

CHICAGO TRANSIT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2009 and 2008
(With Independent Auditors' Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
December 31, 2009 and 2008

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Crowe Horwath LLP
Independent Member Crowe Horwath International

Independent Auditors' Report

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

We have audited the accompanying financial statements of the business-type and fiduciary activities of the Chicago Transit Authority (CTA) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the CTA's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the CTA's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CTA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type and fiduciary activities of the CTA as of December 31, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 5, 2010 on our consideration of the CTA's internal control over financial reporting and on 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 management's discussion and analysis on pages 3 through 14 and the schedules of funding progress and employer contributions on pages 70 through 74 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 audits for the years ended December 31, 2009 and 2008 were made for the purpose of forming opinions on the basic financial statements taken as a whole. The supplementary information included in the schedules of expenses and revenues – budget and actual for the years ended December 31, 2009 and 2008 on pages 75 and 76 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Crowe Horwath LLP

Chicago, Illinois
May 5, 2010

CHICAGO TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009 and 2008

Introduction

The following discussion and analysis of the financial performance and activity of the Chicago Transit Authority (CTA) provide an introduction and understanding of the basic financial statements of the CTA for the fiscal years ended December 31, 2009 and 2008. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2009

- *Net assets totaled \$1,347,413,000 at December 31, 2009.*
- *Net assets decreased \$120,094,000 in 2009, which compares to an increase of \$55,249,000 in 2008.*
- *Total net capital assets were \$4,159,447,000 at December 31, 2009, an increase of 3.50% over the balance at December 31, 2008 of \$4,018,650,000.*

Financial Highlights for 2008

- *Net assets totaled \$1,467,507,000 at December 31, 2008.*
- *Net assets increased \$55,249,000 in 2008, which compares to a decrease of \$331,265,000 in 2007.*
- *Total net capital assets were \$4,018,650,000 at December 31, 2008, an increase of 16.63% over the balance at December 31, 2007 of \$3,445,706,000.*

The Financial Statements

The basic financial statements provide information about the CTA's business-type activities and the Open Supplemental Retirement Fund (fiduciary activities). The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements for Business-Type Activities

The financial statements consist of the (1) balance sheet, (2) statement of revenues, expenses, and changes in net assets, (3) statement of cash flows, and (4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with U.S. generally accepted accounting principles.

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Balance Sheet

The balance sheet reports all financial and capital resources for the CTA (excluding fiduciary activities). The statement is presented in the format where assets equal liabilities plus net assets, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the balance sheet is to show a picture of the liquidity and health of the organization as of the end of the year.

The balance sheet (the unrestricted net assets) is designed to present the net available liquid (noncapital) assets, net of liabilities, for the entire CTA. Net assets are reported in three categories:

- *Net Assets Invested in Capital Assets, Net of Related Debt*—This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Assets*—This component of net assets consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.
- *Unrestricted Net Assets*—This component consists of net assets that do not meet the definition of net assets invested in capital assets, net of related debt, or restricted net assets.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets includes operating revenues, such as bus and rail passenger fares, rental fees received from concessionaires, and the fees collected from advertisements on CTA property; operating expenses, such as costs of operating the mass transit system, administrative expenses, and depreciation on capital assets; and nonoperating revenue and expenses, such as grant revenue, investment income, and interest expense. The focus of the statement of revenues, expenses, and changes in net assets is the change in net assets. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities. This statement also portrays the health of the CTA in that current cash flows are sufficient to pay current liabilities.

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Notes to Financial Statements

The notes to financial statements are an integral part of the basic financial statements and describe the significant accounting policies, related-party transactions, deposits and investments, capital assets, capital obligations, bonds payable, long-term liabilities, defined-benefit pension plans, derivative financial instruments, and the commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis of the CTA's Business-Type Activities

Balance Sheet

The following table reflects a condensed summary of assets, liabilities, and net assets of the CTA as of December 31, 2009, 2008, and 2007:

Table 1
Summary of Assets, Liabilities, and Net Assets
December 31, 2009, 2008, and 2007
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current assets	\$ 554,510	\$ 544,585	\$ 625,685
Capital Assets, net	4,159,447	4,018,650	3,445,705
Noncurrent assets	<u>1,928,852</u>	<u>2,289,199</u>	<u>1,827,183</u>
Total assets	<u>\$ 6,642,809</u>	<u>\$ 6,852,434</u>	<u>\$ 5,898,573</u>
Liabilities:			
Current liabilities	\$ 549,538	\$ 604,035	\$ 710,765
Long-term liabilities	<u>4,745,858</u>	<u>4,780,892</u>	<u>3,775,550</u>
Total liabilities	<u>5,295,396</u>	<u>5,384,927</u>	<u>4,486,315</u>
Net assets:			
Invested in capital assets, net of related debt	3,054,994	3,065,848	2,905,556
Restricted for payment of leasehold obligations	35,917	40,940	37,992
Restricted for debt service	44,802	40,034	32,233
Unrestricted (unrestricted)	<u>(1,788,300)</u>	<u>(1,679,315)</u>	<u>(1,563,523)</u>
Total net assets	<u>1,347,413</u>	<u>1,467,507</u>	<u>1,412,258</u>
Total liabilities and net assets	<u>\$ 6,642,809</u>	<u>\$ 6,852,434</u>	<u>\$ 5,898,573</u>

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Year Ended December 31, 2009

Current assets increased by 1.82% to \$554,509,000. The change in current assets is primarily due to an increase in cash and investments, partially offset by a decrease in receivables and inventory.

Capital assets (net) increased by 3.50% to \$4,159,447,000 due to the CTA's investment in capital improvement projects. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 15.74% to \$1,928,853,000 primarily due to a decrease in bond proceeds held by trustee. During 2009, bond proceeds were used to finance capital improvements. Additionally, proceeds from the pension obligation bonds were used during 2009 to fund debt service requirements.

Current liabilities decreased 9.02% to \$549,538,000 primarily due to a decrease in accounts payable and accrued expenses.

Long-term liabilities decreased 0.73% to \$4,745,858,000. The change in long-term liabilities is primarily due to a decrease in capital lease and bond payable obligations, offset by an increase in other long-term liabilities. The increase in other long-term liabilities reflects the loan payable to RTA for \$56.1 million.

Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net asset balances restricted for other purposes include amounts restricted for three distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments. The third restriction is for operating grants received from the RTA that are restricted for future operations and capital improvements.

Unrestricted net assets (deficit), which represent assets available for operations, decreased 6.49% over the prior year.

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Year Ended December 31, 2008

Current assets decreased by 12.96% to \$544,585,000. The change in current assets is primarily due to the decrease in cash and investments.

Capital assets (net) increased by 16.63% to \$4,018,650,000 due to the CTA's capital improvement projects. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets increased by 25.29% to \$2,289,199,000 primarily due to increased debt activity which resulted in an increase in bond proceeds at year end.

Current liabilities decreased 15.02% to \$604,035,000 primarily due to a decrease in the current portion of capital lease obligations.

Long-term liabilities increased 26.63% to \$4,780,892,000 due primarily to an increase in bonds payable. In 2008, CTA issued \$1,936,855,000 Sales and Transfer Tax Receipts Revenue Bonds to fund pension and retiree healthcare.

Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net asset balances restricted for other purposes include amounts restricted for three distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments. The third restriction is for operating grants received from the RTA that are restricted for future operations and capital improvements.

Unrestricted net assets (deficit), which represent assets available for operations, decreased 7.41% over the prior year.

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Statement of Revenues, Expenses, and Changes in Net Assets

The following table reflects a condensed summary of the revenues, expenses, and changes in net assets (in thousands) for the years ended December 31, 2009, 2008, and 2007:

Table 2
Condensed Summary of Revenues, Expenses, and Changes in Net Assets
Years ended December 31, 2009, 2008, and 2007
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 564,514	\$ 510,776	\$ 493,350
Operating expenses:			
Operating expenses	1,251,197	1,194,390	1,412,842
Depreciation	398,288	403,248	387,738
Total operating expenses	<u>1,649,485</u>	<u>1,597,638</u>	<u>1,800,580</u>
Operating loss	(1,084,971)	(1,086,862)	(1,307,230)
Nonoperating revenues/expenses, net	501,047	623,591	600,051
Capital contributions	463,830	518,520	375,914
Change in net assets	(120,094)	55,249	(331,265)
Total net assets, beginning of year	<u>1,467,507</u>	<u>1,412,258</u>	<u>1,743,523</u>
Total net assets, end of year	<u>\$ 1,347,413</u>	<u>\$ 1,467,507</u>	<u>\$ 1,412,258</u>

Year Ended December 31, 2009

Total operating revenues increased by \$53,738,000, or 10.52% primarily due to increases in farebox and pass revenue. Farebox and pass revenue increased approximately \$34,614,000 or 7.35% over the prior year primarily due to a fare increase that was implemented January 1, 2009. CTA's average fare increased from \$0.895 in 2008 to \$0.970 in 2009, an increase of approximately 8.4%. The increase in average fare was offset by a 1.0% decline in ridership from 2008 to 2009. CTA's ridership was negatively impacted by the national recession and increased unemployment.

In 2009, CTA provided approximately 74.1 million free rides, an increase of 18.0 million or 32.0% over 2008. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program.

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Total operating expenses increased \$51,847,000, or 3.25%. The increase is primarily driven by higher labor expense. Labor expense increased \$50,288,000 or 5.89% due to higher wages for union staff, as well as higher workers compensation, health insurance and pension costs. Materials expense decreased \$12,668,000 due to the replacement of buses well beyond their useful life and rehabilitation of older rail cars. Fuel expense increased \$8,705,000 due to unfavorable results from the fuel hedging program. In 2009, the average fuel price increased \$0.73 to \$4.55 per gallon. Electric power increased \$2,203,000 due to faster speeds on the rail system from the reduction of slow zones. The provision for injuries and damages increased by \$7,679,000 due to increased settlements over the prior year.

Year Ended December 31, 2008

Total operating revenues increased by \$17,426,000, or 3.53% primarily due to an increase in farebox and pass revenue. Farebox and pass revenue increased approximately \$13,800,000 or 3.0% over the prior year primarily due to an increase in ridership of 26.8 million rides or 5.4%. CTA's average fare decreased from \$0.915 in 2007 to \$0.895 in 2008. The decline in the average fare is due to riders continuing to transition from a per ride fare to an unlimited pass and due to the implementation of several free ride programs in 2008.

The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. CTA's free rides increased by 23.1 million trips over the prior year due to these new programs.

Total operating expenses decreased \$202,942,000, or 11.27%. The decrease is primarily driven by lower labor expense. Labor expense decreased \$258,651,000 or 23.3% due to the issuance of \$1.9 billion in pension obligation bonds to fund the retirement plan and post-employment healthcare. Materials expense increased \$16,390,000 due to increasing commodity prices, higher mileage and the aging life of the fleet. Fuel expense increased \$20,653,000 due to a higher average cost per gallon due to market driven forces. In 2008, the average fuel price increased \$1.00 to \$3.82 per gallon. Electric power increased \$7,301,000 due to higher contract rates. Other expense increased \$3,343,000 due to higher utilities and facilities maintenances costs. The provision for injuries and damages decreased by \$8,506,000 due to cost containment initiatives implemented by the CTA such as surveillance cameras and aggressive case management practices.

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Table 3, which follows, provides a comparison of amounts for these items:

Table 3
Operating Revenues and Expenses
Years ended December 31, 2009, 2008, and 2007
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues:			
Farebox revenue	\$ 266,987	\$ 250,994	\$ 253,987
Pass revenue	238,726	220,105	203,313
Total farebox and pass revenue	<u>505,713</u>	<u>471,099</u>	<u>457,300</u>
Advertising and concessions	30,215	27,661	23,164
Other revenue	28,586	12,016	12,886
Total operating revenues	<u>\$ 564,514</u>	<u>\$ 510,776</u>	<u>\$ 493,350</u>
Operating Expenses:			
Labor and fringe benefits	\$ 903,926	\$ 853,638	\$ 1,112,290
Materials and supplies	87,900	100,568	84,178
Fuel	100,539	91,834	71,181
Electric power	37,645	35,442	28,141
Purchase of security services	32,300	32,382	31,363
Other	73,490	72,808	69,465
Operating expense before provisions	1,235,800	1,186,672	1,396,618
Provision for injuries and damages	15,397	7,718	16,224
Provision for depreciation	398,288	403,248	387,738
Total operating expenses	<u>\$ 1,649,485</u>	<u>\$ 1,597,638</u>	<u>\$ 1,800,580</u>

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Capital Asset and Debt Administration

Capital Assets

The CTA invested \$8,756,986,000 (not adjusted for inflation) in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2009. Net of accumulated depreciation, the CTA's capital assets at December 31, 2009 totaled \$4,159,447,000 (see Table 4). This amount represents a net increase (including additions and disposals, net of depreciation) of \$140,797,000, or 3.5%, over the December 31, 2008 balance.

The CTA invested \$8,281,512,000 (not adjusted for inflation) in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2008. Net of accumulated depreciation, the CTA's capital assets at December 31, 2008 totaled \$4,018,650,000 (see Table 4). This amount represents a net increase (including additions and disposals, net of depreciation) of \$572,944,000, or 16.6%, over the December 31, 2007 balance of \$3,445,706,000.

Table 4
Capital Assets by Funding Source
December 31, 2009, 2008, and 2007
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Funding source:			
Federal (FTA)	\$ 5,848,838	\$ 5,404,290	\$ 4,766,864
State (principally IDOT)	605,111	601,976	570,408
RTA	1,822,519	1,803,146	1,736,990
CTA (generally prior to 1973)	124,854	124,854	124,854
Other	355,664	347,245	264,248
Total capital assets	<u>8,756,986</u>	<u>8,281,511</u>	<u>7,463,364</u>
Accumulated depreciation	4,597,539	4,262,861	4,017,658
Total capital assets, net	<u><u>\$ 4,159,447</u></u>	<u><u>\$ 4,018,650</u></u>	<u><u>\$ 3,445,706</u></u>

The year-over-year increase in capital assets resulted primarily from rolling stock purchases, overhauls of railcars and buses, and the infrastructure improvement projects identified in the 2009 portion of the Five-Year Capital Plan. Additional information on the capital assets can be found in footnote 6 of the audited financial statements.

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Debt Administration

Long-term debt includes capital lease obligations payable, accrued pension costs, bonds payable and certificates of participation.

At December 31, 2009, the CTA had \$1,750,162,000 in capital lease obligations outstanding, a 1.7% decrease from December 31, 2008. The bonds payable liability decreased \$28,715,000 over the prior year.

At December 31, 2008, the CTA had \$1,779,859,000 in capital lease obligations outstanding, a 2% increase from December 31, 2007 primarily due to a new bus lease. The net pension obligation and the other post-employment healthcare liability decreased by \$890,592,000 and \$659,729,000, respectively from the prior year due to the issuance of the 2008 Sales and Transfer Tax Receipts Revenue Bonds. These bonds were issued for the purpose of funding the retirement plan and the healthcare trust and are the primary cause for the increase in bonds payable of \$2,334,380,000. The bonds payable liability also increased due to the issuance of approximately \$425,000,000 of 2008 Capital Grant Receipts Revenue Bonds. In 2008, the CTA also issued Certificates of Participation (COPs) of \$78,430,000 to finance the acquisition of new buses.

Additional information on the debt activity can be found in footnotes 8, 9 and 10 of the audited financial statements.

Economic Factors and Next Year's Budget

The CTA Board adopted a 2010 annual operating budget on November 12, 2009, which includes a significant headcount reduction and a reduction of service, but no increase in fares. The budget was then submitted to the RTA and approved on December 17, 2009. The annual operating budget provides for total expenses of \$1,271,045,000, a decrease of less than 1% of the 2009 amended budget. In addition to lower public funding, the CTA is also faced with higher costs in several areas. In 2010, all of the CTA's union work force will receive an automatic 3.5% pay increase which adds \$24 million to the labor budget. Increases in required payments of the pension obligation bond interest will add \$79 million to expenses in 2010. To accommodate these increases, the operating budget assumes a reduction of 18% of the bus service and 9% of the rail service and use of capital preventative maintenance dollars to fill the remaining gap.

The CTA has been provided with a public funding mark of \$497.3 million for 2010, which is 8% lower than the 2009 amended budget. The marks are based on revenue from sales tax and from the City of Chicago's real estate transfer tax. Although there are signs in the broader economy that the nation may be pulling out of the deep recession that began in mid 2008, the outlook for 2010 continues to be pessimistic. Employment and consumer spending are the major factors that impact transit revenues in the Chicago region. Unemployment in the Chicago region is at a record level and is expected to remain so throughout much of 2010. Correspondingly, consumer

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spending and the housing market are expected to remain weak well in 2010 if not beyond. These are the same challenges that the CTA was facing in 2009, and is likely to endure in 2010.

In 2010, the system generated revenue is projected to be at \$600.7 million, this is \$931,000 (less the 1%) below the 2009 actual revenue of \$601.6 million. It is estimated that system generated revenues will remain static in 2010. This is primarily due to the significant service reduction and the current economic conditions. CTA is exploring all options in 2010 to increase system generated revenue in the upcoming years. Free ride policies (seniors, required by the State Legislature and disabled veterans and military personnel, required by the Chicago City Council) are estimated to reduced system generated revenue by \$30 million in 2010.

Recent Legislation

On January 18, 2008, Public Act 95-708 became law. This legislation provides funding for CTA operations, pension and retiree healthcare from four sources: 1) a 0.25 percent increase in the RTA sales tax in each of the six counties, 2) a \$1.50 per \$500 of transfer price increase in the City of Chicago's Real Property Transfer Tax, 3) an additional 5% state match on the real estate transfer tax and all sales tax receipts except for the replacement and use tax, and 4) a 25% state match on the new sales tax and real estate transfer tax. The proceeds from the increase in the RTA sales tax will be used to fund some existing programs such as ADA paratransit services, as well as some new initiatives such as the Suburban Community Mobility Fund and the Innovation, Coordination and Enhancement Fund. The balance of these additional proceeds along with the 5% state match on: existing, additional sales tax and real estate transfer tax; and the state 25% match on the new sales tax will be divided among the CTA (48%), Metra (39%) and Pace (13%) according to the statutory formula. On February 6, 2008, the Chicago City Council authorized an increase in the Real Property Transfer Tax in the amount of \$1.50 per \$500 of transfer price, the proceeds of which (after deducting costs associated with collection) will be entirely directed to the CTA. Additionally the state 25% match on the real estate transfer tax will be entirely directed to CTA as well.

Pursuant to Public Act 94-839, the CTA was required to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. This legislation also required the RTA to monitor the payment by the CTA of its required retirement system contributions. If the CTA's contributions were more than one month overdue, the RTA would pay the amount of the overdue contributions directly to the trustee of the CTA's retirement system out of moneys otherwise payable by the RTA to the CTA.

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust will be created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement

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that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue \$1.349 billion in pension obligation bonds to fund the Retirement Plan. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding.

Public Act 95-708 also addressed retiree healthcare. In addition to the separation between pension and healthcare that was mandated by Public Act 94-839, Public Act 95-708 provides funding and benefit changes to the retiree healthcare benefits. First, all CTA employees will be required to contribute 3% of their compensation into the new retiree healthcare trust. Second, all employees will be eligible for retiree healthcare, but after January 18, 2008, only those employees who retire at or after the age of 55 with 10 years of continuous service will actually receive the benefit. Third, retiree, dependent and survivor premiums can be raised up to 45% of the premium cost. Finally, the CTA has been given the authorization to issue \$640 million in pension obligation bonds to fund the healthcare trust.

The pension and retiree healthcare bonds were issued on August 6, 2008 and \$1.1 billion was deposited in the pension trust and \$528.8 million was deposited in the healthcare trust.

Contacting the CTA's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the CTA's finances and to demonstrate the CTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chicago Transit Authority's Finance Division, P.O. Box 7565, Chicago, IL 60680-7565.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Balance Sheets
December 31, 2009 and 2008
(In thousands of dollars)

Assets	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 59,542	\$ 61,672
Cash and cash equivalents restricted for damage reserve	85,090	5,894
Investments	<u>1,007</u>	<u>1,000</u>
Total cash, cash equivalents, and investments	<u>145,639</u>	<u>68,566</u>
Grants receivable:		
Due from the RTA	205,633	258,832
Capital improvement projects from federal and state sources	33	21,115
Unbilled work in progress	85,000	58,459
Other	<u>70</u>	<u>506</u>
Total grants receivable	<u>290,736</u>	<u>338,912</u>
Accounts receivable, net	19,443	29,762
Materials and supplies, net	92,805	102,919
Prepaid expenses and other assets	<u>5,887</u>	<u>4,426</u>
Total current assets	<u>554,510</u>	<u>544,585</u>
Noncurrent assets:		
Other noncurrent assets:		
Restricted assets for repayment of leasing commitments	1,588,822	1,613,435
Bond proceeds held by trustee	250,334	536,690
Assets held by trustee for supplemental retirement plan	216	206
Net pension asset supplemental retirement plan	20,301	15,576
Net pension asset employee's retirement plan	44,012	96,376
Bond issue costs	<u>25,167</u>	<u>26,916</u>
Total other noncurrent assets	<u>1,928,852</u>	<u>2,289,199</u>
Capital assets:		
Capital assets not being depreciated:		
Land	118,512	119,938
Construction in process	<u>561,279</u>	<u>904,892</u>
Total capital assets not being depreciated	<u>679,791</u>	<u>1,024,830</u>
Capital assets being depreciated:		
Land improvements	24,304	22,280
Buildings	2,199,614	1,911,175
Transportation vehicles	2,397,236	2,184,702
Elevated structures, tracks, tunnels, and power system	1,760,764	1,570,949
Signals	1,120,303	1,012,639
Other equipment	574,974	554,936
Less accumulated depreciation	<u>(4,597,539)</u>	<u>(4,262,861)</u>
Total capital assets being depreciated, net	<u>3,479,656</u>	<u>2,993,820</u>
Total capital assets, net	<u>4,159,447</u>	<u>4,018,650</u>
Total noncurrent assets	<u>6,088,299</u>	<u>6,307,849</u>
Total assets	<u>\$ 6,642,809</u>	<u>\$ 6,852,434</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Balance Sheets
December 31, 2009 and 2008
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 129,198	\$ 207,026
Accrued payroll, vacation pay, and related liabilities	90,717	95,456
Accrued interest payable	13,081	16,909
Advances, deposits, and other	1,581	2,508
Advances from RTA	8,451	10,949
Deferred passenger revenue	38,095	33,617
Other deferred revenue	2,507	2,211
Deferred operating assistance	30,583	25,215
Current portion of self-insurance claims	78,835	76,848
Current portion of capital lease obligations	108,573	99,688
Current portion of bonds payable	42,790	28,715
Current portion of certificates of participation	5,127	4,893
Total current liabilities	<u>549,538</u>	<u>604,035</u>
Long-term liabilities:		
Self-insurance claims, less current portion	124,609	120,018
Capital lease obligations, less current portion	1,641,589	1,680,171
Premium on capital lease obligation	5,061	5,387
Deferred revenue - leasing transactions	28,711	32,973
Bonds payable	2,751,760	2,794,550
Premium on bonds payable	48,277	54,146
Certificates of participation	66,887	72,015
Accrued pension costs (net pension obligation)	16,707	17,335
Other Post-Employment Healthcare Liability	1,666	434
Other long-term liabilities	60,591	3,863
Total long-term liabilities	<u>4,745,858</u>	<u>4,780,892</u>
Total liabilities	<u>5,295,396</u>	<u>5,384,927</u>
Net assets:		
Invested in capital assets, net of related debt	3,054,994	3,065,848
Restricted for payment of leasehold obligations	35,917	40,940
Restricted for debt service	44,802	40,034
Unrestricted (deficit)	<u>(1,788,300)</u>	<u>(1,679,315)</u>
Total net assets	<u>1,347,413</u>	<u>1,467,507</u>
Total liabilities and net assets	<u>\$ 6,642,809</u>	<u>\$ 6,852,434</u>

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Revenues, Expenses, and Changes in Net Assets
Years ended December 31, 2009 and 2008
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Fare box revenue	\$ 266,987	\$ 250,994
Pass revenue	<u>238,726</u>	<u>220,105</u>
Total fare box and pass revenue	505,713	471,099
Advertising and concessions	30,215	27,661
Other revenue	<u>28,586</u>	<u>12,016</u>
Total operating revenues	<u>564,514</u>	<u>510,776</u>
Operating expenses:		
Labor and fringe benefits	903,926	853,638
Materials and supplies	87,900	100,568
Fuel	100,539	91,834
Electric power	37,645	35,442
Purchase of security services	32,300	32,382
Maintenance and repairs, utilities, rent, and other	<u>73,490</u>	<u>72,808</u>
	1,235,800	1,186,672
Provisions for injuries and damages	15,397	7,718
Provision for depreciation	<u>398,288</u>	<u>403,248</u>
Total operating expenses	<u>1,649,485</u>	<u>1,597,638</u>
Operating expenses in excess of operating revenues	<u>(1,084,971)</u>	<u>(1,086,862)</u>
Nonoperating revenues (expenses):		
Public funding from the RTA	626,349	641,832
Reduced-fare subsidies	28,239	31,855
Operating grant revenue	2,521	795
Contributions from local government agencies	5,000	5,000
Investment income	1,971	9,330
Gain on sale of assets	100	350
Recognition of leasing transaction proceeds	4,262	4,262
Interest expense on bonds	(156,235)	(72,028)
Interest revenue from leasing transactions	105,692	118,962
Interest expense on leasing transactions	<u>(116,852)</u>	<u>(116,767)</u>
Total nonoperating revenues, net	<u>501,047</u>	<u>623,591</u>
Change in net assets before capital contributions	(583,924)	(463,271)
Capital contributions	<u>463,830</u>	<u>518,520</u>
Change in net assets	(120,094)	55,249
Total net assets – beginning of year	<u>1,467,507</u>	<u>1,412,258</u>
Total net assets – end of year	<u>\$ 1,347,413</u>	<u>\$ 1,467,507</u>

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2009 and 2008
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from fares	\$ 510,191	\$ 475,443
Payments to employees	(846,702)	(2,498,635)
Payments to suppliers	(376,187)	(315,122)
Other receipts	65,991	(18,896)
Net cash flows provided by (used in) operating activities	<u>(646,707)</u>	<u>(2,357,210)</u>
Cash flows from noncapital financing activities:		
Public funding from the RTA	684,916	471,422
Reduced-fare subsidies	28,239	31,855
Operating grant revenue	2,521	795
Contributions from local governmental agencies	5,000	5,000
Net cash flows provided by (used in) noncapital financing activities	<u>720,676</u>	<u>509,072</u>
Cash flows from capital and related financing activities:		
Interest income from assets restricted for payment of leasehold obligations	105,692	118,962
Interest expense on bonds	(164,183)	(62,519)
Decrease in restricted assets for repayment of leasing commitments	24,613	86,013
Repayment of lease obligations	(146,549)	(207,852)
Proceeds from capital leases	-	120,523
Proceeds from issuance of bonds	-	2,441,725
Proceeds from other long-term liabilities	56,728	(470)
Repayment of bonds payable	(33,609)	(28,997)
Payments for acquisition and construction of capital assets	(586,812)	(1,000,845)
Proceeds from the sale of property and equipment	100	350
Capital grants	458,807	603,624
Net cash flows provided by (used in) capital and related financing activities	<u>(285,213)</u>	<u>2,070,514</u>
Cash flows from investing activities:		
Purchases of unrestricted investments	(1,007)	(1,000)
Proceeds from maturity of unrestricted investments	1,000	900
Restricted cash and investment accounts:		
Purchases and withdrawals	(249,533)	(1,267,749)
Proceeds from maturities and deposits	535,879	843,548
Investment revenue	1,971	9,330
Net cash flows provided by (used in) investing activities	<u>288,310</u>	<u>(414,971)</u>
Net increase (decrease) in cash and cash equivalents	77,066	(192,595)
Cash and cash equivalents - beginning of year	<u>67,566</u>	<u>260,161</u>
Cash and cash equivalents - end of year	<u>\$ 144,632</u>	<u>\$ 67,566</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2009 and 2008
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>
Reconciliation of expenses in excess of operating revenue to net cash used in operating activities:		
Operating expenses in excess of operating revenue	\$ (1,084,971)	\$ (1,086,862)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash used in operating activities:		
Depreciation	398,288	403,248
(Increase) decrease in assets:		
Accounts receivable	10,319	(1,682)
Materials and supplies	10,114	(24,507)
Prepaid expenses and other assets	(1,461)	713
Net pension asset	47,639	(104,105)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(30,427)	59,155
Accrued payroll, vacation pay, and related liabilities	(4,739)	(4,170)
Self-insurance reserves	6,578	4,116
Deferred passenger revenue	4,478	4,344
Other deferred revenue	296	(494)
Advances, deposits, and other	(3,425)	(56,397)
Accrued pension costs and OPEB	604	(1,550,569)
Net cash flows used in operating activities	<u>\$ (646,707)</u>	<u>\$ (2,357,210)</u>
Noncash investing and financing activities:		
Recognition of leasing proceeds	\$ 4,262	\$ 4,262
Decrease in deferred revenue - leasing transactions	(4,262)	(4,262)
Accretion of interest on lease/leaseback obligations	116,852	116,767
Retirement of fully depreciated capital assets	65,073	158,265

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Fiduciary Net Assets
Open Supplemental Retirement Plan
December 31, 2009 and 2008
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>
Assets:		
Contributions from employees	\$ 188	\$ 30
Investments at fair value:		
Short-term investments	5,861	4,011
Government agencies	4,590	4,620
Common stock	21,782	8,590
Total investments at fair value	<u>32,233</u>	<u>17,221</u>
Receivables from primary government	-	5,000
Securities lending collateral	8,503	1,697
Total assets	<u>40,924</u>	<u>23,948</u>
Liabilities:		
Accounts payable and other liabilities	77	45
Securities lending collateral obligation	8,503	1,697
Total liabilities	<u>8,580</u>	<u>1,742</u>
Net assets held in trust for pension benefits (an unaudited schedule of funding progress is included on page 70)	<u>\$ 32,344</u>	<u>\$ 22,206</u>

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Changes in Fiduciary Net Assets
Open Supplemental Retirement Plan
Years ended December 31, 2009 and 2008
(In thousands of dollars)

	<u>2009</u>	<u>2008</u>
Additions:		
Contributions:		
Employee	\$ 2,011	\$ 394
Employer	<u>7,410</u>	<u>8,000</u>
Total contributions	<u>9,421</u>	<u>8,394</u>
Investment income:		
Net increase (decrease) in fair value of investments	2,499	(5,867)
Investment income	<u>187</u>	<u>1,005</u>
Total investment income	<u>2,686</u>	<u>(4,862)</u>
Total additions	<u>12,107</u>	<u>3,532</u>
Deductions:		
Benefits paid to participants or beneficiaries	1,696	606
Trust fees	<u>273</u>	<u>176</u>
Total deductions	<u>1,969</u>	<u>782</u>
Net increase	10,138	2,750
Net assets held in trust for pension benefits:		
Beginning of year	<u>22,206</u>	<u>19,456</u>
End of year	<u>\$ 32,344</u>	<u>\$ 22,206</u>

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - ORGANIZATION

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

The Regional Transportation Authority Act (the Act) provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board, the Regional Transportation Authority (RTA), and designated three service boards (CTA, Commuter Rail Board, and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least \$5,000,000 for public transportation, and that the CTA (collectively with the other service boards) finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis.

Financial Reporting Entity: As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a 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:

- 1) 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
- 2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the CTA has no component units and is not a component unit of any other entity.

The CTA participates in the Employees' Retirement Plan, which is a single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees. The Employees' Plan is governed by Illinois state statute (40 ILCS 5/22-101). The fund established to administer the Employees' Retirement Plan is not a fiduciary fund or a component unit of the CTA. This fund is a legal entity separate and distinct from the CTA. This fund is administered by its own oversight committee, of which the CTA appoints 5 of the 11 members, over which the CTA has no direct authority and assumes no fiduciary responsibility. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - ORGANIZATION (Continued)

The CTA administers supplemental retirement plans that are separate, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) board member plan, (2) closed supplemental plan for members retired or terminated from employment before March 2005, including early retirement incentive, and (3) open supplemental plan for members retiring or terminating after March 2005. The CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Open Supplemental Retirement Plan). The Open Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the closed and board plans are included in the financial statements of the CTA's business-type activities.

The CTA is not considered a component unit of the RTA because the CTA maintains separate management, exercises control over all operations, and is fiscally independent from the RTA. Because governing authority of the CTA is entrusted to the Chicago Transit Board, comprising four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois, the CTA is not financially accountable to the RTA and is not included as a component unit in the RTA's financial statements, but is combined in pro forma statements with the RTA, as statutorily required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The basic financial statements provide information about the CTA's business-type and fiduciary (Open Supplemental Retirement Plan) activities. Separate statements for each category – business-type and fiduciary – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations are provided; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The financial statements for the CTA's business-type activities are used to account for the CTA's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the CTA maintains its records on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the CTA are included in the balance sheet.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the CTA are bus and rail passenger fares. The CTA also recognizes as operating revenue the rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Operating expenses for the CTA include the costs of operating the mass transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the CTA receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the CTA on a reimbursement basis.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the CTA applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently.

The financial statements for the fiduciary activities are used to account for the assets held by the CTA in trust for the payment of future retirement benefits under the Open Supplemental Retirement Plan. The assets of the Open Supplemental Retirement Plan cannot be used to support CTA operations.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less.

Cash and Cash Equivalents restricted for damage reserve: The CTA maintained cash and investment balances to fund the annual injury and damage obligations that are required to be designated under provisions of Section 39 of the Metropolitan Transportation Authority Act.

Investments: Investments, including the supplemental retirement plan assets, are reported at fair value based on quoted market prices and valuations provided by external investment managers.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chapter 30, Paragraph 235/2 of the Illinois Compiled Statutes authorizes the CTA to invest in obligations of the United States Treasury and United States agencies, direct obligations of any bank, repurchase agreements, commercial paper rated within the highest classification set by two standard rating services, or money market mutual funds investing in obligations of the United States Treasury and United States agencies.

Other noncurrent assets: Other noncurrent assets include (a) cash and claims to cash that are restricted as to withdrawal or use for other than current operations, (b) resources that are designated for expenditure in the acquisition or construction of noncurrent assets, or (c) resources that are segregated for the liquidation of long-term debts.

Restricted assets for repayment of leasing commitments: The CTA entered into various lease/leaseback agreements in fiscal years 1995 through 2003. These agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the related capital assets to an equity investor trust, which would then lease the capital assets back to another trust established by the CTA under a separate lease. The CTA received certain funds as prepayment by the equity investor trust. These funds have been deposited in designated investment accounts sufficient to meet the payments required under the leases and are recorded as assets restricted for repayment of leasing commitments.

Bond proceeds held by trustee: In 2004, 2006 and 2008, the CTA issued Capital Grant Receipt Revenue Bonds. The proceeds from each sale were placed in trust accounts restricted for financing the costs of capital improvement projects associated with each issuance.

In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA. The proceeds from the sale were placed in trust accounts restricted for financing the costs of acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters. In 2006, the PBC issued refunding revenue bonds to refund all outstanding Series 2003 bonds.

Materials and Supplies: Materials and supplies are stated at the lower of average cost or market value and consist principally of maintenance, supplies, and repair parts.

Capital Assets: All capital assets are stated at cost. Capital assets are defined as assets which (1) have a useful life of more than one year and a unit cost of more than \$5,000, (2) have a unit cost of \$5,000 or less, but which are part of a network or system conversion, or (3) were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. Interest is capitalized on constructed capital assets. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized interest cost is amortized on the same basis as the related asset is depreciated. Capitalized interest expense was \$18,397,000 and \$13,813,000 during the years ended December 31, 2009 and 2008, respectively.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

	<u>Years</u>
Buildings	40
Elevated structures, tracks, tunnels, and power system	20-40
Transportation vehicles:	
Bus	12
Rail	25
Signals	10-20
Other equipment	3-10

A full month's depreciation is taken in the month after an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded.

The transportation system operated by the CTA includes certain facilities owned by others. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and other agreements.

Self-insurance: The CTA is self-insured for various risks of loss, including public liability and property damage, workers' compensation, and health benefit claims, as more fully described in note 13. A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using a case-by-case review and historical experience. A liability for claims incurred but not reported is also provided.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate or vest.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under GASB Statement No.16, Accounting for Compensated Absences, applicable salary-related employer obligations are accrued in addition to the compensated absences liability. This amount is recorded as a portion of the accrued payroll, vacation pay, and related liabilities on the balance sheets.

Bond Premiums and Issuance Cost: Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method.

Net Assets: Equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CTA's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Retirement Plan: The CTA has a retirement plan for all nontemporary, full-time employees with service greater than one year. Pension expense recorded by the CTA includes a provision for current service costs and the amortization of past service cost over a period of approximately 30 years.

Fare Box and Pass Revenues: Fare box and pass revenues are recorded as revenue at the time services are performed.

Classification of Revenues: The CTA has classified its revenues as either operating or nonoperating. Operating revenues include activities that have the characteristics of exchange transactions, including bus and rail passenger fares, rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as federal, state, and local grants and contracts.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unbilled Work In Progress: Unbilled Work in Progress represents grant expense that has not been billed to the funding agencies as of year end. This would include contract retentions, accruals and expenditures for which, due to requisitioning restrictions of the agencies or the timing of the expenditures, reimbursement is requested in a subsequent period.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications: Certain amounts from the prior year have been reclassified to conform to the current year presentation. The reclassifications had no effect on net assets or change in net assets.

New Pronouncements: In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. It defines an intangible asset's required characteristics, and generally requires that they be treated as capital assets. Statement 51 is effective for the Authority's fiscal year ending December 31, 2010. The Authority is currently evaluating the impact of adopting Statement No. 51.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. Statement 53 is effective for the Authority's fiscal year ending December 31, 2010. The Authority is currently evaluating the impact of adopting Statement No. 53.

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with generally accepted accounting principles, except for the exclusion of certain income and expenses. For 2009 and 2008, these amounts include provision for injuries and damage in excess of (or under) budget, depreciation expense, pension expense in excess of pension contributions, actuarial adjustments, revenue from leasing transactions, interest income and expense from sale/leaseback transactions, and capital contributions.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING (Continued)

The Act requires that expenditures for operations and maintenance in excess of budget cannot be made without approval of the Chicago Transit Board. All annual appropriations lapse at fiscal year-end. The RTA, in accordance with the RTA Act, has approved for budgetary basis presentation the CTA's recognition of the amount of the injury and damage reserve and pension contribution, funded by the RTA in the approved annual budget. Provisions in excess of the approved annual budget that are unfunded are excluded from the recovery ratio calculation.

Prior to 2009, the RTA funded the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenue. Under this funding policy favorable variances from budget remain as deferred operating assistance to the CTA, and can be used in future years with RTA approval. At the end of 2009, the RTA changed the funding policy to reflect actual collections rather than the budgeted funding marks. This new policy fixes the risks of shortfalls or gains from actual collections to the respective service boards.

The RTA approves the proposed budget based on a number of criteria:

- That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies and the costs of providing services and funding operating deficits;
- That the budget provides for sufficient cash balances to pay, with reasonable promptness, costs and expenses when due;
- That the budget provides for the CTA to meet its required system-generated revenue recovery ratio; and
- That the budget is reasonable, prepared in accordance with sound financial practices and complies with such other RTA requirements as the RTA Board of Directors may establish.

The RTA monitors the CTA's performance against the budget on a quarterly basis. If, in the judgment of the RTA, this performance is not substantially in accordance with the CTA's budget for such period, the RTA shall so advise the CTA and the CTA must, within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements listed above.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - BUDGETED PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY AND THE STATE OF ILLINOIS

Most of the CTA's public funding for operating and capital needs is funneled through the RTA. The RTA allocates funds to the service boards based on a formula included in the 1983 Regional Transportation Authority Act and the 2008 Legislation (P.A. 95-0708) approved by Illinois lawmakers to provide increased operating funds to the Northeastern Illinois Transit System. Other funds are allocated based on the RTA's discretion.

The funding "marks" represent the amount of funds that each Service Board can expect to receive from the RTA and other sources. During 2009 and 2008, the RTA amended the funding marks and directed the CTA to amend the budget.

The components of the budgeted operating funding from the RTA were as follows (in thousands of dollars):

		<u>2009</u>	<u>2008</u>
1983 Legislation	Illinois state sales tax allocation	\$ 257,749	\$ 303,341
1983 Legislation	RTA discretionary funding and other	89,086	198,059
2008 Legislation	Illinois state sales tax allocation & PTF	118,409	57,432
2008 Legislation	Real Estate Transfer Tax	20,000	63,000
Other	RTA Working cash borrowing	56,147	-
	Subtotal	<u>541,391</u>	<u>621,832</u>
RTA provision	Capital - preventative maintenance	128,574	20,000
RTA provision	Prior year positive balance	-	20,000
	Total Budgeted Funding	<u>669,965</u>	<u>661,832</u>
Other	Actual receipts in excess of budget	15,331	-
	Final Public Funding	<u>\$ 685,296</u>	<u>\$ 661,832</u>

During 2009, the RTA authorized a working cash borrowing in order to address the cash flow needs of the service boards. CTA received approximately \$56,147,000 as a result of this borrowing which is shown as a long term liability in the financial statements. The borrowing is projected to be repaid interest free in 2011.

Reduced-fare subsidies received from the State of Illinois were \$28,239,000 and \$31,855,000 during the years ended December 31, 2009 and 2008, respectively, for discounted services provided to the elderly, disabled, or student riders.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments of the Business-type Activities: Cash, cash equivalents, and investments are reported in the balance sheets of the business-type activities as follows as of December 31, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 59,542	\$ 61,672
Restricted for injury and damage reserve	85,090	5,894
Investments	1,007	1,000
Noncurrent assets:		
Bond proceeds held by trustee	250,334	536,690
Cash for supplemental retirement plan	216	206
Total	<u>\$ 396,189</u>	<u>\$ 605,462</u>

Cash, cash equivalents, and investments of the business-type activities consist of the following as of December 31, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Investments:		
Certificates of deposit	\$ 4,029	\$ 4,029
Money market mutual funds	220,467	211,313
Repurchase agreements	-	23,900
U.S. government agencies	79,019	250,221
U.S. Treasury bills	20,811	90,801
Commercial paper	56,947	19,816
Total Investments	<u>381,273</u>	<u>600,080</u>
Deposits with financial institutions	<u>14,916</u>	<u>5,382</u>
Total deposits and investments	<u>\$ 396,189</u>	<u>\$ 605,462</u>

Investment Policy: CTA investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and, as required under the Act, the Chicago Transit Authority Investment Policy (the Investment Policy). The Investment Policy does not apply to the Employees Retirement Plan, which is a separate legal entity. Additionally, the CTA Investment Policy does not apply to the Supplemental Retirement Plan, which is directed by the Employee Retirement Review Committee.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

In accordance with the Act and the Investment Policy, CTA invests in the following types of securities:

1. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). CTA may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. United States Agencies. CTA may invest, bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.
3. Bank Deposits. CTA may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC).
4. Commercial Paper. CTA may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding \$500 million, provided that: (a) such obligations are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than 180 days from the date of purchase; and (b) such purchases do not exceed 10% of the corporation's outstanding obligations.
5. Mutual Funds. CTA may invest in mutual funds which invest exclusively in United States government obligations and agencies.
6. Discount Obligations. CTA may invest in short-term discount obligations of the Federal National Mortgage Association.
7. Investment Pool. CTA may invest in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
8. Repurchase Agreements. CTA may invest in repurchase agreements for securities that are authorized investments under the Investment Policy, subject to all of the requirements of the Act, provided that: (a) the securities shall be held by an authorized custodial bank; and (b) each transaction must be entered into under terms of an authorized master repurchase agreement.
9. Investment Certificates. CTA may invest in investment certificates issued by FDIC-insured savings banks or FDIC-insured savings and loan associations.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the CTA's deposits may not be returned. The CTA's investment policy requires that deposits which exceed the amount insured by the FDIC be collateralized, at the rate of 102% of such deposits, by bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the U.S. government. As of December 31, 2009 and 2008, the CTA's bank balances were fully insured or collateralized.

Interest Rate Risk: Interest rate risk is the risk that the fair value of the CTA's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Investment Policy limits the term of investments as follows:

Instrument type	Term of investment
U.S. treasuries	3 years
Repurchase agreements	330 days
Certificates of deposit	365 days
Commercial paper	180 days
U.S. Government obligations	3 years
Federal National Mortgage Assn.	3 years
Mutual funds	n.a.
Investment pool	n.a.

As of December 31, 2009, the maturities for the CTA's fixed-income investments are as follows (in thousands):

	Fair value	Investment maturities (by years)	
		Less than 1	1-5
Money market mutual funds	\$ 220,467	\$ 220,467	\$ -
U.S. government agencies	79,019	79,019	-
U.S. treasury bills	20,811	20,811	-
Commercial paper	56,947	56,947	-
Total	\$ 377,244	\$ 377,244	\$ -

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2008, the maturities for the CTA's fixed-income investments are as follows (in thousands):

	Fair value	Investment maturities (by years)	
		Less than 1	1-5
Money market mutual funds	\$ 211,313	\$ 211,313	\$ -
Repurchase agreements	23,900	23,900	-
U.S. government agencies	250,221	250,221	-
U.S. treasury bills	90,801	90,801	-
Commercial paper	19,816	19,816	-
Total	\$ 596,051	\$ 596,051	\$ -

Credit Risk: Credit risk is the risk that the CTA will not recover its investments due to the failure of the counterparty to fulfill its obligation. As of December 31, 2009, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands):

	Fair value	Credit ratings			
		A1P1 or AAA	A2P2 or AA	A3P3 or A	Not rated
Money market mutual funds	\$220,467	\$ -	\$ -	\$ -	\$220,467
U.S. government agencies	79,019	14,013	-	-	65,006
U.S. treasury bills	20,811	20,811	-	-	-
Commercial paper	56,947	56,947	-	-	-
Total	\$377,244	\$ 91,771	\$ -	\$ -	\$285,473

As of December 31, 2008, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands):

	Fair value	Credit ratings			
		A1P1 or AAA	A2P2 or AA	A3P3 or A	Not rated
Money market mutual funds	\$211,313	\$ -	\$ -	\$ -	\$211,313
Repurchase agreements	23,900	23,900	-	-	-
U.S. government agencies	250,221	13,026	-	-	237,195
U.S. treasury bills	90,801	90,801	-	-	-
Commercial paper	19,816	19,816	-	-	-
Total	\$596,051	\$147,543	\$ -	\$ -	\$448,508

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

In addition, the Investment Policy requires that whenever funds are deposited in a financial institution in an amount which causes the total amount of the Authority's funds deposited with such institution to exceed the amount which is protected by the FDIC, all deposits which exceed the amount insured be collateralized, at the rate of 102% of such deposit, by: bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest or, at the rate of 110% of such deposit, by: bonds, notes, debentures, or other similar obligations of agencies of the United States of America.

Custodial Credit Risk - Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the CTA will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

Concentration of Credit Risk: The CTA places no limit on the amount the CTA may invest in any one issuer. As of December 31, 2009, more than 5 percent of the CTA's investments are in Giro Balanced Funding Corporation commercial paper, Three Pillars Funding, LLC commercial paper, and the Federal Home Loan Bank. These investments are 7.40%, 5.97% and 16.79%, respectively, of the CTA's total investments. As of December 31, 2008, more than 5 percent of the CTA's investments are in the Federal Home Loan Bank and the Federal National Mortgage Association. These investments are 22.52%, and 17.02%, respectively, of the CTA's total investments.

Cash, Cash Equivalents, and Investments of the Fiduciary Activities: Cash, cash equivalents, and investments are reported in the Fiduciary Fund as follows as of December 31, 2009 and 2008 (in thousands):

	2009	2008
Investments, at fair value:		
Short-term investments	\$ 5,861	\$ 4,011
Government agency commingled funds	4,590	4,620
Common stock	21,782	8,590
Total	\$ 32,233	\$ 17,221

Investment Policy: The Employee Retirement Review Committee has been appointed as the fiduciary having responsibility for administering the Open Supplemental Retirement Plan, including the responsibility for allocating the assets of the trust fund among the separate accounts, for monitoring the diversification of the investments of the trust fund, for determining the propriety of investments of the trust fund in foreign securities and of maintaining the

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

custody of foreign investments abroad, for assuring that the plan does not violate any provisions of applicable law limiting the acquisition or holding of certain securities or other property, and for the appointment and removal of an investment fiduciary. The Open Supplemental Retirement Plan is a qualified plan that is not subject to the Public Funds Investment Act.

In March 2005 the Employee Retirement Review Committee engaged a registered investment adviser under the Investment Advisers Act of 1940. The investment adviser is authorized to invest and reinvest the assets of the Open Supplemental Retirement Plan and keep the same invested, without distinction between principal and income, in any property, real, personal or mixed or share or part thereof, or part interest thereof, or part interest therein, wherever situated, and whether or not productive of income, including: capital, common and preferred stock, and short-term investments.

Interest Rate Risk: Interest rate risk is the risk that the fair value of the Open Supplemental Retirement Plan investments will decrease as a result of an increase in interest rates. The Employee Retirement Review Committee mitigates exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

<u>Asset class</u>	<u>Allocation</u>
U.S. large cap equities	55.00%
U.S. small cap equities	10.00
Non-U.S. equities	10.00
U.S. fixed income	25.00
	<u>100.00%</u>

As of December 31, 2009, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	<u>Fair value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
Short-term investment funds	\$ 5,861	\$ 5,861	\$ -
U.S. government agency commingled funds	4,590	4,590	-
Total	<u>\$ 10,451</u>	<u>\$ 10,451</u>	<u>\$ -</u>

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2008, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	Fair value	Investment Maturities (in years)	
		Less than 1	1 - 5
Short-term investment funds	\$ 4,011	\$ 4,011	\$ -
U.S. government agency commingled funds	4,620	4,620	-
Total	<u>\$ 8,631</u>	<u>\$ 8,631</u>	<u>\$ -</u>

Credit Risk: Credit risk is the risk that the Open Supplemental Retirement Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation.

As of December 31, 2009, the Plan had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands):

	Fair value	Credit ratings	
		Government Secured	Not Rated
Short-term investment funds	\$ 5,861	\$ -	\$ 5,861
U.S. government agency commingled funds	4,590	4,590	-
Total	<u>\$ 10,451</u>	<u>\$ 4,590</u>	<u>\$ 5,861</u>

As of December 31, 2008, the Plan had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands):

	Fair value	Credit ratings	
		Government Secured	Not Rated
Short-term investment funds	\$ 4,011	\$ -	\$ 4,011
U.S. government agency commingled funds	4,620	4,620	-
Total	<u>\$ 8,631</u>	<u>\$ 4,620</u>	<u>\$ 4,011</u>

Custodial Credit Risk - Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Open Supplemental Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The investment securities are held in trust pursuant to a written trust agreement.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Plan's foreign currency risk is limited to its investments in an international equity commingled fund with a fair value of \$1,668,000 and \$1,136,000 as of December 31, 2009 and 2008, respectively.

Securities Lending: The Open Supplemental Plan of the CTA participates in a domestic and international securities lending program whereby securities are loaned to investment brokers/dealers (borrower). Securities loaned are collateralized at 102% of the domestic equity and US dollar-denominated securities that can be loaned and not less than 105% of the borrowed securities if they are denominated in different currencies. The fair value of the securities loaned was approximately \$8,250,000 and \$1,693,000 as of December 31, 2009 and 2008, respectively. The fair value of the associated collateral received was approximately \$8,503,000 and \$1,697,000 as of December 31, 2009 and 2008, respectively.

NOTE 6 - CAPITAL ASSETS

The CTA has capital grant contracts with federal, state, and regional agencies, including the U.S. Department of Transportation, Federal Transit Administration (FTA), the State of Illinois Department of Transportation (IDOT), established under the Transportation Bond Act, and the RTA. Under these contracts, the CTA has acquired rapid-transit cars, buses, and equipment and is constructing, renewing, and improving various portions of track structures and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of the federal projects, with the balance of the cost being financed principally by IDOT, the RTA, and CTA bonds. Commitments of approximately \$255,008,000 and \$263,708,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2009 and 2008, respectively.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA, IDOT, or CTA bonds. Commitments of approximately \$125,620,000 and \$120,809,000 have been entered into for these state and local capital grants as of December 31, 2009 and 2008, respectively.

Funding sources for transportation property and equipment of the CTA are as follows as of December 31, 2009 and 2008 (in thousands of dollars):

	2009	2008
Funding source:		
Federal (FTA)	\$ 5,848,838	\$ 5,404,290
State (principally IDOT)	605,111	601,976
RTA	1,822,519	1,803,146
CTA (generally prior to 1973)	124,854	124,854
Other	355,664	347,245
Total	\$ 8,756,986	\$ 8,281,511

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2009 are as follows (in thousands of dollars):

	Balance at January 1, 2009	Increase	Decrease	Balance at December 31, 2009
Capital assets not being depreciated:				
Land	\$ 119,938	\$ 48	\$ (1,474)	\$ 118,512
Construction in process	904,892	540,547	(884,160)	561,279
Total capital assets not being depreciated	<u>1,024,830</u>	<u>540,595</u>	<u>(885,634)</u>	<u>679,791</u>
Capital assets being depreciated:				
Land improvements	22,280	2,024	-	24,304
Buildings	1,911,175	290,233	(1,794)	2,199,614
Vehicles	2,184,702	266,011	(53,477)	2,397,236
Elevated structure track	1,570,949	190,099	(284)	1,760,764
Signal and communication	1,012,639	108,391	(727)	1,120,303
Other equipment	554,936	27,369	(7,331)	574,974
Total capital assets being depreciated	<u>7,256,681</u>	<u>884,127</u>	<u>(63,613)</u>	<u>8,077,195</u>
Less accumulated depreciation for:				
Land improvements	15,045	2,274	-	17,319
Buildings	810,779	80,374	(1,794)	889,359
Vehicles	1,515,658	153,323	(53,477)	1,615,504
Elevated structure track	924,573	63,456	(284)	987,745
Signal and communication	559,757	58,559	(727)	617,589
Other equipment	437,049	40,302	(7,328)	470,023
Total accumulated depreciation	<u>4,262,861</u>	<u>398,288</u>	<u>(63,610)</u>	<u>4,597,539</u>
Total capital assets being depreciated, net	<u>2,993,820</u>	<u>485,839</u>	<u>(3)</u>	<u>3,479,656</u>
Total capital assets, net	<u>\$ 4,018,650</u>	<u>\$ 1,026,434</u>	<u>\$ (885,637)</u>	<u>\$ 4,159,447</u>

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Balance at January 1, 2008	Increase	Decrease	Balance at December 31, 2008
Capital assets not being depreciated:				
Land	\$ 119,257	\$ 689	\$ (8)	\$ 119,938
Construction in process	666,046	1,079,165	(840,319)	904,892
Total capital assets not being depreciated	<u>785,303</u>	<u>1,079,854</u>	<u>(840,327)</u>	<u>1,024,830</u>
Capital assets being depreciated:				
Land improvements	20,954	1,326	-	22,280
Buildings	1,734,898	177,235	(958)	1,911,175
Vehicles	2,068,102	252,327	(135,727)	2,184,702
Elevated structure track	1,462,301	108,893	(245)	1,570,949
Signal and communication	864,781	151,884	(4,026)	1,012,639
Other equipment	527,025	51,582	(23,671)	554,936
Total capital assets being depreciated	<u>6,678,061</u>	<u>743,247</u>	<u>(164,627)</u>	<u>7,256,681</u>
Less accumulated depreciation for:				
Land improvements	13,264	1,781	-	15,045
Buildings	735,373	76,364	(958)	810,779
Vehicles	1,476,248	175,089	(135,679)	1,515,658
Elevated structure track	859,878	64,940	(245)	924,573
Signal and communication	513,134	50,650	(4,027)	559,757
Other equipment	419,761	34,424	(17,136)	437,049
Total accumulated depreciation	<u>4,017,658</u>	<u>403,248</u>	<u>(158,045)</u>	<u>4,262,861</u>
Total capital assets being depreciated, net	<u>2,660,403</u>	<u>339,999</u>	<u>(6,582)</u>	<u>2,993,820</u>
Total capital assets, net	<u>\$ 3,445,706</u>	<u>\$ 1,419,853</u>	<u>\$ (846,909)</u>	<u>\$ 4,018,650</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2009 are as follows (in thousands of dollars):

	Balance at January 1, 2009	Additions	Reductions	Balance at December 31, 2009	Amount due within one year
Self insurance claims (note 13)	\$ 196,866	\$ 253,756	\$ (247,178)	\$ 203,444	\$ 78,835
Capital lease obligations (note 8)	1,779,859	108,310	(138,007)	1,750,162	108,573
Premium on capital lease obligation	5,387	-	(326)	5,061	-
Deferred revenue - leasing transactions (note 8)	32,973	-	(4,262)	28,711	-
Bonds payable (note 9)	2,823,265	-	(28,715)	2,794,550	42,790
Certificates of Participation (note 10)	76,908	-	(4,894)	72,014	5,127
Premium on bonds payable	54,146	-	(5,869)	48,277	-
Accrued pension costs (note 11):					
Supplemental Retirement Plans	17,335	-	(628)	16,707	-
Other Postemployment healthcare (note 12)	434	1,232	-	1,666	-
Other:					
RTA working cash borrowing (note 4)	-	56,147	-	56,147	-
Other	3,863	855	(274)	4,444	-
Total	<u>\$ 4,991,036</u>	<u>\$ 420,300</u>	<u>\$ (430,153)</u>	<u>\$ 4,981,183</u>	<u>\$ 235,325</u>

Changes in long-term obligations for the year ended December 31, 2008 are as follows (in thousands of dollars):

	Balance at January 1, 2008	Additions	Reductions	Balance at December 31, 2008	Amount due within one year
Self insurance claims (note 13)	\$ 192,750	\$ 260,829	\$ (256,713)	\$ 196,866	\$ 76,848
Capital lease obligations (note 8)	1,750,421	236,538	(207,100)	1,779,859	99,688
Premium on capital lease obligation	5,721	-	(334)	5,387	-
Deferred revenue - leasing transactions (note 8)	37,235	-	(4,262)	32,973	-
Bonds payable (note 9)	488,885	2,361,855	(27,475)	2,823,265	28,715
Certificates of Participation (note 10)	-	78,430	(1,522)	76,908	4,893
Premium on bonds payable	36,902	22,398	(5,154)	54,146	-
Accrued pension costs (note 11):					
Employees Retirement Plan	890,592	-	(890,592)	-	-
Supplemental Retirement Plans	18,017	-	(682)	17,335	-
Other Postemployment healthcare (note 12)	659,729	212	(659,507)	434	-
Other	4,333	-	(470)	3,863	-
Total	<u>\$ 4,084,585</u>	<u>\$ 2,960,262</u>	<u>\$ (2,053,811)</u>	<u>\$ 4,991,036</u>	<u>\$ 210,144</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - CAPITAL LEASE OBLIGATIONS

Capital Lease - 2008 Bus Lease: During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty foot New Flyer articulated hybrid buses and certain related parts and equipment at an estimated aggregate cost of \$120,522,624. The terms of the agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year, beginning on December 1, 2008. The present value of the future payments to be made by the CTA under the lease of approximately \$111,964,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

Capital Lease - Public Building Commission: In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of \$119,020,000. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters.

On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of \$91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was \$111,120,000.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to an including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased annual debt service payments over the next 27 years by approximately \$388,000, resulting in an economic gain of approximately \$20,404,000. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of \$2,395,000. This amount is recorded as a component of long-term debt in the accompanying balance sheets.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

The bonds are payable from and secured by the lease entered into between the Commission and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. Bond issue costs and premium related to this transaction are presented as such on the balance sheets. The present value of the future payments to be made by the CTA under the lease of approximately \$85,295,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

Capital Lease - Lease and Leaseback Transactions: In 2003, CTA entered into a lease and leaseback agreement with a third party pertaining to certain buses, with a book value of \$14,846,000 at December 31, 2009. Under the bus lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately \$16,112,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

During 2002, CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of \$22,828,000 at December 31, 2009. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately \$117,236,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

During 2002, CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of \$9,668,000 at December 31, 2009. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately \$85,922,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

During 1998, the CTA entered into a lease and leaseback agreement (the 1998 Agreement) with a third party pertaining to a rail line (green line), with a book value of \$235,065,000 at December 31, 2009. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (the 1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1998 Lease). The present value of the future payments to be made by the CTA under the lease of approximately \$201,316,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

During 1997, the CTA entered into four lease and leaseback agreements (the 1997 Agreements) with a third party pertaining to certain of its facilities having a book value of \$48,113,000 at December 31, 2009. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (the Leases). The CTA received certain funds as prepayment by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due by the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the leases (net of the payment due from the Equity Trust in 2023 and 2024) of approximately \$37,531,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of \$11,900,000. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease and leaseback agreements (the 1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of \$49,428,000 at December 31, 2009. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the 1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately \$37,581,000 is reflected in the accompanying December 31, 2009 balance sheet as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of \$10,900,000 and agreed to make approximately \$80,000,000 of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

During 1995, the CTA entered into sale/leaseback agreements (the 1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling \$487,100,000 at cost for a period of nineteen years beginning on the date of the respective transaction. At December 31, 2009, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling \$1,057,205,000. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2009 are as follows (in thousands of dollars):

2009	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	\$ 15,557	\$ 555	\$ -	\$ 16,112	\$ 555	\$ -
2002 (Buses)	111,611	5,625	-	117,236	5,625	1,514
2002 (QTE)	80,793	5,129	-	85,922	5,129	-
1998 (Green)	251,355	14,164	(64,203)	201,316	14,164	32,813
1997 (Garages)	34,906	2,625	-	37,531	2,625	-
1996 (Skokie/Racine)	35,008	2,573	-	37,581	2,573	-
1995 (Pickle)	1,043,264	77,639	(63,698)	1,057,205	77,639	63,698
Total lease/leasebacks	1,572,494	108,310	(127,901)	1,552,903	108,310	98,025
2006 PBC lease	87,175	-	(1,880)	85,295	4,310	1,955
2008 Bus Lease	120,190	-	(8,226)	111,964	5,210	8,593
Total capital lease obligation	<u>\$ 1,779,859</u>	<u>\$ 108,310</u>	<u>\$ (138,007)</u>	<u>\$ 1,750,162</u>	<u>\$ 117,830</u>	<u>\$ 108,573</u>

* Additions include accretion of interest.

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

2008	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	\$ 15,022	\$ 535	\$ -	\$ 15,557	\$ 535	\$ -
2002 (Buses)	106,255	5,356	-	111,611	5,356	-
2002 (QTE)	173,733	10,154	(103,094)	80,793	10,154	-
1998 (Green)	271,031	18,508	(38,184)	251,355	18,508	25,885
1997 (Garages)	32,464	2,442	-	34,906	2,442	-
1996 (Skokie/Racine)	32,611	2,397	-	35,008	2,397	-
1995 (Pickle)	1,030,340	76,622	(63,698)	1,043,264	75,680	63,698
Total lease/leasebacks	1,661,456	116,014	(204,976)	1,572,494	115,072	89,583
2006 PBC lease	88,965	-	(1,790)	87,175	4,384	1,880
2008 Bus Lease	-	120,523	(333)	120,190	1,631	8,225
Total capital lease obligation	<u>\$ 1,750,421</u>	<u>\$ 236,537</u>	<u>\$ (207,099)</u>	<u>\$ 1,779,859</u>	<u>\$ 121,087</u>	<u>\$ 99,688</u>

* Additions include accretion of interest.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Future Minimum Lease Payments: As of December 31, 2009, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2010	\$ 108,574
2011	99,035
2012	98,312
2013	178,440
2014	170,612
2015 - 2019	1,525,180
2020 - 2024	393,328
2025 - 2029	22,060
2030 - 2034	<u>22,330</u>
Total minimum lease payments	2,617,871
Less interest	<u>867,709</u>
	<u>\$ 1,750,162</u>

NOTE 9 - BONDS PAYABLE

2004 Series Capital Grant Receipts Revenue Bonds: On October 20, 2004, the CTA issued Capital Grant Receipts Revenue Bonds, "2004 Project," in the amount of \$250,000,000, along with a premium of \$26,713,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for prior expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2004 Project."

The Series 2004 bonds bear interest ranging from 3.60% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2006 through June 1, 2016.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 21,295	\$ 8,493	\$ 29,788
2011	22,390	7,368	29,758
2012	23,545	6,173	29,718
2013	24,780	4,905	29,685
2014	26,085	3,602	29,687
2015	27,385	2,232	29,617
2016	28,820	757	29,577
Total	<u>\$ 174,300</u>	<u>\$ 33,530</u>	<u>\$ 207,830</u>

2006 Series Capital Grant Receipts Revenue Bonds: On November 1, 2006, the CTA issued Capital Grant Receipts Revenue Bonds, "2006 Project," in the amount of \$275,000,000, along with a premium of \$19,652,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2006 Project."

The Series 2006 bonds bear interest ranging from 4.0% to 5.0%. Scheduled interest on the 2006 bonds will be funded through June 1, 2007 with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2008 through June 1, 2021.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,800	\$ 12,559	\$ 21,359
2011	9,155	12,207	21,362
2012	9,520	11,841	21,361
2013	9,900	11,460	21,360
2014	10,395	10,965	21,360
2015	10,915	10,445	21,360
2016	11,465	9,900	21,365
2017	34,070	9,412	43,482
2018	35,770	7,709	43,479
2019	37,560	5,920	43,480
2020	39,435	4,042	43,477
2021	41,410	2,071	43,481
Total	<u>\$ 258,395</u>	<u>\$ 108,531</u>	<u>\$ 366,926</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 - BONDS PAYABLE (Continued)

2008 (5309) and 2008A (5307) Series Capital Grant Receipts Revenue Bonds: On April 16, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, "2008 Project," in the amount of \$250,000,000, along with a premium of \$18,637,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2008 Project." The Federal Transit Administration's section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation. The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

The Series 2008 (5309) and 2008A (5307) bonds bear interest ranging from 3.5% to 5.25%. Scheduled interest on the 2008 bonds was funded through December 1, 2008 with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2009 through June 1, 2026.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2008 (5309) Principal	2008 (5309) Interest	2008A (5307) Principal	2008A (5307) Interest	Total Principal	Total Interest
2010	\$ 5,990	\$ 7,304	\$ -	\$ 5,250	\$ 5,990	\$ 12,554
2011	6,240	7,068	-	5,250	6,240	12,318
2012	6,460	6,813	-	5,250	6,460	12,063
2013	6,750	6,515	-	5,250	6,750	11,765
2014	7,060	6,207	-	5,250	7,060	11,457
2015	7,365	5,887	-	5,250	7,365	11,137
2016	7,700	5,529	-	5,250	7,700	10,779
2017	8,085	5,134	-	5,250	8,085	10,384
2018	8,490	4,720	-	5,250	8,490	9,970
2019	8,910	4,274	-	5,250	8,910	9,524
2020	9,380	3,794	-	5,250	9,380	9,044
2021	9,870	3,288	-	5,250	9,870	8,538
2022	10,390	2,757	18,005	5,250	28,395	8,007
2023	10,935	2,197	18,955	4,305	29,890	6,502
2024	11,510	1,608	19,950	3,310	31,460	4,918
2025	12,115	987	20,995	2,262	33,110	3,249
2026	12,750	335	22,095	1,160	34,845	1,495
Total	<u>\$ 150,000</u>	<u>\$ 74,417</u>	<u>\$ 100,000</u>	<u>\$ 79,287</u>	<u>\$ 250,000</u>	<u>\$ 153,704</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 - BONDS PAYABLE (Continued)

2008A (5309) Series Capital Grant Receipts Revenue Bonds: On November 20, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, "2008 Project," in the amount of \$175,000,000, along with a premium of \$3,760,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2008 Project."

The Series 2008A (5309) bonds bear interest ranging from 5.0% to 6.0%. Scheduled interest on the 2008A (5309) bonds was funded through December 1, 2008 with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2009 through June 1, 2026.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,705	\$ 9,169	\$ 15,874
2011	7,040	8,825	15,865
2012	7,395	8,464	15,859
2013	7,765	8,085	15,850
2014	8,150	7,688	15,838
2015	8,560	7,270	15,830
2016	8,990	6,831	15,821
2017	9,440	6,358	15,798
2018	9,935	5,837	15,772
2019	10,480	5,276	15,756
2020	11,055	4,711	15,766
2021	11,610	4,145	15,755
2022	12,190	3,550	15,740
2023	12,800	2,909	15,709
2024	13,470	2,169	15,639
2025	14,280	1,337	15,617
2026	15,135	454	15,589
Total	<u>\$ 175,000</u>	<u>\$ 93,078</u>	<u>\$ 268,078</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 - BONDS PAYABLE (Continued)

2008A Series (Pension Funding) and 2008B Series (Retiree Health Care Funding) Sales and Transfer Tax Receipts Revenue Bonds: On July 30, 2008, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds in the amount of \$1,936,855,000 to fund the employee retirement plan and to create a retiree health care trust. The bonds were sold in two tranches, a \$1.3 billion Series A to fund the employee's retirement plan and a \$640 million Series B to fund a permanent trust that was established to cover other post employment benefits for retirees' health care. The bonds are secured primarily by a pledge of and lien on the Sales Tax Receipts Fund and the Transfer Tax Receipts Fund deposits. The bonds were issued pursuant to the pension and retiree health care reform requirements set forth in Public Acts 94-839 and 95-705.

Public Act 94-839 required the CTA to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. Additionally, Public Act 94-839 required that the Retirement Plan's pension and retiree health care programs be separated into two distinct trusts by December 31, 2008.

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust will be created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue \$1.9 billion in pension obligation bonds to fund the pension and retiree health care. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding. In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the newly established Retiree Health Care Trust no earlier than January 1, 2009, but no later than July 1, 2009.

The Series 2008A and 2008B bonds bear interest ranging from 5.1% to 6.8%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2012 through June 1, 2040.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 131,367	\$ 131,367
2011	-	131,367	131,367
2012	10,020	131,367	141,387
2013	25,720	130,854	156,574
2014	27,040	129,538	156,578
2015	28,740	127,834	156,574
2016	30,550	126,024	156,574
2017	32,475	124,099	156,574
2018	34,520	122,053	156,573
2019	36,695	119,878	156,573
2020	39,010	117,566	156,576
2021	41,465	115,109	156,574
2022	44,080	112,496	156,576
2023	47,120	109,455	156,575
2024	50,370	106,205	156,575
2025	53,845	102,730	156,575
2026	57,560	99,015	156,575
2027	61,530	95,044	156,574
2028	65,775	90,799	156,574
2029	70,310	86,261	156,571
2030	75,165	81,410	156,575
2031	80,350	76,225	156,575
2032	85,895	70,681	156,576
2033	91,820	64,755	156,575
2034	98,150	58,421	156,571
2035	104,925	51,649	156,574
2036	112,165	44,411	156,576
2037	119,905	36,672	156,577
2038	128,170	28,400	156,570
2039	137,015	19,558	156,573
2040	146,470	10,105	156,575
Total	<u>\$ 1,936,855</u>	<u>\$ 2,851,348</u>	<u>\$ 4,788,203</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 9 - BONDS PAYABLE (Continued)

The total bond debt service requirements to maturity for all outstanding bonds are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 42,790	\$ 174,142	\$ 216,932
2011	44,825	172,085	216,910
2012	56,940	169,908	226,848
2013	74,915	167,069	241,984
2014	78,730	163,250	241,980
2015-2019	436,920	749,629	1,186,549
2020-2024	473,010	621,437	1,094,447
2025-2029	406,390	480,384	886,774
2030-2034	431,380	351,492	782,872
2035-2039	602,180	180,690	782,870
2040	146,470	10,105	156,575
	<u>\$ 2,794,550</u>	<u>\$ 3,240,191</u>	<u>\$ 6,034,741</u>

NOTE 10 - CERTIFICATES OF PARTICIPATION

In August 2008, the Bank of New York Mellon issued Certificates of Participation (COP) totaling \$78,430,000 on behalf of the CTA with an interest rate of 4.725%. The COPs will be used to finance the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. On August 1, 2008, the CTA entered into an installment purchase agreement with the Bank of New York Mellon. The obligation of the CTA to make installment payments is an unconditional obligation of the CTA and is payable from legally available funds. The installment agreement requires the CTA to make annual COP payments to the Bank of New York Mellon which are then remitted to the COP holders. Scheduled maturity dates occur at various times through December 1, 2020. The total principal and interest remaining to be paid on the COPs as of December 31, 2009, is \$93,172,000. Principal and interest paid in 2009 was approximately \$8,470,000. As of December 31, 2009, debt service requirements to maturity are as follows:

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 10 - CERTIFICATES OF PARTICIPATION (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,127	\$ 3,343	\$ 8,470
2011	5,373	3,097	8,470
2012	5,629	2,841	8,470
2013	5,898	2,572	8,470
2014	6,180	2,290	8,470
2015	6,476	1,994	8,470
2016	6,786	1,684	8,470
2017	7,110	1,360	8,470
2018	7,450	1,020	8,470
2019	7,806	664	8,470
2020	8,179	293	8,472
	<u>\$ 72,014</u>	<u>\$ 21,158</u>	<u>\$ 93,172</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Plan Descriptions

Employees' Plan: The CTA maintains a trusted, single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees. The Employees' Retirement Plan (the Employees' Plan) is governed by Illinois state statute (40 ILCS 5/22-101).

Substantially all nontemporary, full-time employees who have completed one year of continuous service are covered by the Employees' Plan. Employees hired prior to September 5, 2001, who retire at or after age 65 (or after completion of 25 years of continuous service with full benefits or at age 55 with reduced benefits) are entitled to an annual retirement benefit payable monthly for life, in an amount based upon compensation and credited service. For those hired after September 5, 2001, but prior to January 18, 2008, benefits will be reduced if they retire before age 65 or with less than a combination of age 55 and 25 years of service. Employees hired after January 18, 2008, are eligible for unreduced pension benefits after attaining age 64 with at least 25 years of service, and reduced pension benefits after attaining age 55 with at least 10 years of service. Employees retiring after January 18, 2008, are eligible for retiree healthcare benefits, after attaining age 55 with at least 10 years of service. The minimum age and service requirements do not apply to members on a disability allowance. In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the Retiree Health Care Trust established in 2009. The retiree health care trust is described in note 12. The covered payroll for the Employees' Plan for the fiscal years ended December 31, 2009 and 2008 was \$578,521,000 and \$571,314,000, respectively. The Employees' Plan issues a separate stand-alone financial report and is available upon request.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Supplemental Plans: The CTA also maintains separate single-employer, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) board member plan (2) closed supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) open supplemental plan for active employees and members retiring after March 2005. CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Open Supplemental Retirement Plan). The Open Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the closed and board plans are included in the financial statements of the CTA's business-type activities.

Employees of the applicable employment classifications are eligible for retirement benefits based on age and service credit as follows: at age 65; or age 55 with at least 3 years of service credit; or at any age with 25 or more years of service credit. The minimum monthly benefit is equal to one-sixth of one percent of the employee's average annual compensation multiplied by the years of continuous service. Employees are eligible for disability benefits after completion of 10 years of creditable continuous service or 5 years if the disability results from an on the job injury. Death benefits are payable to a designated beneficiary upon death of the retiree. Qualified dependents of the employee are eligible for monthly survivor benefits if the option was selected by the retiree. Any purchased service credit will be included in the determination of retirement benefits.

During fiscal year 2008, a Voluntary Termination Program ("VTP") was adopted which allowed certain active members eligible for Supplemental Plan benefits under the qualified trust to purchase up to five years of "air-time" and the first year of eligibility service if not included in the determination of pension benefits. Members purchase "air-time" and the first year of eligibility service at a rate of six percent of pay. Members were required to make the election within a certain window of time and agree to terminate employment at a date accepted by the Board. Approximately 70 members have elected to participate in the VTP. For the qualified portion of the Supplemental Plan, the actuarial accrued liabilities increased from \$36.52 million at January 1, 2009, to \$51.35 million at January 1, 2010. The key factors causing the increase in actuarial liabilities include: expected growth, changing the discount rate from 8.0% to 7.0%, demographic losses including members retiring earlier than expected, and experience losses due to purchase of additional bridge service during 2009.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The CTA funds the Open Supplemental Plan per the actuarial annual required contribution, while funding for the Closed and Board Supplemental Retirement Plans are on a pay-as-you-go basis. Employees are not required to make contributions to the supplemental retirement plans except those related to purchase service credit (approved prior governmental service).

Participants in the supplemental retirement plans at December 31, 2009 are as follows:

	<u>Open</u>	<u>Closed</u>	<u>Board</u>
Retirees and beneficiaries currently receiving benefits	80	424	20
Terminated employees entitled to but not yet receiving benefits	11	8	5
Active plan members	60	-	7
Total	<u>151</u>	<u>432</u>	<u>32</u>

Participants in the supplemental retirement plans at December 31, 2008 are as follows:

	<u>Open</u>	<u>Closed</u>	<u>Board</u>
Retirees and beneficiaries currently receiving benefits	49	438	18
Terminated employees entitled to but not yet receiving benefits	16	-	4
Active plan members	94	-	7
Total	<u>159</u>	<u>438</u>	<u>29</u>

The covered payroll for the Open Supplemental Retirement Plan for the fiscal years ended December 31, 2009 and 2008 was \$7,285,000 and \$11,691,000, respectively. The covered payroll for the Board Supplemental Retirement Plan was \$200,000 for the fiscal years ended December 31, 2009 and 2008.

Funding Policy and Annual Pension Cost: Prior to 2008, contribution requirements of the Employees' Plan were governed by collective bargaining agreements. After 2008, contribution requirements are governed by Illinois state statute (40 ILCS 5/22-101). Contributions for the supplemental plans are actuarially determined but may be amended by the board of trustees of the Plan. The CTA's annual pension cost for the current year and related information for each plan are as follows (in thousands of dollars):

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

	<u>Employees' Plan</u>	<u>Open</u>	<u>Closed</u>	<u>Board</u>
	<u>Pension</u>	<u>Supplemental</u>	<u>Supplemental</u>	<u>Plan</u>
Contribution rates:				
CTA**	6.2%	Actuarial	Pay-Go Funding	Pay-Go Funding
Plan members**	5.2	None	None	None
Annual pension cost (APC)	\$88,425	\$2,685	\$2,745	\$274
Actual 2009 contributions:				
CTA	\$36,061	\$7,410	\$3,381	\$266
Plan members	\$30,295	\$0	\$0	\$6
Actuarial valuation date	January 1, 2009	January 1, 2009	January 1, 2009	January 1, 2009
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar	Level dollar	Level dollar	Level dollar
Remaining amortization period	30 years	20 years	12 years	30 years
Asset valuation method	5-year smoothed market	Fair market value	Fair market value	Fair market value
Actuarial assumptions:				
Investment rate of return	8.75%	8.0%	6.0%	6.0%
Projected salary increases	5.5	5.5	N/A	-
Includes inflation at	3.5	3.5	3.5	3.5

** Employee pension plan employer contributions are allocated between the pension and retiree healthcare account

The per capita healthcare claim costs and dependent contribution rates were assumed to increase as follows:

<u>Plan year</u>	<u>Trend rate</u>
2009	10.0%
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014 and after	5.0%

There were no significant assumption changes for either plan from the prior year valuation.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The following represents the significant components of the APC and changes in net pension obligation (asset) (NPO) during the year ended December 31, 2009 (in thousands of dollars):

	Employees' Plan	Supplemental Retirement Plans		
	Pension	Open	Closed	Board
Annual required contribution	\$ 88,422	\$ 2,410	\$ 3,635	\$ 288
Interest on NPO	(8,433)	(1,246)	962	78
Adjustment to ARC	8,436	1,521	(1,852)	(92)
Annual pension cost	88,425	2,685	2,745	274
Contributions made	36,061	7,410	3,381	266
Increase (decrease) in NPO	52,364	(4,725)	(636)	8
NPO - December 31, 2008	(96,376)	(15,576)	16,029	1,306
NPO - December 31, 2009	<u>\$ (44,012)</u>	<u>\$ (20,301)</u>	<u>\$ 15,393</u>	<u>\$ 1,314</u>

The following represents the significant components of the APC and changes in net pension obligation (asset) (NPO) during the year ended December 31, 2008 (in thousands of dollars):

	Employees' Plan	Supplemental Retirement Plans		
	Pension	Open	Closed	Board
Annual required contribution	\$ 178,965	\$ 230	\$ 3,599	\$ 282
Interest on NPO	77,927	(627)	1,002	78
Adjustment to ARC	(77,951)	668	(1,829)	(92)
Annual pension cost	178,941	271	2,772	268
Contributions made	55,409	8,000	3,459	263
Extraordinary contribution	1,110,500	-	-	-
Increase (decrease) in NPO	(986,968)	(7,729)	(687)	5
NPO - December 31, 2007	890,592	(7,847)	16,716	1,301
NPO - December 31, 2008	<u>\$ (96,376)</u>	<u>\$ (15,576)</u>	<u>\$ 16,029</u>	<u>\$ 1,306</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Three-year Trend Information: The following summarizes fund information for the plans (in thousands of dollars):

	Year ended	Annual pension cost (APC)	Actual contributions	Percentage of APC contributed	Net pension obligation
Employees' Plan Pension	December 31, 2009	\$ 88,425	\$ 36,061	40.8%	\$ (44,012)
	December 31, 2008	178,941	1,165,909	651.6	(96,376)
	December 31, 2007	186,455	25,026	13.4	890,592
Open Supplemental Plan	December 31, 2009	\$ 2,685	\$ 7,410	276.0%	\$ (20,301)
	December 31, 2008	271	8,000	2,952.0	(15,576)
	December 31, 2007	242	-	0.0	(7,847)
Closed Supplemental Plan	December 31, 2009	\$ 2,745	\$ 3,381	123.2%	\$ 15,393
	December 31, 2008	2,772	3,459	124.8	16,029
	December 31, 2007	2,674	3,504	131.0	16,716
Board Supplemental Plan	December 31, 2009	\$ 274	\$ 266	97.1%	\$ 1,314
	December 31, 2008	268	263	98.1	1,306
	December 31, 2007	274	284	103.6	1,301

Funded Status and Funding Progress: The following is funded status information for the Employees' Plan - Pension as of January 1, 2009, and the three supplemental plans as of January 1, 2010, the most recent actuarial valuation dates (in thousands of dollars):

	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Employees' Plan - Pension	1/1/2009	\$ 1,995,953	\$ 2,632,356	\$ 636,403	75.8%	\$ 578,521	110.0%
Open Supplemental Plan	1/1/2010	32,345	51,348	19,003	63.0%	7,265	261.6%
Closed Supplemental Plan	1/1/2010	-	30,696	30,696	0.0%	N/A	N/A
Board Supplemental Plan	1/1/2010	35	4,246	4,211	0.8%	200	2105.5%

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 12 - POSTEMPLOYMENT HEALTHCARE

Plan Descriptions - OPEB

Employees' Plan - Retiree Healthcare Benefits: The CTA maintains a trusted, single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees. The Retirement Plan for CTA employees (the Employees' Plan) is governed by statute and is described in detail at Note 11.

The Employees' Plan provides death, disability, and health benefits to participants. In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the newly established Retiree Health Care Trust. In May 2008, the Retiree Health Care Trust was established and began paying for all retiree healthcare benefits in February 2009. For financial reporting purposes, the postemployment healthcare benefits are considered, in substance, a postemployment healthcare plan administered by the Retiree Health Care Trust. Members are eligible for health benefits based on their age and length of service with CTA. The Retiree Health Care Trust issues a separate stand-alone financial report and is available upon request.

Supplemental Plans - Retiree Healthcare Benefits: Employees of the CTA in certain employment classifications are eligible to participate in the supplemental retirement plan. Members of the Supplemental Plan with bridged service or service purchased through the Voluntary Termination Program are eligible for Supplemental Healthcare benefits if they retiree under the Supplemental Plan and do not immediately qualify for healthcare benefits under the CTA Retiree Healthcare Trust. Supplemental Healthcare Plan benefits are administered through the CTA's healthcare program covering active members. Supplemental healthcare benefits cease when the member becomes eligible for healthcare coverage under the newly established Retiree Health Care Trust. Certain members not eligible for benefits under the Retiree Health Care Trust will continue to receive benefits through the CTA's healthcare program covering active members. The benefits are dependent on the amount of bridged service and the amount of service at the CTA that is credited in the Employees Plan.

Chicago Transit Board members participate in a separate Board Member Retirement Plan and a Supplemental Plan. Board members with greater than five years of service are eligible for healthcare benefits immediately after termination or retirement.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 12 - POSTEMPLOYMENT HEALTHCARE (Continued)

Funding Policy - OPEB

Employees' Plan - Retiree Healthcare Benefits: Prior to 2008, the contribution levels are set by the collective bargaining agreement. The collective bargaining agreement in effect during 2007 required contributions of six percent and three percent of payroll from the employer and employees, respectively which covers both pension and healthcare benefits. In 2008 the required contributions were twelve percent and six percent of payroll from the employer and employees per the statutory plan change implemented January 18, 2008 per Public Act 95-708. The employer and employee contributions are allocated ratably between the pension and healthcare components of the plan, as limited by Internal Revenue Code Section 401(h). For fiscal year 2009, contributions for healthcare benefits paid from the Employees Plan through June 30, 2009, were approximately 0.8% of payroll for employees, and 0.9% of payroll for the CTA.

Subsequent to 2008, contribution levels are determined by the Retiree Health Care Trust based on the results of an actuarial valuation.

Supplemental Plan - Retiree Healthcare Benefits: Funding for the Supplemental and Board Retiree Healthcare Plans are on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation during the year ended December 31, 2009 (dollar amounts in thousands):

	Employees' Plan Healthcare	Supplemental	Total
Annual required contribution	\$ 5,257	\$ 1,645	\$ 6,902
Interest on net OPEB obligation	-	19	19
Adjustment to ARC	-	(29)	(29)
Annual OPEB expense	5,257	1,635	6,892
Contributions made	5,257	404	5,661
Increase (decrease) in net OPEB obligation	-	1,231	1,231
Net OPEB obligation - December 31, 2008	-	435	435
Net OPEB obligation - December 31, 2009	<u>\$ -</u>	<u>\$ 1,666</u>	<u>\$ 1,666</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 12 - POSTEMPLOYMENT HEALTHCARE (Continued)

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation during the year ended December 31, 2008 (dollar amounts in thousands):

	Employees' Plan		Total
	Healthcare	Supplemental	
Annual required contribution	\$ 17,524	\$ 508	\$ 18,032
Interest on net OPEB obligation	32,975	11	32,986
Adjustment to ARC	<u>(659,507)</u>	<u>(14)</u>	<u>(659,521)</u>
Annual OPEB expense	(609,008)	505	(608,503)
Contributions made	(13,031)	(292)	(13,323)
Statutory plan change	<u>(37,468)</u>	<u>-</u>	<u>(37,468)</u>
Increase (decrease) in net OPEB obligation	(659,507)	213	(659,294)
Net OPEB obligation - December 31, 2007	<u>659,507</u>	<u>222</u>	<u>659,729</u>
Net OPEB obligation - December 31, 2008	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ 435</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows (dollar amounts in thousands):

Employees Plan:

Fiscal Year Ended	OPEB Cost	Percent OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 5,257	100.0%	\$ -
2008	(609,008)	-2.1%	-
2007	152,861	5.7	659,507

Supplemental Plan:

Fiscal Year Ended	OPEB Cost	Percent OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,635	24.6%	\$ 1,666
2008	505	57.9%	434
2007	556	60.2	222

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 12 - POSTEMPLOYMENT HEALTHCARE (Continued)

Funded Status and Funding Progress - OPEB

Employee's Plan - Retiree Healthcare Benefits:

As of January 1, 2009, the most recent actuarial valuation date, plan liabilities were approximately \$9,673,000 and plan assets were \$191,000. Effective as of June 30, 2009, the Employees Plan will no longer be responsible for making retiree healthcare payments. The actuarial liability of \$9,673,000 at January 1, 2009, represents the estimated payments that can be made from the retiree healthcare account as limited by section 401(h) of the Internal Revenue Code.

As of January 1, 2008 the most recent actuarial valuation date, the plan was 65.9 percent funded. The actuarial accrued liability for benefits was \$68,826,000, and the actuarial value of assets was \$45,373,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,453,000. The covered payroll (annual payroll of active employees covered by the plan) was \$571,314,000, and the ratio of the UAAL to the covered payroll was 4.1 percent. This is a significant decrease from the prior year liability because PA 95-708 removed responsibility for paying for healthcare benefits from the Retirement Plan. The liabilities above reflect one-year of net healthcare benefits expected to be paid in Plan year 2008.

Supplemental and Board Plans - Retiree Healthcare Benefits

As of January 1, 2010 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$18,967,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,967,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,580,000, and the ratio of the UAAL to the covered payroll was 529.8 percent.

As of January 1, 2009 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$16,830,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,830,000. The covered payroll (annual payroll of active employees covered by the plan) was \$4,420,000, and the ratio of the UAAL to the covered payroll was 380.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 12 - POSTEMPLOYMENT HEALTHCARE (Continued)

statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation of the Supplemental and Board Plans as of January 1, 2009, and January 1, 2010, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a medical and prescription trend rate of 9.0 percent, reduced by 0.75 percent per year until an ultimate rate of 5.0 percent is reached. Both rates included a 3.5 percent inflation assumption. The Supplemental Plan UAAL is being amortized as a level dollar over a 20 year closed period beginning January 1, 2009. The Board Plan UAAL is amortized as a level dollar open 30-year amortization.

NOTE 13 - RISK MANAGEMENT

The CTA is exposed to various types of risk of loss, including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risks of loss associated with providing health, dental, and life insurance benefits to employees and retirees.

The CTA provides health insurance benefits to employees through two fully insured health maintenance organizations and a self-insured comprehensive indemnity/PPO plan. The CTA provides dental insurance benefits through two fully insured dental maintenance organizations and a self-insured dental indemnity plan. The CTA does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO plan. The CTA provides life insurance benefits for active and retired employees through an insured life insurance program.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 13 - RISK MANAGEMENT (Continued)

The CTA is also self-insured for general liability, property and casualty, workers' compensation, employee accidents, environmental, business interruption, terrorism, and automotive liability losses arising from automotive liability, property, property-related business interruption, terrorism, employment-related suits, including discrimination and sexual harassment, and management liability of board members, directors, and officers of the CTA.

The RTA provides excess liability insurance to protect the self-insurance programs for general liability and terrorism currently maintained by the CTA. On November 8, 2005, a new policy was established through May 7, 2010 that covered injury and damage claims. The policy provides \$35,000,000 excess of the \$15 million self insured retention and \$70,000,000 in the aggregate. In 2009 and 2008, no CTA claim existed that is expected to exceed the \$15,000,000 self insured retention under this insurance policy.

The CTA participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of \$2,500,000 per occurrence up to a maximum of \$47,500,000 from the Fund. The CTA is obligated to reimburse the Fund for any damages paid plus a floating interest rate. However, reimbursement payments, including interest, cannot exceed \$3,500,000 in any one year. No borrowings were made from the Fund in fiscal year 2009 or 2008 to pay injury and damage claims.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 6.0% and 3.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 6.0% and 3.0%, respectively.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 13 - RISK MANAGEMENT (Continued)

Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	<u>Injury and damage</u>	<u>Group health and dental</u>	<u>Workers' compensation</u>	<u>Total</u>
Balance at December 31, 2007	\$ 93,556	\$ 17,557	\$ 81,637	\$ 192,750
Funded*	14,000	195,833	39,086	248,919
Funding (excess)/deficiency per actuarial requirement	(6,281)	-	18,191	11,910
Payments*	<u>(17,450)</u>	<u>(194,890)</u>	<u>(44,373)</u>	<u>(256,713)</u>
Balance at December 31, 2008	83,825	18,500	94,541	196,866
Funded*	20,000	169,234	36,174	225,408
Funding (excess)/deficiency per actuarial requirement	(4,604)	-	32,952	28,348
Payments*	<u>(22,539)</u>	<u>(172,134)</u>	<u>(52,505)</u>	<u>(247,178)</u>
Balance at December 31, 2009	<u>\$ 76,682</u>	<u>\$ 15,600</u>	<u>\$ 111,162</u>	<u>\$ 203,444</u>

*Group insurance amounts include funding and reimbursement for retiree healthcare

Chapter 70, Paragraph 3605/39 of the Illinois Compiled Statutes requires the CTA to establish an injury and damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance, and operation of the transportation system. The statute also requires the CTA to separately fund the current year's budgeted provision for the injury and damage reserve. See note 5 regarding cash and investment amounts maintained in this account.

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS

Objective of the Derivative: The CTA negotiated a commodity swap agreement with two financial institutions to protect against market fluctuations in the price of diesel fuel.

Terms: The CTA entered into commodity swap agreements for NYMEX No. 2 heating oil as shown below. Payment between the swap parties is calculated as the average of the daily settlement price per gallon for the first nearby month of the NYMEX No. 2 heating oil futures contract.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Fair Value: As of December 31, 2009 and 2008, the commodity swaps had a fair value of (\$5,608,317) and (\$62,067,602), respectively, estimated by discounting forward market prices available from exchange trading.

2009 Commodity Swap Agreements:

Effective Date	Termination Date	Notional Quantity per Calculation pd	Total Notional Quantity Gallons	Fair Value Per Statement
4/1/2009	12/31/2009	420,000	3,780,000	\$ (796,282)
4/1/2009	12/31/2009	434,000	3,906,000	(772,373)
5/1/2009	12/31/2009	476,000	4,284,000	(1,259,412)
5/1/2009	12/1/2009	535,500	4,284,000	(1,249,460)
4/1/2009	4/1/2009	420,000	3,780,000	159,779
10/1/2010	10/1/2010	42,000	126,000	31,964
1/1/2010	12/31/2010	210,000	2,520,000	(2,618,515)
1/1/2010	3/31/2010	252,000	756,000	40,628
1/1/2010	3/31/2010	210,000	630,000	140,151
1/1/2010	3/31/2010	210,000	630,000	3,946
5/1/2009	5/1/2009	476,000	4,284,000	118,761
7/1/2010	7/1/2010	168,000	504,000	10,189
4/1/2010	4/1/2010	126,000	378,000	75,987
4/1/2010	6/30/2010	168,000	504,000	22,640
4/1/2010	6/30/2010	210,000	630,000	128,366
4/1/2010	6/30/2010	168,000	504,000	(1,260)
1/1/2010	1/1/2010	210,000	2,520,000	91,204
4/1/2010	4/1/2010	168,000	504,000	(10,773)
10/1/2010	10/1/2010	126,000	378,000	8,122
7/1/2010	9/30/2010	126,000	378,000	24,324
7/1/2010	9/30/2010	126,000	378,000	76,433
7/1/2010	9/30/2010	126,000	378,000	48,815
1/1/2010	1/1/2010	210,000	630,000	30,443
7/1/2010	7/1/2010	126,000	378,000	(5,805)
1/1/2010	1/1/2010	210,000	630,000	5,280
10/1/2010	12/31/2010	84,000	252,000	18,303
10/1/2010	12/31/2010	42,000	126,000	25,863
10/1/2010	12/31/2010	126,000	378,000	44,366
				\$ (5,608,317)

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 14 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

2008 Commodity Swap Agreements:

Effective date	Termination date	Notional quantity per calculation period (gallons)	Total notional quantity (gallons)	Fair value
5/1/2008	3/31/2009	210,000	2,310,000	\$ (1,560,937)
6/1/2008	6/30/2009	420,000	5,460,000	(7,216,401)
7/1/2008	12/31/2008	238,000	1,428,000	(538,765)
4/1/2009	12/31/2009	420,000	3,780,000	(8,830,001)
5/1/2009	12/31/2009	476,000	4,284,000	(10,946,355)
1/1/2010	12/31/2010	210,000	2,520,000	(3,686,020)
5/1/2008	3/31/2009	271,091	2,982,000	(1,701,496)
5/1/2008	3/31/2009	271,091	2,982,000	(2,030,048)
6/1/2008	4/30/2009	210,000	2,310,000	(1,896,660)
6/1/2008	4/30/2009	439,091	4,830,000	(4,559,300)
4/1/2009	12/31/2009	434,000	3,906,000	(8,588,485)
5/1/2009	12/31/2009	535,500	4,284,000	(10,513,134)
				<u>\$ (62,067,602)</u>

Credit Risk: The CTA is exposed to credit risk in the amount of its fair value. As of December 31, 2009, the swap counterparty's long-term deposit ratings were Aa1 and A2 per Moody's Investors Service and AA- and A by Standard & Poor's. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Aa2/AA, the fair value of the swap will be fully collateralized by the counterparty with cash, U.S. Treasury, or U.S. Agency securities. Collateral is posted with a third-party custodian.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation: The CTA has been named as a defendant in various other legal proceedings arising in the normal course of operations. Although the ultimate outcome of these matters cannot be presently determined, it is the opinion of management of the CTA that resolution of these matters will not have a material adverse impact on the CTA's financial position.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of \$91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt was \$97,750,000 as of December 31, 2009.

Operating Leases: As of December 31, 2009, future minimum lease payments for operating leases, in the aggregate, are as follows (in thousands of dollars):

2010	\$ 342,930
2011	353,217
2012	241,978
Total minimum lease payments	<u>\$ 938,125</u>

NOTE 16 - SUBSEQUENT EVENTS

Sales Tax Receipts Revenue Bonds

On April 6, 2010, the CTA issued \$550 million in Sales Tax Receipts Revenue Bonds, Series 2010A and 2010B, to fund the purchase of new rail cars. The bonds mature on December 1, 2040 and have interest rates ranging between 4.0% and 6.2%.

Sales Tax Receipts Revenue Refunding Bonds

On April 14, 2010, the CTA Board approved the issuance of up to \$100 million in Capital Grants Receipts Revenue Bonds - Refunding Series 2010, to refund previous bond series and to accelerate the completion of key capital projects.

Operations

In December 2009, the Chicago Transit Board approved the 2010 Budget. This budget included the elimination of approximately 1,000 jobs and service reductions which went into effect February 7, 2010. As a result of these service changes, CTA closed the Archer bus garage and reduced the size of its bus fleet by retiring some of its oldest buses.

Lease Transactions

During 1998, the CTA entered into a lease and leaseback agreement with three investors pertaining to a property, railway tracks and train stations on the Green Line. The CTA's payments associated with this agreement were guaranteed by American International Group Inc. (AIG).

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 16 - SUBSEQUENT EVENTS (Continued)

During 2008, AIG's credit rating was cut amid the U.S. mortgage meltdown and global economic crisis. The rating cut provided the third party investors with the option to require CTA to replace the Payment Undertaker Guarantor. One of the three investors chose to unwind the transaction. One investor entered into a forbearance agreement that allowed CTA to continue to use AIG as long as the rating does not fall below BB by Standard & Poor's and B1 by Moody's. CTA is still in negotiations with one of the investors regarding the replacement of AIG.

In 2002 and 2003, CTA entered into a lease and leaseback agreement with third party investors for buses. CTA entered into an agreement with Financial Security Assurance, Inc. (FSA) to act as the debt payment and strip surety guarantor. FSA's credit rating was downgraded during the 2008 financial crisis. This downgrading allows the private investors the option to require CTA to replace the guarantor. CTA is still in negotiations with the investors.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Required Supplementary Information - Pension
Schedules of Funding Progress (Unaudited)
December 31, 2009
(In thousands of dollars)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Employees' Plan - Pension:						
1/1/2009	\$ 1,995,953	\$ 2,632,356	\$ 636,403	75.8%	\$ 578,521	110.0%
1/1/2008	941,864	2,531,440	1,589,576	37.2	571,314	278.2
1/1/2007	1,007,305	2,466,106	1,458,801	40.8	562,567	259.3
1/1/2006	1,144,669	2,354,125	1,209,456	48.6	547,532	220.9
1/1/2005	1,313,087	2,291,162	978,075	57.3	544,442	179.6
1/1/2004	1,491,574	2,189,666	698,092	68.1	486,626	143.5
1/1/2003	1,671,055	2,085,724	414,669	80.1	480,740	86.3
1/1/2002	1,688,873	2,044,330	355,457	82.6	459,343	77.4
1/1/2001	1,634,254	2,058,999	424,745	79.4	431,703	98.4
Open Supplemental Plan:						
1/1/2010	\$ 32,345	\$ 51,348	\$ 19,002	63.0%	\$ 7,265	261.6%
1/1/2009	22,434	36,519	14,085	61.4	11,691	120.5
1/1/2008	19,457	15,974	(3,483)	121.8	13,551	-25.7
1/1/2007	18,937	15,503	(3,434)	122.2	14,840	-23.1
1/1/2006	17,001	10,064	(6,937)	168.9	14,871	-46.6
1/1/2005	*	*	*	*	*	*
1/1/2004	*	*	*	*	*	*
1/1/2003	*	*	*	*	*	*
1/1/2002	*	*	*	*	*	*
Closed Supplemental Plan:						
1/1/2010	\$ -	\$ 30,696	\$ 30,696	-%	\$ -	-%
1/1/2009	-	31,459	31,459	-	-	-
1/1/2008	-	32,887	32,887	-	-	-
1/1/2007	-	33,104	33,104	-	-	-
1/1/2006	-	34,835	34,835	-	-	-
1/1/2005	408	45,959	45,551	0.9	15,953	285.5
1/1/2004	301	46,820	46,519	0.6	17,590	264.5
1/1/2003	265	48,372	48,107	0.5	18,685	257.5
1/1/2002	204	47,762	47,558	0.4	17,502	271.7
Board Supplemental Plan:						
1/1/2010	\$ 35	\$ 4,246	\$ 4,210	0.8%	\$ 200	2105.1%
1/1/2009	45	3,257	3,212	1.4	200	1606.0
1/1/2008	56	3,193	3,137	1.8	200	1568.5
1/1/2007	50	3,312	3,262	1.5	200	1631.0
1/1/2006	47	3,270	3,223	1.4	175	1841.7
1/1/2005	42	3,001	2,959	1.4	175	1690.9
1/1/2004	55	2,579	2,524	2.1	175	1442.3
1/1/2003	55	2,369	2,314	2.3	200	1157.0
1/1/2002	56	2,127	2,071	2.6	200	1035.5

*During the year ended December 31, 2005, the CTA established a qualified trust for members of the supplement retirement plan retiring after March 2005 (Open Supplemental Retirement Plan). With the establishment of the trust, the old supplemental retirement plan was effectively closed and subsequently only includes employees who retired prior to March 2005.

CHICAGO TRANSIT AUTHORITY
Required Supplementary Information - Other Post Employment Healthcare
Schedules of Funding Progress (Unaudited)
December 31, 2009
(In thousands of dollars)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Employees' Plan - Healthcare:						
1/1/2009	\$ 191	\$ 9,673	\$ 9,482	2.0%	\$ 578,521	1.6%
1/1/2008	45,373	68,826	23,453	65.9	578,163	4.1
1/1/2007	58,856	1,765,884	1,707,028	3.3	562,567	303.4
1/1/2006	54,386	1,129,278	1,074,892	4.8	547,532	196.3
1/1/2005	69,177	1,219,457	1,150,280	5.7	544,442	211.3
1/1/2004	89,472	1,068,961	979,489	8.4	486,626	201.3
1/1/2003	55,882	940,873	884,991	5.9	480,740	184.1
1/1/2002	175,854	767,864	592,010	22.9	459,343	128.9
1/1/2001	193,841	299,857	106,016	64.6	431,703	24.6
Supplemental Plan - Healthcare:						
1/1/2010	\$ -	\$ 18,967	\$ 18,967	0.0%	\$ 3,580	529.8%
1/1/2009	-	16,830	16,830	-	4,420	380.8
1/1/2008	-	6,287	6,287	-	2,771	226.9
1/1/2007	-	6,796	6,796	-	3,332	204.0

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Employer Contributions (Unaudited)
December 31, 2009
(In thousands of dollars)

Employees' Plan - Pension		
Year ended	Annual required contribution	Percentage contributed
12/31/09	\$ 88,422	40.8%
12/31/08	178,966	651.5
12/31/07	185,944	13.5
12/31/06	153,204	15.6
12/31/05	133,816	14.8
12/31/04	104,881	19.2
12/31/03	64,627	30.0
12/31/02	33,973	57.5
12/31/01	58,317	41.3

CHICAGO TRANSIT AUTHORITY
 Other Post Employment Healthcare
 Required Supplementary Information -
 Schedules of Employer Contributions (Unaudited)
 December 31, 2009
 (In thousands of dollars)

Employees' Plan - Healthcare		
Year ended	Annual required contribution	Percentage contributed
12/31/09	\$ 5,257	100.0%
12/31/08	17,524	74.4
12/31/07	159,021	5.5
12/31/06	119,568	9.8
12/31/05	128,653	8.3
12/31/04	111,659	9.3
12/31/03	97,936	10.1
12/31/02	41,841	22.0
12/31/01	11,488	27.3

Supplemental Plans - Healthcare		
Year ended	Annual required contribution	Percentage contributed
12/31/09	\$ 1,645	24.6%
12/31/08	508	57.6
12/31/07	556	60.2

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Employer Contributions (Unaudited)
December 31, 2009
(In thousands of dollars)

Open Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/09	\$ 2,410	307.4%
12/31/08	230	3,475.0
12/31/07	200	-
12/31/06	-	-
12/31/05	1,545	1,016.5
12/31/04	*	*
12/31/03	*	*
12/31/02	*	*

Closed Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/09	\$ 3,635	93.0%
12/31/08	3,599	96.1
12/31/07	3,450	101.6
12/31/06	3,474	99.8
12/31/05	2,439	144.4
12/31/04	*	*
12/31/03	*	*
12/31/02	*	*

Board Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/09	\$ 288	92.4%
12/31/08	282	93.3
12/31/07	288	98.8
12/31/06	275	106.0
12/31/05	261	109.7
12/31/04	*	*
12/31/03	*	*
12/31/02	*	*

Total Supplemental Plans

Year ended	Annual required contribution	Percentage contributed
12/31/04	\$ 4,368	84.0%
12/31/03	4,690	65.3
12/31/02	4,543	108.6

*Prior to 2005, all supplemental plans were combined for reporting purposes.

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues -
Budget and Actual - Budgetary Basis
Year ended December 31, 2009
(In thousands of dollars)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual - budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
Operating expenses:				
Labor and fringe benefits	\$ 887,723	\$ 871,757	\$ 856,468	\$ 15,289
Materials and supplies	94,763	92,326	87,900	4,426
Fuel	102,852	98,163	100,539	(2,376)
Electric power	39,944	40,077	37,645	2,432
Purchase of security services	33,441	32,204	32,300	(96)
Other	132,790	117,407	131,348	(13,941)
Provision for injuries and damages	30,000	20,000	15,397	4,603
Total operating expenses	<u>1,321,513</u>	<u>1,271,934</u>	<u>1,261,597</u>	<u>10,337</u>
System-generated revenues:				
Fares and passes	516,313	529,705	505,713	(23,992)
Reduced-fare subsidies	16,100	16,100	28,239	12,139
Advertising and concessions	40,500	30,549	30,215	(334)
Investment income	6,300	2,000	1,258	(742)
Contributions from local governmental units	5,000	5,000	5,000	-
Other revenue	14,000	18,615	31,207	12,592
Total system-generated revenues	<u>598,213</u>	<u>601,969</u>	<u>601,632</u>	<u>(337)</u>
Operating expenses in excess of system-generated revenues	723,300	669,965	659,965	10,000
Public funding from the RTA:				
Operating assistance	723,300	541,391	541,391	-
Public funding in excess of budget marks	-	-	15,331	15,331
Preventative Maintenance	-	128,574	128,574	-
	<u>723,300</u>	<u>669,965</u>	<u>685,296</u>	<u>15,331</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	25,331	<u>\$ 25,331</u>
Reconciliation of budgetary basis to GAAP basis:				
Prior Year Positive Balance - Lease proceeds			(2,800)	
RTA working cash notes payable			(56,147)	
Provision for depreciation			(394,357)	
Pension expense in excess of pension contributions			(53,596)	
Supplemental Retirement			5,747	
Incentive Retirement			391	
Revenue from leasing transactions			4,262	
Interest expense on bond transactions			(102,308)	
Interest revenue on bond transactions			713	
Interest income from sale/leaseback			105,692	
Interest expense from sale/leaseback			(116,852)	
Capital contributions			463,830	
Change in net assets - GAAP basis			<u>\$ (120,094)</u>	
CTA recovery ratio:				
Total operating expenses			\$ 1,261,597	
Less mandated security costs			(32,300)	
Less Pension Obligation Bond debt service			(43,990)	
Plus City of Chicago in-kind services			22,000	
Total operating expenses for recovery ratio calculation (B)			<u>\$ 1,207,307</u>	
Total system-generated revenues				
Plus Senior Free Rides			\$ 36,100	
Plus City of Chicago in-kind services			22,000	
Total system-generated revenues for recovery ratio calculation (A)			<u>\$ 659,732</u>	
Recovery ratio (A/B)				54.64%

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues -
Budget and Actual - Budgetary Basis
Year ended December 31, 2008
(In thousands of dollars)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual - budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
Operating expenses:				
Labor and fringe benefits	\$ 751,451	\$ 876,350	\$ 873,636	\$ 2,714
Materials and supplies	72,911	92,430	100,568	(8,138)
Fuel	49,267	89,919	91,834	(1,915)
Electric power	29,797	35,331	35,442	(111)
Purchase of security services	33,600	33,600	32,382	1,218
Other	68,310	68,010	72,807	(4,797)
Provision for injuries and damages	<u>28,000</u>	<u>14,000</u>	<u>7,718</u>	<u>6,282</u>
Total operating expenses	<u>1,033,336</u>	<u>1,209,640</u>	<u>1,214,387</u>	<u>(4,747)</u>
System-generated revenues:				
Fares and passes	470,376	463,467	471,099	7,632
Reduced-fare subsidies	32,271	32,000	31,855	(145)
Advertising and concessions	27,381	28,000	27,661	(339)
Investment income	11,736	6,340	3,779	(2,561)
Contributions from local governmental units	5,000	5,000	5,000	-
Other revenue	<u>14,744</u>	<u>13,001</u>	<u>13,161</u>	<u>160</u>
Total system-generated revenues	<u>561,508</u>	<u>547,808</u>	<u>552,555</u>	<u>4,747</u>
Operating expenses in excess of system-generated revenues	471,828	661,832	661,832	-
Public funding from the RTA:				
Operating assistance	471,828	641,832	641,832	-
Prior Year Positive Balance	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
	<u>471,828</u>	<u>661,832</u>	<u>661,832</u>	<u>-</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Prior Year Positive Balance - Lease proceeds			(20,000)	
Provision for depreciation			(403,248)	
Pension expense in excess of pension contributions			24,606	
Supplemental Retirement			8,179	
Incentive Retirement			403	
Workers Compensation			(13,191)	
Revenue from leasing transactions			4,262	
Interest expense on bond transactions			(72,028)	
Interest revenue on bond transactions			4,385	
Interest on lease proceeds			1,166	
Interest income from sale/leaseback			118,962	
Interest expense from sale/leaseback			(116,767)	
Capital contributions			<u>518,520</u>	
Change in net assets - GAAP basis			<u>\$ 55,249</u>	
CTA recovery ratio:				
Total operating expenses			\$ 1,214,387	
Less mandated security costs			(32,382)	
Plus City of Chicago in-kind services			<u>22,000</u>	
Total operating expenses for recovery ratio calculation (B)			<u>\$ 1,204,005</u>	
Total system-generated revenues				
Plus Senior Free Rides			17,500	
Plus City of Chicago in-kind services			<u>22,000</u>	
Total system-generated revenues for recovery ratio calculation (A)			<u>\$ 592,055</u>	
Recovery ratio (A/B)				49.17%