u></p> <ul style="list-style-type: none"> • 1.1 billion passenger rail miles per year • 12.4 million rail miles per year • 798 million passenger miles per year • 80 million vehicle miles per year 	<ul style="list-style-type: none"> • 546 route miles • 1,189 miles of track • 244 stations • 144 locomotives • 828 passenger cars • 251 electric cars • 709 weekly trains operated • 96.3% on-time performance • 6.3 million riders per month (excluding 79% South Shore) <p><u>Other</u></p> <ul style="list-style-type: none"> • 1.5 billion passenger miles per year • 40 million vehicle miles per year 	<p><u>Fixed Route</u></p> <ul style="list-style-type: none"> • 157 regular routes • 55 feeder routes • 2 subscription routes • 22 shuttle routes • 579 vehicles in use during peak periods • 3.1 million riders per month <p><u>Paratransit</u></p> <ul style="list-style-type: none"> • 63 local services • 380 Pace owned lift-equipped buses in service • 216 communities served • 132 thousand riders per month <p><u>Other</u></p> <ul style="list-style-type: none"> • 596 vanpools in operation • 36.88 million riders for the year • 12 million passenger miles per year • 10 million vehicle miles per year

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

1996-2005
(In Millions)

SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS



Last Ten Years

(In Millions)

Service Consumed:	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CTA - Bus	303.3	288.8	291.7	300.2	303.3	303.1	304.8	293.7	296.2	305.6
CTA - Rail	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3	148.8	155.0
Total CTA	427.3	418.8	424.1	441.9	450.5	454.8	457.2	444.0	445.0	460.6
Metra	70.6	72.3	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0
Pace	37.5	37.9	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9
System Total	535.4	529.0	537.9	558.7	567.9	571.0	568.8	552.5	553.5	574.5
Percent Change	0.2%	(1.2%)	1.7%	3.9%	1.6%	0.5%	(0.4%)	(2.9%)	0.18%	3.79%

CTA Bus	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	303.3	289.2	291.7	300.2	303.3	303.1	303.6	293.7	296.2	305.6
CTA Rail	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3	148.8	155.0
Metra	70.6	72.3	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0
Pace	37.5	37.9	39.3	40.2	38.6	37.0	32.4	33.7	34.1	36.9

Source of data: Information obtained from RTA's records.